

## Article 1

## IATA More Optimistic for 2007

IATA announced a revised financial forecast for the world's airlines. Globally, airlines are expected to post a US\$5.6 billion net profit for 2007, up from the US\$5.1 billion forecast in June. The average oil price for 2007 was revised upwards to US\$67 per barrel (previously US\$63). However, higher oil prices were more than offset by stronger than expected demand for passenger traffic and a general improvement in airline financial performance.

"While we are more optimistic for 2007, the continuing high price of oil combined with turmoil in credit markets is a cause for concern in 2008," said IATA Director General and CEO, Giovanni Bisignani. The industry net profit for 2008 is forecast at US\$7.8 billion, down from the US\$9.6 billion predicted in June. "The impact of the credit crunch puts some question marks over the industry's performance next year and the continuing high price of fuel will become more difficult to mitigate with efficiency gains," said Bisignani.

Underlying the forecast is a substantial shift in relative regional performance, primarily driven by capacity increases. Since 2001, Asia-Pacific based carriers, preparing to serve the massive opportunities in China and India, added 42% to their capacity and improved load factors by 2 percentage points. By contrast, North American carriers have added 11% to capacity and improved load factors by 6 percentage points. European carriers expanded capacity 29% with load factors showing a 5 percentage point increase.

These factors led to an increase in North American carriers' unit revenues driving expected net profits to US\$2.7 billion - the highest among the major regions. Conversely, poorer yields from Asia-Pacific carriers combined with sluggishness in cargo markets saw a decline in absolute profits from US\$1.2 billion in 2005 to an expected US\$700 million in 2007. Europe's carriers continued to benefit from buoyant long-haul markets, improving profitability continually from US\$1.6 billion in 2005 to an expected US\$2.1 billion this year.

"We are clearly seeing the benefits of hard-won efficiency gains from restructuring. Labour productivity is up 56% since 2001 and non-fuel unit costs are down 15%. The drive for 100% e-ticketing by June 2008 as part of the IATA Simplifying the Business initiative will deliver US\$3 billion in cost savings. Balance sheets are improving, but the US\$200 billion mountain of accumulated debt continues to make civil aviation a fragile industry. Commercial freedom is a critical missing link. In the coming months, carriers will start taking advantage of opportunities created by the US-EU open skies agreement. "We must now be looking forward to even broader liberalisation, including ownership. Only when we have the same freedoms as other industries to run our businesses as businesses will we be fully able to meet both investor and customer expectations," said Bisignani.

"Our partners and governments must also get more serious about efficiency and the environment. For example, the UN estimates that inefficient infrastructure and air traffic management adds 12% or US\$14 billion to our fuel bill. And it unnecessarily adds 73 million tonnes of CO<sub>2</sub> to the environment. This must change - urgently," said Bisignani.

## Article 2

# Governments Endorse Global Strategy for Aviation and Climate Change

IATA applauded the comprehensive strategy for aviation and climate change agreed at the Triennial Assembly of the International Civil Aviation Organization (ICAO). At the same time, IATA expressed deep disappointment in Europe's failure to accept a global approach to emissions trading, based on mutual consent.

ICAO's strategy reflects [IATA's approach](#). "All 190 ICAO contracting states have re-affirmed ICAO's leadership on aviation and environment by endorsing a comprehensive strategy on climate change, and embraced IATA's 25% goal to improve fuel efficiency by 2020," said Giovanni Bisignani, IATA Director General and CEO. "We are encouraged by governments' support for IATA's four pillar approach as the way forward—invest in new technology; build and use efficient infrastructure; operate aircraft effectively; and once we have made solid progress on these three, we can look with governments at economic measures."

Europe's go it alone approach on emissions trading is counterproductive. While European States agreed with IATA's four pillar strategy, they have reserved their support for the ICAO resolution requiring mutual consent for implementation of emissions trading schemes. "Europe's unilateral approach to emissions trading confuses taking leadership with taking cash. It is disappointing and irresponsible. Regional schemes will have, at best, limited impact on the environment. And their unilateral application to foreign airlines is a clear breach of the Chicago Convention. The resulting trade and legal battles will distract governments from making real progress," said Bisignani.

### **Emissions trading alone is not the solution.**

"While the political focus has been on economic measures, let's be clear that emissions trading alone is not a solution for tackling climate change. CO2 emissions are directly related to fuel consumption. With the fuel bill at 28% of airline operating costs, this industry is already the most highly incentivised to improve its environmental performance within the limits of technology," said Bisignani.

### **It's time for a Single European Sky**

"While Europe rushes ahead with emissions trading, its track record on operational progress that could improve industry environmental performance is almost tragic. After 15 years of talks and no results on a Single European Sky, the potential 12 million tonnes of CO2 savings remain like a pie in the sky - far from reality. Cleaning up Europe's own backyard is an essential first step towards credible leadership on environmental issues. Fortunately, the industry isn't waiting for the politicians - European or otherwise. Airlines are moving forward and delivering real results on top of a good track record," said Bisignani.

### **Technology is key.**

"IATA's 240 member airlines are committed to improving environmental performance. And we are challenging governments to go even further, targeting carbon-neutral growth in the medium-term, and the development of carbon-free technology within the next 50 years. In terms of an industry response to climate change, it does not get any better than that. No other industry has matched this ambitious goal," said Bisignani.

### **IATA's proactive strategy.**

IATA is working with its member airlines to deliver impressive results with a proactive strategy for fuel efficiency. Working with governments and airlines to optimise routes, spread best practices in fuel management and improve operations saved up to 15 million tonnes of CO2 in 2006 - real progress for the environment," said Bisignani.

### **IATA's pledge.**

IATA committed to work with ICAO and its member states on a work plan between now and the next Assembly. "Although aviation is a small part of the big problem of climate change, we take our responsibility to reduce emissions seriously. We are committed to working with ICAO on all aspects of a comprehensive and global approach. IATA has a clear vision, the industry supports that vision and now governments must climb on board too," said Bisignani.

## Article 3

# IATA Passenger and Freight Demand Hit 16-Month High

IATA recently released traffic results for August 2007. The highlights are:

### **Passenger Traffic**

- Year-on-year international passenger demand increased 8.6% for the month of August. This is the fastest growth rate for 16 months.
- The acceleration in growth in August partly reflects the comparison with lower levels in August 2006, when demand was affected by security scares on the North Atlantic. It also shows an underlying improvement in travel into the third quarter of 2007, as airlines in Asia-Pacific, in particular, benefit from traffic generated by robust economic growth in the region.
- The average passenger load factor was 80.3% in August, down slightly from July's record levels but 0.9 percentage points higher than August 2006. This is the first time average load factors have been higher than 80% in a month other than July.
- Record high load factors improve environmental performance by reducing emissions per passenger.
- IATA recently revised its forecast for 2007 upward from an industry profit of US\$5.1 billion to US\$5.6 billion.

### **Freight Traffic**

- International air freight demand grew 6% in August, its strongest rate of growth for 16 months. Growth for the year-to-date is 3.9%.
- The recent improvement in freight demand growth indicates airlines may be winning back market share from other transport modes with competitive pricing and operations.

"While the credit crunch clearly shook both business and consumer confidence in August, demand for air travel remained solid with record high load factors for August. This, combined with strong revenues over the first half of the year, is behind our improved industry profitability forecast of US\$5.6 billion for 2007. None-the-less, the industry's financial situation remains fragile and the potential for weakening demand must continue to be met with improved efficiency across the value chain," said Giovanni Bisignani, IATA's Director General and CEO.

"The trend of increasing load factors is a concrete example of how aviation's business and environmental goals are aligned with efficiency as a common denominator. As governments continue to squabble over emissions trading in the aftermath of the triennial Assembly of the International Civil Aviation Organization, the industry is getting on with the business of meeting consumer demand with ever-improving environmental performance," said Bisignani.

[View full August traffic results](#)

## Article 4

# IATA Signs Agreement with Nigeria To Open First Office in Lagos

IATA has signed a Memorandum of Understanding (MOU) with the Government of Nigeria to facilitate the opening of the Association's first office in the nation's largest city, Lagos.

The MOU was signed in Montreal, Canada on 20 September 2007 by Giovanni Bisignani, IATA's Director General and CEO and the Honourable Diezani Alison Madueke, Nigeria's Minister of Transportation. Both were attending the 36th Assembly of the International Civil Aviation Organization (ICAO).

The Nigeria office is targeted to open by the end of 2007 and will assist IATA's Africa Regional Office (Johannesburg) in delivering IATA's programmes throughout the six English-speaking countries of West Africa: Nigeria, Ghana, Sierra-Leone, Gambia, Liberia and Cape Verde.

"This MoU is an important step in the development of civil aviation in West Africa, particularly Nigeria which is the region's largest market," said Bisignani. "We have invested significant resources in Africa with our [Johannesburg regional office](#). Today's agreement gives us a valuable local presence to deliver our many programmes—from safety to industry solutions and our settlement system."

IATA has been working closely with the Nigerian government on several issues, particularly safety. "Safety is our top priority," said Bisignani. "The Nigerian government has taken major steps forward to build a solid foundation for safety improvement. Today's MoU takes IATA's commitment one step further. I look forward to the continued great cooperation from the Director General of Civil Aviation, Harold Demuren and Minister of Transport Mudueke to continue to foster the development of civil aviation in Nigeria and West Africa."

## Article 5

### Mark your calendar – coming events

- [AVSEC World 2007, October 30 - November 01, 2007 - Vancouver, Canada](#)
- [IATA's Aviation Fuel Forum 2007, November 6-8, 2007 - Istanbul, Turkey](#)
- [IATA 121st Schedules Conference, November 10-13, 2007 - Toronto, Canada](#)
- [IATA Maintenance Cost Conference, November 14 - November 15, 2007 - Athens, Greece](#)
- [IATA Commercial Strategy Symposium 2007, November 27-29, 2007 - Athens, Greece](#)
- [IATA Air Transport IT Summit 2007, December 4-5, 2007 - Amsterdam, The Netherlands](#)