

Article 1

New IATA Financial Forecast Predicts 2008 Downturn

IATA released a new industry financial forecast estimating a global industry profit of US\$5.6 billion in 2007 falling to US\$5.0 billion in 2008.

The outlook is unchanged for 2007 at US\$5.6 billion. Higher oil prices (full-year average forecast of US\$73 per barrel) were offset by strong traffic growth (5.9% for passenger traffic) and even stronger revenue growth of 8.4%.

"For the first time since 2000, we are profitable. That is good news, representing a lot of hard work by airlines. Since 2001, non-fuel unit costs dropped 16%, labour productivity is up 64% and sales and marketing unit costs decreased 25%. But with a 1.1% margin, the bottom line is still peanuts," said Giovanni Bisignani, IATA's Director General and CEO.

IATA sharply revised downward its outlook for 2008 to US\$5.0 billion from the previously forecast US\$7.8 billion. The spike in fuel prices is expected to add US\$14 billion to the industry fuel bill, driving it up to US\$149 billion (based on an average price of US\$78 per barrel). The broadening impact of the credit crunch is expected to slow revenue growth to 4.7% and traffic growth to 4.0%. Simultaneously, capacity expansion is expected to accelerate in 2008 with an increase in aircraft deliveries to 1,281 (up from 1,041 in 2007).

"The challenges get tougher in 2008. A favourable economic environment and effective efficiency measures helped mitigate the impact of high fuel prices and underpinned profitability improvements. With the credit crunch, that is changing. The peak of the business cycle is over and we are still US\$190 billion in debt. So we could be heading for a downturn with little cash in the bank to cushion the fall," said Bisignani.

While leading in absolute profitability in both 2007 and 2008, North American carriers will see the largest fall in profitability from US\$2.7 billion in 2007 to US\$2.2 billion in 2008. With 35% of the fleet over 25 years old, the impact of high fuel prices is greater than in other regions. Moreover, the region is at the centre of the credit crunch.

European and Asian carriers will see minor drops in profitability of US\$100 million each to US\$2.0 billion and US\$600 million respectively. Robust traffic growth to and within Asia is expected to partially insulate carriers from the impact of the crunch.

Middle East will remain stable at US\$200 million supported by ambitious route expansion.

Latin America is the only region to see profitability improve by US\$100 million to breakeven in 2008. This is largely the result of industry re-structuring.

Africa will be the only region reporting a loss—stable at losses of US\$100 million last year and this.

"The common theme globally is the need for efficiency. IATA's Simplifying the Business programme is delivering critical efficiencies from e-ticketing to e-freight. In 2008 IATA will launch three major initiatives that will cut costs and improve service," said Bisignani.

"We will further revolutionise the travel experience with expanded self-service options to give passengers more control over their journeys. The new strategy is built around the success of the Common-Use Self-Service Kiosk, already operating at 83 airports around the world. Better baggage management will help mitigate the US\$3 billion in annual costs from the 1.8% of bags that are mishandled. And the IATA Safety Audit for Ground Operations will help reduce the US\$4 billion annual cost of ground damage," said Bisignani.

Article 2

IATA Passenger Demand Surges to 18-month High

IATA released traffic results for November 2007. The highlights are:

Passenger Traffic

- Year-on-year international passenger demand rose 9.3% in November - the fastest growth rate recorded in 18 months. This is higher than the 7.7% growth recorded in October and the 7.5% growth recorded over the first 11 months of 2007.
- Average international passenger load factors were 75.4% in November, 1.1 percentage points higher than in November 2006.
- Passenger demand results were strong across most regions.
- Asia Pacific (8.8%), North America (7.6%) and Europe (7.6%) all saw robust growth in November with no sign yet of any weakening in demand as a result of economic uncertainty.
- Latin American carriers recorded a 20.1% increase reflecting a strong recovery in traffic share following the impact of industry restructuring during 2006.
- Middle East carriers continued four years of double-digit growth with an 18.3% increase.
- African carriers' growth slowed to 5.8% largely due to weaker demand in southern Africa and strong competition in long-haul markets.

Freight Traffic

- Freight growth continues to be sluggish, reflecting strong competition with sea shipping and uncertainty over the economic outlook for 2008:
- International freight demand growth slowed to 3.5% in November, down from 3.6% in October.
- Over the first 11 months of 2007 freight demand grew 3.9%, well below the 4.8% recorded over the same period in 2006.

"It's a mixed picture," said Giovanni Bisignani, IATA's Director General and CEO. "The global economy ended 2007 on a surprisingly strong note. The November surge in passenger demand has been critical in combating high oil prices and helping airlines end 2007 with an industry profit of US\$5.6 billion - the first since 2000. But against a backdrop of robust world trade, sluggish freight growth continued to be a disappointment."

"We ring in 2008 with a warning bell. Passenger demand growth is expected to fall to 5.0%. And the expected increase in freight demand growth to 4.3% will only help us recover some of the ground lost against sea shipping. High oil prices and the impact of the credit crunch will see industry profitability slip to US\$5.0 billion in 2008. Since 2001 efficiency gains have been impressive: 64% improvement in labour productivity, 25% reduction in sales and marketing unit costs and a 16% decrease in non-fuel unit costs. The challenge for 2008 will be much more of the same - efficiency everywhere," said Bisignani.

[See full November traffic results](#)

Article 3

IATA Rejects Slot Auctions For New York

IATA condemned the Bush Administration's plans to lease or auction airport take-off and landing slots at New York City's airports as an ineffective way to alleviate unacceptable congestion in the region.

"The White House and the Department of Transportation are out of step with the global aviation community. A take-off slot at JFK requires terminal space, a parking stand and a landing slot somewhere else. This is a complex situation and an eBay approach - slot auctioning - will not solve the problem," said Giovanni Bisignani, IATA's Director General and CEO.

The Government's auctioning of landing slots could result in fewer flight choices, inefficient connections and higher prices - penalising airlines and passengers alike. IATA, along with the majority of other industry groups, support the use of IATA's Worldwide Scheduling Guidelines (WSG) to manage congestion at New York's international airports.

"Experience tells us that auctioning will not achieve the desired result. And it potentially breaches international obligations and agreements. But there is no need to reinvent the wheel. International coordination is needed. The IATA Worldwide Scheduling Guidelines are a ready-made solution to bring order to the chaos at New York's airports. They are already used in over 140 of the world's busiest airports, including Chicago O'Hare," said Bisignani.

"Let's also remember that this is a capacity problem that we believe can be fully remedied with better operations and improved infrastructure. The Department of Transportation needs to focus its resources on quickly implementing industry recommendations on short and long-term solutions. We need action not auctions," Bisignani said.

Article 4

IATA Announces Next Phase of Simplifying the Business

IATA announced the launch of the next phase of Simplifying the Business which will deliver more choice to passengers and greater efficiency to airlines.

In addition to the five core projects – 100% electronic ticketing, bar coded boarding passes, common use self-service check-in, RFID for aviation and IATA e-freight – the association will introduce projects for a set of self-service solutions that enable passengers to manage all aspects of the departure and arrival processes. IATA has identified five key areas: check-in; baggage processing; documentation checks; irregular operations; and boarding and post-flight. IATA will set up two pilot projects for each area with the ultimate objective of developing industry-wide standards and processes.

"According to our latest Corporate Air Travel Survey the majority of passengers favour airlines with greater self-service options," said Philippe Bruyère, IATA's Programme Director for Simplifying the Business. "It's not surprising because the modern customer wants speed, convenience and control. The new set of projects will give them that and at the same time allow airlines to become more efficient."

The check-in pilots will enable IATA to develop standards for automated check-in using such devices as the Internet, CUSS and mobile phones. These will be accompanied by options that minimise the time a customer has to spend at a bag drop point, for example self-tagging.

With document checks, IATA's goal is to allow passengers to use a self-service option for routine documentation validation. The irregular operations pilot projects will look giving passengers whose trip has been disrupted the ability to issue new boarding passes or even meal vouchers when flights are delayed or cancelled without having to wait in line.

The final self-service project will involve boarding and post-flight including providing passengers with the ability to file a baggage claim.

In conjunction with the slate of StB self-service projects, IATA is introducing a baggage improvement initiative to reduce the rising mishandling rate that is approaching 18 mishandlings per 1,000 passengers.

“By 2009, we estimate that baggage mishandling will cost the industry \$3 per passenger,” said Bruyère. “We have to give airports, airlines and ground handlers with a tool kit that provides guidelines for system integration, messaging improvement and enhanced bar code quality. We’ll also look to improve training so employees can better their understanding of the system as a whole.”

IATA intends to form ‘Baggage Go Teams’ to help implement any aspect of the tool kit.

Article 5

IATA Launches an Information Portal for Travellers

IATA launched the IATA Travel Centre at www.iatatravelcentre.com. The IATA Travel Centre provides passport, visa and health information necessary for air travellers.

“This responds to the consumer demand for self-service by giving travellers easy access to helpful and accurate information about the essentials of travel—from what documents are required to what taxes must be paid,” said Giovanni Bisignani, IATA’s Director General and CEO.

At the time of booking, The IATA Travel Centre provides tailored information by itinerary on passport, visa and health requirements, as well as taxes at arriving and departing airports and consumer and currency regulations. The service is offered free of charge to individual travellers. Links to The IATA Travel Centre can be included on booking sites and in e-mail travel confirmations.

Travellers are responsible for having correct documentation with them. While most documentation problems are discovered at check-in, every year an estimated 35,000 travellers are turned back at destination or transfer points by immigration authorities due to improper documentation. The average fine for every passenger arriving or transiting without proper documentation is US\$5,000. When combined with associated manpower costs, the annual expense to the industry is over US\$200 million.

The Travel Centre builds on 40 years of expertise in providing travel documentation advice to airlines, travel agencies and passengers. It is based upon an enhanced version of IATA’s TIM/Timatic service which monitors and automatically updates passengers of changing regulatory requirements that will impact their travel plans. There are about 14,000 such changes recorded in the Timatic database each year.

“The Travel Centre is the first of a number of initiatives IATA is driving to help the industry to improve service while reducing these costs,” said Bisignani.

To visit the IATA Travel Centre go to www.iatatravelcentre.com

Article 6

Mark your calendar – coming events

- [IATA OPS Forum 2008, February 25 - 27, 2008 - Madrid, Spain](#)
- [IATA Crisis Management Conference, February 26 - 27 - 2008 Madrid, Spain](#)
- [IATA World Cargo Symposium 2008, March 3-6 - Rome, Italy](#)
- [Wings of Change 2008, April 1-2 – Santiago, Chile](#)