

Article 1

Crisis Again – Deep Losses Projected

IATA revised its industry financial forecast for 2008 significantly downwards to a loss of US\$2.3 billion. The forecast uses a consensus oil price of US\$106.5 per barrel crude (Brent). This is a swing of US\$6.8 billion from the previously forecasted industry profit of US\$4.5 billion that was announced in March and based on an average oil price of US\$86 per barrel (Brent).

“For every dollar that the price of fuel increases, our costs go up by US\$1.6 billion,” said Giovanni Bisignani, IATA Director General and CEO at the Association’s 64th Annual General Meeting and World Air Transport Summit (WATS/AGM) which opened today in Istanbul, Turkey. The industry’s total fuel bill in 2008 is expected to be US\$176 billion (based on oil at US\$106.5 per barrel) accounting for 34% of operating costs. This is US\$40 billion more than the 2007 bill which was US\$136 billion (29% of operating costs). In 2002, the bill was US\$40 billion, equal to 13% of costs.

“We also need to take a reality check. Despite the consensus of experts on the oil price, today’s oil prices make the US\$2.3 billion loss look optimistic. For every dollar that the oil price increases, we add US\$1.6 billion to costs. If we see US\$135 oil for the rest of the year, losses could be US\$6.1 billion,” said Bisignani.

“The situation has changed dramatically in recent weeks. Oil skyrocketing above US\$130 per barrel has brought us into uncharted territory. Add in the weakening global economy and this is yet another perfect storm,” said Bisignani.

“Oil is changing everything. There are no easy answers. In the last six years, airlines improved fuel efficiency by 19% and reduced non-fuel unit costs by 18%. There is no fat left. To survive this crisis, even more massive changes will be needed quickly. Air transport is a catalyst for US\$3.5 trillion in business and 32 million jobs. This is an extraordinary crisis with the potential to re-shape the industry with impacts throughout the global economy. Governments, industry partners and labour must deliver change,” said Bisignani.

Article 2

Fuel Crisis a Catalyst for Change

IATA called on governments, industry partners and labour to address the fuel crisis that is pushing airlines into the red. IATA forecasts a loss of US\$2.3 billion for 2008 based on an average oil price of US\$106.5 per barrel Brent crude. The association sounded a warning that this year’s loss could be even higher -potentially US\$6.1 billion with an oil price at US\$135 per barrel for rest of the year.

In the State of the Industry address at IATA's 64th Annual General Meeting and World Air Transport Summit in Istanbul, Turkey, the association's Director General and CEO, Giovanni Bisignani compared the airline industry to Sisyphus - a mythical character whose fate was to constantly carry heavy loads uphill.

"Over the last 60 years the industry made US\$11.5 trillion in revenues, but only US\$32 billion in profits. Average margin for the entire industry has been just 0.3%. And the industry is US\$190 billion in debt. Since 2001, airlines achieved massive change. Fuel efficiency improved 19% and non-fuel unit costs dropped 18%. The skyrocketing price of oil has eaten these gains and left the industry in the red again. Oil prices at US\$130 a barrel are changing the game for everyone. The situation is grim," said Bisignani.

Bisignani sounded the alarm in a stark declaration to governments, industry partners and labour. "Airlines are struggling for survival and massive changes are needed. Governments must stop crazy taxation, change the rules of the game and fix the infrastructure. Labour must understand that jobs disappear if costs don't come down. And to our partners, the message is simple. We are in this together. Don't bite the hand that feeds you," said Bisignani.

Agenda for Freedom

The greatest call for change was with governments. "Re-regulation or re-nationalisation is not the right answer. But it may be the only one unless we change the rules of the game. The Chicago Convention is not the problem. It's the bilateral system that was designed for another age. The Freedoms of the Air are only restrictions on our business. Airlines cannot look beyond national borders to manage risk, access global capital or consolidate. To fight crises effectively, brands not flags must define our business," said Bisignani.

"We must communicate clearly to governments the dimension of the oil crisis, the potential impact on the global economy if the air transport industry fails, the measures that airlines are taking to survive and the action we need from them. To achieve this, IATA is organising an Agenda for Freedom Summit in Istanbul in the fourth quarter of this year. The invitation is open to any country with the courage to change. Already 12 countries have agreed to participate," said Bisignani.

"The Agenda for Freedom Summit will build on the pockets of progress on liberalisation that we see around the world and drive even bigger change to overcome the limits of the bilateral system, free airlines from national flags, secure financial stability and create global opportunities. It's time to tear-up the 3,500 bilateral agreements and replace them with a clean sheet of paper without any reference to commercial regulation. Airlines would be free to innovate, compete, grow, become financially healthy or even disappear. Governments also have an important role: to ensure a level playing field and regulate safety, security and environmental performance," said Bisignani.

Bisignani also called for change in three other key areas:

Security: "Security is an uncoordinated mess. Since 2001 airlines and their customers have paid over US\$30 billion for security measures. For this we get more frustration than value. Passengers face a maze of duplication, bureaucracy and hassle. This must change," said Bisignani. The IATA-led Simplifying Passenger Travel programme (www.spt.aero) points the way to effective, efficient and convenient security. "Now governments must do their part and focus on risk management, harmonise global standards, make better use of technology, and take responsibility for the bill," said Bisignani.

Regulation of monopolies: Bisignani reported that IATA's work achieved a record US\$3.7 billion of cost savings in charges, fees and taxation. "But airport cost increases of US\$1.5 billion show that still too many monopoly suppliers live happy days isolated from commercial discipline. Governments must deliver effective regulation of monopolies. That means delivering results on cost-efficiency and good service," said Bisignani.

Environment: “The current fuel crisis must be a catalyst for governments to deliver results on environment that reduce fuel burn. Our vision for carbon neutral growth leading to a carbon-free future sets the benchmark. And we are driving progress with our four pillar strategy. In 2007, IATA Green Teams delivered 10.5 million tonnes of CO2 savings along with shortening 395 routes. But governments remain fixated on punitive economic measures such as the EU Emissions Trading Scheme. These are reckless decisions when the oil price could re-shape the industry. Governments must drive progress by taking politics out of air traffic management, acting globally on emissions trading and supporting positive economic measures to drive innovation,” said Bisignani.

Bisignani reported on two areas of solid progress:

Safety: “In 2007, 2.3 billion people and 44 million tonnes of cargo flew safely. But the accident rate took a step backwards from 0.65 hull losses per million flights in 2006 to 0.75 in 2007. We must work harder to make a safe industry even safer,” said Bisignani. He announced that all IATA members have completed the IATA Operational Safety Audit (IOSA). A total of 149 IATA member airlines are on the registry which now includes 206 airlines. “IATA is a quality association and IOSA is a condition of IATA membership. By the end of 2008, carriers must close all audit findings and be listed on the public registry (www.iata.org/registry) to retain membership,” said Bisignani. Twelve airlines have been terminated for not meeting the deadlines. “Our goal is to raise the bar on safety, not reduce our membership. IATA is investing US\$8.2 million in Partnership for Safety programmes and flight data analysis to help members achieve the IOSA standards.”

Simplifying the Business: Bisignani reported that the industry achieved 100% e-ticketing on 1 June 2008. “Four years ago we had a vision to modernise our business with technology, improve convenience and save US\$6.5 billion. Today that vision is a reality. E-freight operates at six locations, three more are about to start and we expect 14 by the end of the year. Bar coded boarding passes are being used by 135 airlines. And millions of passengers enjoy the convenience of Common Use Self Service check-in at 94 airports. But the star of the show is e-ticketing. Today we celebrate a great achievement. The paper ticket is history. Everyone can enjoy the convenience of e-ticketing everywhere. And we are saving US\$3 billion annually,” said Bisignani.

“Airlines transport 2.3 billion passengers safely and efficiently. Over US\$3.5 trillion of business and 32 million jobs depend on our success. We are in a crisis of enormous dimension. Change is the only way to survive this perfect storm, return to profitability and build a sustainable future,” concluded Bisignani.

[Giovanni Bisignani's full speech](#)

Article 3

IATA Bids Farewell to Paper Ticket

IATA launched a new era in air travel as it bid farewell to the paper ticket at a ceremony held in Istanbul, Turkey on May 31.

“The paper ticket has served us well, but its time is over. After four years of hard work by airlines around the world, tomorrow marks the beginning of a new, more convenient and more efficient era for air travel,” said Giovanni Bisignani, IATA’s Director General and CEO.

The history of tickets...

Paper tickets date back to the 1920s. Each airline used a different form with varying rules. Airlines soon recognised the need for standardisation of traffic documents, regulations and procedures to support the growth of an industry that spanned the world. In 1930, the IATA Traffic Committee developed the first standard hand-written ticket for multiple trips. These same standards served the industry into the early 1970s.

The first ticketing revolution occurred in 1972 with automation. The IATA Billing and Settlement Plan (BSP) for travel agents began in Tokyo that year. This led to the birth of the IATA neutral paper ticket. For the first time the IATA logo appeared on the cover of tickets that could be used by any travel agent to ticket journeys on almost any airline in the world.

The next revolution took place in 1983 when the system was further automated with a magnetic stripe on the ticket back. This allowed all of the ticket information to be stored electronically on the ticket itself and it could be used as the boarding pass as well.

At its peak, 285 million of IATA neutral paper tickets (both versions) were printed in 2005.

The first e-ticket was issued in 1994. By 1997 IATA had adopted global standards for e-ticketing. But the evolution was slow and by May 2004, only 19% of global tickets were electronic.

Simplifying the Business

At the 2004 Annual General Meeting in Singapore, the successive crises of war, terrorism and SARS were still being felt, the price of oil was approaching US\$40 per barrel and the imperative for cost efficiencies was critical. IATA presented a plan for Simplifying the Business, the highlight of which was to achieve 100% e-ticketing.

Over four years, IATA deployed a global team of 150 people to work with airlines and system providers around the world to facilitate implementation.

“In four years we achieved what many thought was impossible. We made 100% ET a reality everywhere – from our largest hubs to small remote island airports with no electricity. It is an incredible industry achievement,” said Bisignani.

“The benefits to the business are real,” said Bisignani. A paper ticket costs an average of US\$10 to process versus US\$1 for an electronic ticket. With over 400 million tickets issued through IATA's settlement systems annually, the industry will save over US\$3 billion each year.

Consumer benefits...

Consumers can look forward to easier travel in an electronic world. 100% ET eliminates lost tickets. ETs can easily be changed and reissued without necessitating a trip to a travel agency or airline ticket office. And they enable a wide array of self-service options such as online and mobile check in.

“With ET a reality we can now enter the next phase of Simplifying the Business,” said Bisignani. “We are moving ahead with a further revolution—Fast Travel that will provide convenient self-service options from check-in to baggage tracing and re-booking.”

Cleaning-up paper...

While IATA will no longer issue paper ticket stock, IATA neutral paper tickets issued by travel agents before June 1 remain valid for travel under the conditions they were purchased. Paper tickets may still be provided by an airline from its own offices or from a travel agent in the USA, although it is anticipated the volumes will be very low.

To complete the conversion IATA has contacted 60,000 travel agents in more than 200 countries to collect the remaining unused paper tickets in the system – some 32 million worldwide. These will be securely reclaimed, destroyed and recycled. “An era has ended. If you have a paper ticket, it’s time to donate it to a museum,” said Bisignani.

[Last paper ticket ceremony photos](#)

Article 4

Industry Leaders Agree to Historic Declaration

The leaders of the world’s airlines unanimously agreed to a resolution calling for governments, airports and labour to take immediate action to help the industry survive the growing financial crisis. The resolution was made at the International Air Transport Association’s (IATA) 64th Annual General Meeting and World Air Transport Summit.

“Extraordinary times call for extraordinary measures. Airlines are an engine for global prosperity and failure amongst them would send shockwaves throughout the world economy,” said IATA Chairman and TAP Portugal CEO Fernando Pinto.

The resolution comes after a recent spike in fuel prices that has led to two-dozen airlines ceasing operations or filing for bankruptcy. “Many more will not survive,” Pinto said.

The declaration made six specific calls to action:

- Governments must eliminate archaic rules that prevent airlines from restructuring across borders.
- In view of existing fees and charges, governments must refrain from imposing multiple and additional punitive taxes and other measures that will only deepen the crisis.
- State service providers must invest to modernise air transport infrastructure urgently, eliminating wasteful fuel consumption and emissions.
- Business partners, in particular monopoly service providers, must become as efficient as airlines are now. If not, regulators must restrain their appetite with tougher regulation.
- Labour unions must refrain from making irresponsible claims and join the effort to secure jobs in aviation and indeed in other industries.
- In the interest of the global economy and the flying public, we urge authorities to enforce the integrity of markets so that the cost of energy reflects its true value.

"The airline industry is sending a clear message to governments, partners and labour. We are in crisis. Governments, labour and our business partners must understand this. And they must act," said Giovanni Bisignani, IATA Director General and CEO.

[View full declaration](#)

Article 5

Majali is New IATA Chairman

Cathay Pacific's Tyler To Follow In 2009

IATA announced that Royal Jordanian Airlines CEO, Samer Majali, commenced his one-year term on 3 June as the Chairman of the IATA Board of Governors. Majali succeeds Fernando Pinto, CEO of TAP Portugal who served as Chairman from June 2007.

Majali, is a 29-year veteran of the air transport industry who has served as CEO of Royal Jordanian since 2001. He successfully led the airline through one of its most challenging periods as it prepared for a successful privatisation. Majali takes on the Chairman duties at a difficult time as the airline industry falls back into the red with fuel prices skyrocketing to unprecedented levels.

"With fuel prices at record highs, the industry faces a crisis and the agenda for the year ahead has extraordinary challenges. Change must be even more aggressive. Finding even more efficiency gains - not just for airlines but throughout the industry value chain - is crucial for our survival. We celebrated a great achievement - 100% e-ticketing. But there is no time to lose in pushing forward with the next phase of Simplifying the Business - Fast Travel," said Majali.

Majali noted that change must also involve governments. "In the unexplored territory of astronomical fuel prices, the environment debate takes on a completely new dimension. The incentive for airlines to improve performance has never been bigger, but governments stand in our way. They must overcome their obsession with punitive and unilateral emissions trading schemes and start working on real solutions to reduce CO2. A Single European Sky is critical. Equally important is the Agenda for Freedom. To fight the many crises that beset this industry, we must liberalise. Airlines need the same commercial freedoms that almost all other businesses enjoy to manage risk and grow our businesses into truly global enterprises," said Majali.

Giovanni Bisignani, IATA Director General and CEO said, "First, we must thank Fernando Pinto for a job well done. His leadership over the past year helped us reach our goal to eliminate paper tickets. I am confident that Samer will provide a unique perspective and great leadership to help us deal with our growing challenges in the world of US\$130 oil."

IATA also announced the Board of Governors agreed to appoint Tony Tyler, Chief Executive of Cathay Pacific to serve as Chairman following Majali, commencing in June 2009. Tyler will bring a unique perspective from Asia-Pacific, which will soon become the largest aviation market in the world.

Article 6

Eagle Awards for Airways New Zealand, Incheon and Tampa

IATA recognised the outstanding achievements of Airways New Zealand, Incheon International Airport and Tampa International Airport with IATA's Eagle Awards.

The Eagle Awards honour airports and air navigation service providers (ANSPs) for outstanding performance in customer satisfaction, cost efficiency and continuous improvement. The awards were presented at IATA's 64th Annual General Meeting and World Air Transport Summit taking place in Istanbul, Turkey. They are based on the recommendations of the independent Eagle Awards Panel.

"The winners have one thing in common. They put the customer first, delivering value for money. Airlines and our customers pay a big bill for infrastructure, US\$43.5 billion a year, or 11% of our costs. So it is critical that airports and ANSPs are transparent and consult with their customers to achieve both cost efficiency and high service standards. I congratulate Airways New Zealand, Incheon International Airport and Tampa International Airport for their great achievements," said Giovanni Bisignani, IATA's Director General and CEO.

"Airways New Zealand focuses on the needs of its customers. Not just within its own area but also in seeking regional solutions with neighbouring ANSPs. This is the sort of joined-up thinking that airline customers appreciate and need. Airways New Zealand sets an excellent example for other ANSPs to follow," said Bisignani. "Airways New Zealand also has a good consultation process and its charges are reasonable. It has not increased its charges for the past 10 years and will hold them for at least another two. Airways New Zealand is delivering global improvements in route optimisation, operational efficiency, safety and cost efficiency."

"Incheon International Airport has led the industry in operational excellence, customer service and cost-efficiency improvements. It had the good sense to listen to its customers to agree a reduction in charges," said Bisignani. In 2007, Incheon proposed significant increases in charges but after a successful consultation process, a 3-year pricing agreement was reached that resulted in a 10% reduction in landing charges for the duration of the agreement and cost savings of US\$75 million for airlines. "Incheon adopted a proactive and successful approach to a difficult issue. They are a shining example for other airports to follow," Bisignani added.

"Tampa International Airport is one of the best examples of an airport that consults effectively with its customers. It has delivered results in cost per passenger, rates and charges," Bisignani said. Since the late 1990s, the airport has spent more than US\$1 billion in renovations, construction, and capital improvements, while keeping down the average airline cost per departing passenger. This cost has decreased steadily from US\$5.32 in 1995 to US\$4.26 in the last 2 years.

Honourable Mention: IATA gave an honourable mention for "most improving" provider to Papua New Guinea Air Services Limited, which was recognised for the very significant improvements that have been achieved in governance, financial and operational terms in the past three years.

"Congratulations to all the Eagle Award winners. You continue to set the standards for performance, cost efficiency and continuous improvements for others to achieve," said Bisignani.

Article 7

Traffic Continues to Slow

Falling Load Factors Hurt Profitability

IATA released international traffic data for April.

Year-on-year international passenger demand grew by 3% in April. Capacity growth of 5% saw load factors fall to 75.4%. This is a 1.5% drop from the 76.9% recorded during the same period last year and the third consecutive monthly year-on-year decline. International cargo demand growth remained sluggish at 3.7%.

April figures contain several distortions. The impact of an early Easter holiday in 2008 will have reduced comparative year-on-year traffic growth by about 2% in April. At the same time the 10% transatlantic capacity increase with the commencement of the US-EU Open Skies is estimated to have boosted global traffic by about 1%. Adjusting for these distortions and leap year, underlying passenger traffic demand increased 4% in April and the three previous months.

“The impact of skyrocketing oil prices and weaker economies has made its way to traffic growth. At this time last year we were talking about 6.7% growth for the first four months of the year. This year it's 4%. There has been a step change downwards,” said Bisignani.

Passenger

- Unadjusted traffic figures for April indicate significant differences by region:
- Europe recorded 1.6% year-on-year growth, down from the 3.7% recorded in March.
- North American carriers recorded 3.8% demand growth in international passenger traffic as capacity continued to shift to international markets. This was outstripped by capacity expansion of 6.2%. Moreover it is down from the 6.3% year-on-year growth recorded in March.
- Asia Pacific carriers saw 2.6% growth in demand, down from 4.3% in March as a result of the slowing Japanese economy. Particularly impacted were long-haul routes to North America and Europe.
- Middle Eastern airlines saw an 11% increase in traffic due to soaring oil revenues, developing tourism and additional airport and airline capacity.
- Latin American airlines saw a 4% increase. This is down from the 19.7% recorded in March as the impact of the significant industry restructuring in 2007 wears off.
- Africa continued its free-fall with a 5.6% contraction in traffic and an 8.7% reduction in capacity.

Cargo

- The sluggish air freight volume growth of 3.7% in April was weaker than the 4.4% average increase recorded during the first quarter reflecting the impact of the economic slowdown.
- The EU-US Open Skies agreement provided a modest boost to US airlines which recorded 6% growth in April due to extra transatlantic capacity.
- Middle Eastern airlines recorded a 15.8% increase in April due to additional capacity and strong trade in the markets they serve.

“Combine slowing growth with skyrocketing oil prices and the industry outlook is grim at best,” said Bisignani, as the world’s aviation leaders begin to gather in Istanbul, Turkey for the IATA Annual General Meeting and World Air Transport Summit.

“In 2007 airlines posted a profit of US\$5.6 billion. This was the first profit after six years in which losses totaled more than US\$40 billion. To achieve this, we re-engineered the industry,” said Bisignani. “On June 1, the industry will mark a Simplifying the Business milestone, having achieved 100% e-ticketing. It means US\$3 billion in cost savings and greater convenience everywhere. But there will barely be time to celebrate. Much more change is needed,” said Bisignani.

Article 8

Mark your calendar – coming events

- [IATA Executive Financial Summit 2008, September 16 - 17, 2008 - Hong Kong, People's Republic of China](#)
- [IATA Cargo Claims & Loss Prevention Conference 2008, September 17-19, 2008 - Bangkok, Thailand](#)
- [ATA Cabin Health Conference 2008, October 1-2, 2008 - Geneva, Switzerland](#)
- [The 2008 Annual Industry Cash Management Service Meeting & Conference, October 6-7 - Rome, Italy](#)