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Giovanni Bisignani
Director General and CEO, IATA

Responding to Crisis

This has been an incredible year. We started in celebration of a profitable year in 2007. As it was our first profit since the tragic events of September 11, it was a significant event.

The celebration did not last long. By mid-year we were in a cost crisis centred on US\$147 oil. As economies faltered, the price of oil has dropped below US\$65. So we are ending the year in the shadow of a looming recession. For the first time since SARS, passenger numbers contracted in September—by 2.9% compared to the previous year. The 7.7% tumble in cargo loads tells us that the worst is yet to come.

The outlook is bleak. We expect up to US\$5.2 billion in losses for 2008. And the results for next year are dependant on how deep and long the recession will be.

The only absolute certainty is the need for efficiency—everywhere.

Since 2002 airlines have improved fuel efficiency by 19%, dropped non-fuel unit costs by 18% and restructured their businesses to improve productivity by 64%.

The burden of change must be shared.

That is why IATA is engaging airports and air navigation service providers in a campaign for efficiency. So far this year our efforts have yielded US\$5 billion in fuel savings with a benefit to the environment of over 14 million tonnes of CO₂. At the same time, we are engaging our partners to pass on efficiency gains to airlines in reduced charges. A re-think of fuel taxes in Brazil will bring US\$411 million in savings over the next 4 years. India's elimination of 5% fuel import duties is a good first step towards addressing the competitive disadvantages that the current tax structure has created.

In these difficult times, we must look above and beyond incremental change. Restrictions on access to markets and to global capital have lost their purpose in today's global world. They have created a super-fragmented industry that is not sustainable in the long-term.

In late October, IATA did something extra-ordinary. We hosted an Agenda for Freedom summit for 14 States and the European Commission. The goal was to modernise the rules of the game. The group found a shared belief that airlines need the same commercial freedoms that other businesses take for granted. This momentum will drive discussions over the next months as we prepare for a follow-up meeting early 2009 to turn discussions into action.



Agenda for Freedom Success

The liberalisation debate for air transport took a positive step forward at the Agenda for Freedom summit held in Istanbul this October. "The most important achievement was momentum to move forward," said Giovanni Bisignani, IATA's Director General and CEO, as the two days of discussion concluded with an agreement by those attending (14 governments plus the European Commission) to meet again in early 2009 with a goal of moving from discussion to action.

Although unusual for a trade association to facilitate inter-governmental discussion, "the extraordinary crisis situation of the industry required action," said Bisignani.

IATA asked Jeffrey N. Shane, partner at Hogan and Hartson and former U.S. Under-Secretary of Transportation, to chair the Summit. "In the airline industry you have to get government permission to tie your shoes, and that is no longer a sensible approach given the importance of air transport in economic growth and given the challenges that the industry faces," said Shane.

The Summit followed up on the Istanbul Declaration's call for expanded commercial freedoms – specifically related to market access and ownership and control issues. In advance of the meeting, IATA circulated a paper among attending governments with a proposal to use a flexible system of unilateral waivers of specific clauses in bilateral agreements that limit either market access or ownership.

The Summit found that there was common ground to move ahead. "Participants were urged to reflect on these ideas, consider how their respective governments could pursue them further in light of their particular circumstances, and report on progress at a follow-up meeting to be held in 2009," reported Shane in his summary.

In addition to considering the IATA proposal, Summit participants urged IATA to help facilitate two other activities: developing a multilateral statement of principles and a mechanism to spread best practices in liberalisation.

"A multilateral statement of principles could be a very powerful tool in this discussion because it will indicate a very clear direction and a commitment. And because it can be developed quickly, it can play a useful role in addressing the issues in the context of today's industry crisis," said Bisignani.

Such a statement could be used as a premise for bilateral negotiations or be appended to bilateral agreements as an indication of how they would be interpreted. The purpose is to get the eventual signatories to agree to be indifferent to the "citizenship" of airlines when granting rights to fly to their countries.

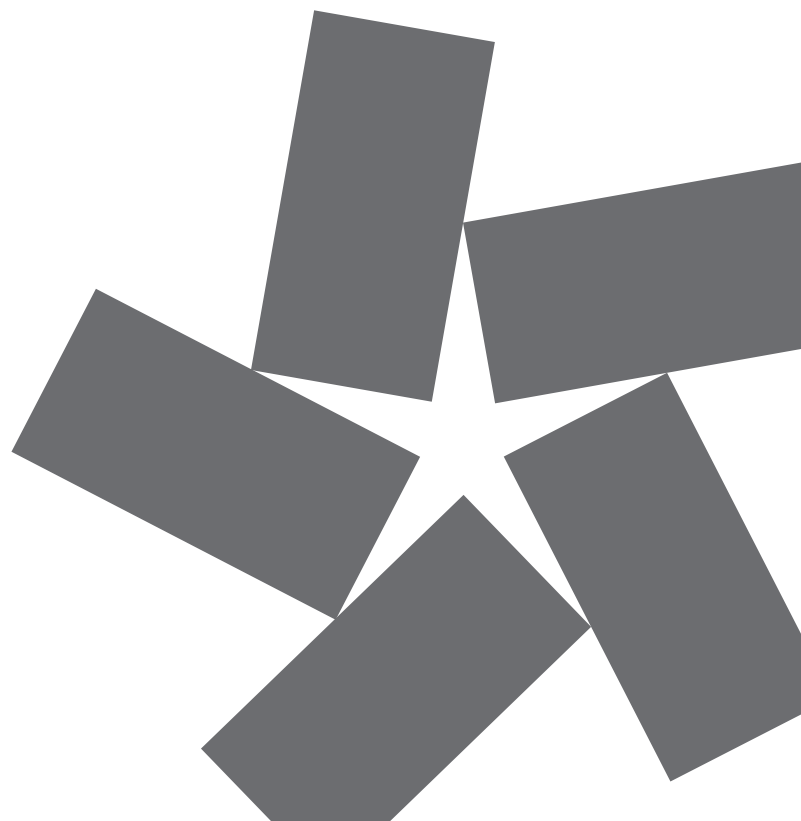
The group also agreed to spread best practices in liberalisation by making the most liberal agreements that are currently being negotiated more openly available.

Although the governments noted they had to be mindful of avoiding overwhelming infrastructure with increased traffic, the special requirements of developing nations, labour interests and issues of national sovereignty, Shane said in his summary that "the group agreed that these issues...did not necessarily constitute insurmountable obstacles to success."

"The group commended IATA for proactively bringing the participants together to address this important challenge and strongly encouraged it to continue to foster this very useful and productive initiative. We have begun a process that we hope will rather quickly develop into a re-examination of what has been a very restrictive framework for the provision of international air services," said Shane.

"The industry is in crisis and the message for change is critical. We need to be able to act like any other business. And this is highlighted by the very difficult economic situation we face today," Bisignani concluded. "I believe that our message resonated with governments. We have started a process that I am confident will help to build a more stable financial future for the air transport industry."

[More on the Agenda for Freedom](#)





Giovanni Bisignani thanks Jordanian Government for its support

During a meeting with His Majesty King Abdullah II on October at his office at Beit Alurdon IATA's Director General and CEO, Giovanni Bisignani thanked the King for his strong support of the Jordanian aviation industry. Attending the meeting were Eng. Samer Majali, Royal Jordanian Airlines' CEO, & Chairman of IATA's Board of Governors (BoG), Mr. Nasser Lozi, Royal Court Chief and Majdi Sabri, Regional Vice President MENA.

Bisignani later met Prime Minister, Mr. Nader Dahabi to discuss IATA initiatives and to thank him for the government support of the industry in canceling taxes on fuel uplifted in Jordan. Bisignani also thanked him for the ongoing government support of IATA's regional office in Amman. Mr Dahabi has strong passion for air transport, having served for several years as Royal Jordanian CEO and member of IATA's BoG.

Bisignani also visited the Minister of Transport, Engineer Alaa Batayneh and the Chief Commissioner of the Civil Aviation Regulatory Commission (CARC), Capt. Suleiman Obeidat and had the opportunity to exchange views with them on important industry issues, and what Jordan is doing to help its aviation industry through the current crisis.

During his visit Bisignani held a reception and dinner in honour of Samer Majali, BoG Chairman also present was the Prime Minister of Jordan, government officials, and the Industry Affairs Committee members who were meeting in Amman.



His Majesty King Abdullah II received Bisignani in his office at Beit Alurdon



Prime Minister, Mr. Nader Dahabi meets Bisignani in his office



Bisignani addressed attendance at a reception held in honour of Samer Majali, BoG Chairman



IATA Industry Affairs Committee (IAC) concludes in AMMAN

The IATA Industry Affairs Committee (IAC) held its 27th meeting in Amman on 8 October. The IAC consists of 20 experts from Member Airlines and guides IATA's work on the regulatory aspects of commercial, industry affairs and aeropolitical matters that affect international passenger air transport. The meeting was opened by Bisignani, and was attended by Mr Abdul Wahab Teffaha, Secretary General of the Arab Air Carriers Organisation as well as airline committee members, regional associations, and industry partners.

Issues that were discussed during the meeting ranged from the industry crisis, environmental issues, regulatory initiatives aimed at tackling congestion problems, to the modernization of the Rome Convention's airline liability for third party surface damage.

The meeting reaffirmed IATA's role in ensuring that governments appreciate that they must refrain from measures that could impose more costs on the airline industry during global economic crisis.

The IAC's next meeting will be held on 25 March 2009 in Washington.

Bisignani participates in the Arab Air Carriers Organisation (AACO) 41st AGM in Tunis

AACO's 41st AGM was held in Tunis from 21-23 October under the patronage of His Excellency, Zine El Abidine Ben Ali, President of the Republic of Tunisia and by the kind invitation of Mr. Nabil Chettaoui, AACO President and Chairman and President of Tunisair.

Bisignani's keynote address urged Arab carriers to focus on efficiency and commercial freedoms. "The oil price is falling, but what we save in fuel, we lose in revenue. This industry will lose US\$5.2 billion this year. Even the Middle East is not immune. The region's carriers posted 18.1% traffic growth in 2007. This year, August growth plummeted to 4.3%.

Profits of Middle East carriers will fall from US\$300 million in 2007 to US\$200 million this year. Only a handful of carriers will be profitable, while the majority bleed red ink. The region's fleet is set to double to 1,300 aircraft over the next decade as we enter a period of global economic uncertainty. The challenge of matching capacity to demand will be difficult," said Bisignani.

Bisignani pressed the region to adopt an agenda focused on efficiency - Simplifying the Business, fuel and infrastructure - and expanding commercial freedoms.

Mr. Abdul Wahab Teffaha AACO Secretary General delivered a report on industry issues; he focused on the current global financial and economic crisis and its impact on the Arab air transport industry. The Secretary General emphasized that as much as the crisis puts pressure on air transport industry, it also presents opportunities for Arab airlines to emerge from this crisis stronger and more efficient than before.

[Bisignani's full speech](#)

Bisignani also had the opportunity to meet with the Prime minister Mr. Mohamed Ghannouchi and Mr. Abderrahim Zouari, Minister of Transport while in Tunis and they addressed the current financial crisis, and IATA issues.



R/L: Mr. Abderrahim Zouari, Minister of Transport, Mr. Mohamed Ghannouchi Prime Minister, Bisignani and Dr. Majdi Sabri, Regional Vice President, Middle East & North Africa, IATA



IATA and AACO sign training agreement

IATA and AACO entered into an agreement to deliver IATA courses at AACO facilities in 2009, whereas, IATA shall deliver 12 courses under the terms specified in this agreement while IATA shall provide course faculty, syllabus, documentation, and help AACO promoting these courses.

IATA Safety Audit for Ground Operations (ISAGO) Information Seminar, Amman

The IATA Safety Audit for Ground Operations (ISAGO) is designed to improve safety and reduce costs in the ground operations environment. Based on the IATA Operational Safety Audit (IOSA) framework, ISAGO aims to implement a formal, systematic process to manage operational risk and safety, reducing accidents, incidents and injuries and reduce the estimated US\$4 billion in annual industry cost.

The Middle East and North Africa Region continues to play a leading role. The first ground handler audit was DUNATA in Dubai and Egypt Air, Royal Jordanian and Royal Air Maroc are among the first in the ISAGO audit pool group.

It was also the MENA region that held the first ISAGO Information Seminar that took place in Amman, Jordan on 15-16 October 2008. There were 49 participants, it was a success, helping participants better understand ISAGO's concepts its structure and benefits. Part of the seminar took the form of a study session that enabled participants to understand how the ISAGO Standards and Recommended Practices (GOSARPs) are applied in real situations.

[More information at ISAGO](#)



Simplifying the Business Update

IATA e-freight picks up speed – Dubai goes e-freight live; Israel passes HLA

Dubai became the first Middle Eastern e-freight live location this month. Led by Emirates, IATA e-freight is now operational on trade lanes between Dubai and Hong Kong, London and Singapore.

Israel passed the IATA e-freight High Level Assessment (HLA) earlier this year, moving one step closer to becoming an e-freight location. The HLA investigates a location's legal and customs environment for airfreight.

By replacing 13 paper documents with electronic messages, IATA e-freight reduces the amount of paper required for international air shipments by an estimated 50-60%. The project promises to save the industry billions every year through faster, more efficient, and more accurate exchange of electronic data. In September the project marked the completion of over 10,000 e-freight shipments since the first locations went live in November 2007. More information is available on the [IATA e-freight homepage](#).

CUSS hits the target, comes to Tripoli

The number of airports offering CUSS (common use self-service kiosk) facilities reached 130 in October, meeting the IATA Board's target two months ahead of schedule. The increasing reach of CUSS indicates that the industry has reached a level of maturity in the technology and process for the passenger. Kiosks currently represent 30% of total passenger check-in on average. CUSS will continue to be promoted where it makes sense for airlines.

In the Middle East, Libyan Airlines signed an MOU with IATA that will lead to CUSS facilities at Tripoli International Airport by the end of this year. Both the airline and the airport expect to leverage the CUSS infrastructure to introduce more self-service options – increasing passenger convenience and reducing cost. This will be under the auspices of the [IATA Fast Travel Programme](#), open to all airline members.

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