

Article 1

Managing Cargo in Crisis - IATA Calls for a Supply Chain Approach

IATA called on the cargo supply chain to battle the current air cargo crisis by improving security, delivering a better product and boosting efficiency.

"The industry is in crisis and nobody knows that better than our cargo colleagues. Cargo demand has fallen off a cliff. After a shocking 22.6% decrease in December it dropped a further 23.2% in January," said Giovanni Bisignani, IATA's Director General and CEO in a recorded message to the 700 industry experts attending IATA's World Cargo Symposium on 2-4 March in Bangkok.

Air cargo represents about 10% of industry revenues. As 35% of the value of goods traded internationally is transported by air, air cargo is a barometer of global economic health. "The continued decline in cargo markets is a clear sign that we have not yet seen the bottom of this economic crisis," said Bisignani.

In December 2008 IATA forecast 2009 freight volumes to fall 5%. Combined with a decrease in yields, this would result in a 9% drop in freight revenues to US\$54 billion.

"Unfortunately, the shocking fall in demand that followed is making these projections look optimistic," said Bisignani.

"As we battle this crisis, we must look for opportunities that will build our future with a more efficient industry focused on meeting customer needs. Customers want a good price and a great product, delivered via the supply chain with speed and reliability. And in crisis, customers will only get more demanding. To meet their expectations and build a solid future for the industry, change is required," said Bisignani.

Bisignani highlighted three priorities for the supply chain: security, e-freight and Cargo 2000:

Security: [Air cargo security](#) costs continue to rise. Screening technology is not being optimised and definitions, requirements and enforcement vary from country to country. IATA called for a strong industry effort to convince the US that its plans to implement 100% cargo screening in 2010 are misguided.

"Scanning everything loaded onto the aircraft is a waste of precious resources. To be effective, we must identify the risks involved with a supply chain approach. IATA's Secure Freight strategy focuses on a risk-based approach with shared responsibility throughout the supply chain. Governments must remember that this is a global industry. We need a globally coordinated approach that looks at the entire supply chain," said Bisignani.

Efficiency with [e-freight](#): In the face of falling yields and demand Bisignani stressed that e-freight as a key driver for efficiency and savings is more important than ever. "Improving quality without reducing costs will not get us far. We need to modernise the old paper-based processes of air cargo with e-freight," said Bisignani. Each freight shipment is accompanied by more than 30 documents. E-freight currently has the capability to convert 12 of these to electronic documentation. Already it is operating at 18 locations covering 26 airports.

"E-freight is not a theory. It is working and putting in place the basis to deliver efficiencies and cost reductions throughout the supply chain. By 2010 our target is to have the capability to remove 64% of the paper from 81% of international shipments. In other words, we will eliminate 20 documents and be live in 44 locations," said Bisignani.

"To be successful, we need the commitment of the entire supply chain to generate economies of scale. The benefits are enormous: US\$4.9 billion in cost savings for the supply chain, a 22% reduction in shipper buffer stock, a 25% reduction in customs penalties, an average 24 hour decrease in shipping time and a 1% increase in market share against sea shipments. Everybody benefits. Everybody needs to participate," said Bisignani.

Quality - Cargo 2000: Bisignani also called for greater industry participation of the entire supply chain in [Cargo 2000](#) to improve quality. "Cargo 2000 quality standards are even more important in this crisis. IATA is committed to Cargo 2000. It is part of our recommended quality standard. But to be effective, we need the whole supply chain to be aligned with a common vision on how to deliver quality. That is what Cargo 2000 is all about," said Bisignani.

Cargo 2000 was established over a decade ago to simplify processes by reducing 40 steps in the logistics chain to 19 and to implement effective quality standards.

The IATA World Cargo Symposium is taking place in Bangkok, Thailand from 2-5 March 2009. Under the theme of "Focus on the Customer: Delivering in Turbulent Times," the World Cargo Symposium is looking at building a solid future for air cargo, while battling the crisis that currently envelops the global economy. IATA will release an updated industry financial forecast on 24 March.

[View Giovanni Bisignani's full speech](#)

Article 2

Economic Gloom Continues in January Traffic

IATA announced international scheduled traffic results for January showing a deepening year-on-year demand slump.

International passenger demand fell by 5.6% in January 2009 compared to the same month in 2008. It is also a full percentage point worse than the 4.6% year-on-year drop recorded in December. The January fall in demand is the fifth consecutive month of contraction.

The 5.6% drop in passenger demand outpaced capacity cuts of 2.0% driving the load factor to 72.8% - 2.8% below what was recorded for January 2008.

The alarming collapse in cargo markets in December (-22.6%) worsened in January 2009 with a 23.2% year-on-year demand drop. This is the eighth consecutive month of contraction for freight traffic.

“Alarm bells are ringing everywhere. Every region’s carriers are reporting big drops in cargo. And, aside from the Middle East carriers, passenger demand is falling in all regions. The industry is in a global crisis and we have not yet seen the bottom,” said Giovanni Bisignani, IATA’s Director General and CEO.

Passenger

- Asian carriers led the decline in passenger demand with an 8.4% year-on-year drop in January. While this is slightly better than the 9.7% contraction in December, this is positively skewed by Chinese New Year which fell at the end of January 2009 (and which was in February the year before). Capacity in the region contracted 4.3%. With Japan, the region’s largest market for air travel, expected to see its economy contract by an unprecedented 5% in 2009, the prospects for traffic in the region remain dismal.
- North American carriers posted the second largest passenger decline at 6.2% led by a decline in Trans-Pacific travel. In response, carriers withdrew 2.6% of their international capacity, clawing back some of the expansion of 2008.
- European carriers offset a 5.7% decline in demand with a 3.6% decrease in capacity. Demand decreased sharply from the 2.7% fall in December as European economies move into deep recession.
- Latin American carriers saw a modest decline of 1.4%. Even against a 0.5% increase in capacity, the region turned in the highest load factors at 74.9%.
- African carriers saw the demand decline slow from an average 4.0% in 2008 to 2.6% in January.
- The Middle East was the only region with a positive traffic growth of 3.1%. This is far below both the double-digit traffic growth in 2008 and the 10.8% expansion in capacity.

Cargo

- Asia Pacific carriers, representing 43% of the market, led the cargo decline with a 28.1% year-on-year drop. This was followed closely by the other major market players: European carriers (-23.0%) and North American carriers (-19.3%).
- While this may appear to be relatively stabilised compared to the precipitous December drop, it is too soon to call a bottom in the air freight market. Manufacturers are still shedding inventory and cutting production which is expected to lead to further falls in freight volumes.

“The only good news is that fuel prices remain well below last year’s level. But the drop in demand is much more harmful. The industry is shrinking with revenues expected to fall by US\$35 billion to US\$500 billion, delivering a loss of US\$2.5 billion this year,” said Bisignani.

“Airlines remain in intensive care, but while others ask for government bailouts, our demands on Governments are much more modest. First, don’t tax us to death in order to pay for investments in the banking industry. This includes the UK government’s plans to increase its multi-billion pound Air Passenger Duty and the Dutch Government’s misguided departure tax,” said Bisignani. In 2008, even as governments delivered tax breaks to stimulate economic growth, the airline industry took on an additional tax burden of US\$6.9 billion.

“Second, give airlines the commercial freedoms that every other business takes for granted. With the world’s capital markets in disarray, archaic ownership restrictions are an unnecessary burden that must be lifted. Today’s crisis highlights the need to change the structure of this hyper-fragmented and fragile industry,” said Bisignani, referring to IATA’s [Agenda for Freedom](#) initiative.

[View full January traffic results](#)

Article 3

Aviation's Role in Economic Recovery

IATA called on the new Obama Administration in the US to prioritise aviation as a catalyst to stimulate the US economy. "Smart investments - not bailouts - in air transport will pay-off with jobs and boost other industries," said Giovanni Bisignani, IATA's Director General and CEO.

In a speech to the Wings Club in New York on 19 February, Bisignani urged the Obama Administration to go beyond the airport investments in the White House Agenda. "The US air traffic management system is in desperate need of an upgrade. Airlines and airports cannot be efficient economic catalysts if we operate in gridlock. I urge the President to allocate the US\$4 billion needed to get the ball rolling with the first phase of the long-awaited NextGen project that will create some 77,000 jobs in the US economy," said Bisignani.

IATA also urged the Obama Administration to deliver broad policy changes in the areas of security, environment and commercial freedoms:

Security: Security improvements since September 11, 2001 have come with a growing bill that now totals US\$5.9 billion annually. Bisignani challenged governments on efficiency. "I am not convinced that we are much wiser or any more efficient in our processes," said Bisignani. "We have a great record on safety because data drives decisions that are implemented with global standards. We spend billions on security with little data to support the actions taken. Governments have made minimal progress on recognising each other's security standards. We need a system that is threat-based, risk-managed and cost-efficient, with mutual recognition of standards. [Security principles](#) must be a part of the corporate structure of all industry players. And governments must be accountable to show value for every dollar that is invested".

Environment: Bisignani praised the Obama Administration's intention to be a leader in addressing climate change and urged the President to support [aviation's global efforts](#) to contain and reduce the 2% of man-made carbon emissions attributed to aviation. The aviation industry is united behind IATA's Four Pillar Strategy of technology investment, efficient infrastructure, effective operations and positive economic measures. The strategy is delivering results. Since 2004, some 59 million tonnes of CO2 have been saved and this year, aviation's carbon footprint will shrink by 4.5% - 2.5% from capacity reductions and 2% due to efficiency gains. "We need government leadership with a global vision. Governments must stimulate the economy with green investments such as biofuel research and tax breaks for new aircraft purchases. And they must remain true to the vision of Kyoto which entrusted the International Civil Aviation Organization (ICAO) to deal with aviation's international emissions. In preparation for December's Climate Change Conference in Copenhagen, the ICAO Group on International Aviation and Climate Change (GIACC) will produce an action plan in September. We need the US, a member of GIACC to be a strong voice opposing Europe's unilateral, illegal and ineffective regional emissions trading plans while building consensus for a global solution," said Bisignani.

Commercial Freedoms: "Thirty years after the US started deregulation under President Carter, the job is still incomplete," said Bisignani in a challenge to reform the 60+ year-old bilateral system. "International markets remain closed until governments negotiate them open, and foreign ownership restrictions still limit access to global capital and prevent cross-border consolidation. What worked in the 1940s is killing the industry today. To manage through this crisis without bailouts airlines cannot have one hand tied behind their back with outdated restrictions on ownership. Why does the US restrict ownership of its airlines to 25%, effectively limiting the ability of international capital to offer Americans aviation jobs? Passengers don't care who owns an airline, so long as it is safe and provides efficient service. Governments should take the same view. Following IATA's Agenda for Freedom Summit last October, we are working with 14 governments and the European Commission on a Multilateral Statement of Policy Principles. I hope that early in President Obama's term we will be able to change the structure of aviation, not with bailouts, but with [commercial freedoms that will generate value for investors](#) and provide a more secure future aviation jobs," said Bisignani.

“The priority of government is to create jobs and restore the economy to health. In the US, aviation supports 10.2 million jobs and US\$1.1 trillion in economic activity. Meaningful change in government’s approach to security, the environment and commercial freedoms will ensure that aviation plays its role as an economic catalyst,” said Bisignani.

[View Bisignani's full speech](#)

Article 4

More Accidents But Fewer Fatalities in 2008

IATA announced the aviation safety performance for 2008. The total number of fatalities from aviation accidents dropped from 692 in 2007 to 502 in 2008. This resulted in a 56% improvement in the fatality rate from 0.23 fatalities per million passengers to 0.13 per million passengers.

The global accident rate (measured in hull losses per million flights of Western-built jet aircraft) stood at 0.81 - or one accident for every 1.2 million flights. This is a slight deterioration on 2007 performance when the accident rate was 0.75 - or one accident for every 1.3 million flights.

There were 109 accidents in 2008 compared to 100 in 2007. The number of fatal accidents increased from 20 in 2007 to 23 in 2008.

IATA member airlines significantly outperformed the industry in safety. With 33 accidents, IATA members drove their accident rate downwards from 0.68 in 2007 to 0.52 in 2008. That is equal to one accident for every 1.9 million flights.

“Safety is the industry’s number one priority. Today’s statistics confirm that travelling by air is one the safest things that a person can do,” said Giovanni Bisignani, Director General and CEO of IATA.

The [IATA Operational Safety Audit \(IOSA\)](#) is the global industry standard for airline safety management. As of 1 January 2009, IOSA is a condition of IATA membership. Currently, 204 member airlines are among the 282 carriers on the IOSA registry (www.iata.org/registry). A further 21 IATA member airlines are undergoing quality control checks. Airlines that have not passed the quality control process by 31 March 2009 will have their memberships terminated.

“IATA is a quality association. And the mark of that quality is safety. While we will be strict in upholding the IOSA standards, which are recognised by governments around the world, our goal is to raise the bar on safety with a transparent global standard and bring all of our members on board,” said Bisignani.

There are significant regional differences in the accident rate.

North Asia had a perfect record of zero hull losses in 2008. North America (0.58), Europe (0.42) and Asia / Pacific (0.58) all performed better than the global average.

Africa had an accident rate that was 2.6 times worse than the world average (2.12). However, this extends a year-on-year trend of significant improvements. In 2005, for example, the Africa rate was the worst in the world at 9.21. There was one Western-built jet hull loss with an African carrier in 2008.

The Commonwealth of Independent States (CIS) had the worst accident rate in the world at 6.43 (7.9 times worse than the global average). The relatively small fleet of Western-built jet aircraft operated in the region means that even a few accidents can skew the numbers considerably. In 2005 and 2007 there were no accidents in the region. In 2006 two accidents drove the hull loss rate to 8.6. Last year there were three Western-built hull losses with CIS carriers.

Latin America and the Caribbean had a hull loss rate of 2.55 (3.1 times worse than the global average). The region's carriers had five hull losses during 2008. Addressing infrastructure issues remains a top priority.

Middle East and North Africa saw its accident rate worsen to 1.89 in 2008 with two accidents involving carriers from the region.

Three issues emerged in 2008:

- Runway excursions accounted for 25% of all accidents in 2008. IATA will launch a Runway Safety Toolkit in 2009, which it has developed with Flight Safety Foundation. The toolkit will also be incorporated with IATA's broad ranging safety data tools in the IATA Global Safety Information Centre to be launched later this year.
- Ground damage accounted for 17% of all accidents in 2008. To improve safety and combat this US\$4 billion annual industry cost, IATA has launched the [IATA Safety Audit for Ground Operations \(ISAGO\)](#). This is the first global safety standard for ground operations. A total of 80 audits are targeted for this year.
- A total of 30% of all accidents in 2008 noted deficient safety management at the airline level as a contributing factor. IATA has incorporated a requirement for Safety Management Systems (SMS) into the IATA Operational Safety Audit (IOSA) and is working with carriers at an individual and regional level for effective implementation.

These initiatives are consistent with IATA's comprehensive [Six-point Safety Programme](#) which focuses on (1) infrastructure safety, (2) safety data management and analysis, (3) operations, (4) Safety Management Systems, (5) maintenance and (6) auditing.

"Our record on safety is impressive. But the accident in Buffalo last week and all the 502 fatalities in air accidents in 2008 are human tragedies reminding airlines, regulators and industry partners everywhere that safety is a constant challenge and we must always strive to do better. Our target is zero accidents, and zero fatalities. Nothing less is an acceptable result," said Bisignani.

[View 2008 Aviation Safety performance \(pdf\)](#)

Article 5

Industry Reports Released

IATA's Economics department recently released studies that report on premium traffic trends, the industry's financial health and the outlook for air cargo. To access these reports and other valuable industry information visit: <http://www.iata.org/whatwedo/economics>

Article 6

Mark your calendar – coming events

- [IATA Ground Operations Symposium, March 17-20 – Cairo, Egypt](#)
- [Aviation & Environment Summit 2009, 31 March - 1 April - Geneva, Switzerland](#)
- [Aviation Fuel Forum, May 26-28, 2009 - Rio de Janeiro, Brazil](#)