

Article 1

Improve Cargo Competitiveness

IATA) called on the air cargo supply chain to coordinate efforts to drive an industry agenda for change that will improve customer service and competitiveness.

“Air cargo is a US\$50 billion business that is losing competitiveness. World trade grew 7.5% last year and our growth forecast for this year is 4.0%,” said Giovanni Bisignani, IATA’s Director General & CEO. He was speaking at the association’s second World Annual Cargo Symposium attended by 900 air cargo industry leaders in Rome, Italy on March 4. “Our sea competitors are gaining market share with faster ships, lower prices and innovative solutions. And new capacity coming into the market - 200 to 300 wide bodies entering the market each year to 2011 - will put even greater pressure on yields. This is a tough business that is only getting tougher. The only way to succeed is to please the customer.”

IATA is in a unique position to lead change in the cargo industry. With operations in 72 countries, the IATA Cargo Accounts Settlement System (CASS) now handles US\$21 billion annually, “IATA is serious about air cargo. Our network grew by 60% in the last four years and we have aggressive plans to expand coverage and diversify services in 2008,” said Bisignani.

Bisignani identified an air cargo supply chain agenda to please the customer based on safety, security, quality, efficiency and the environment.

Safety: “Last year there were 16 cargo accidents - 16% of the industry total. This is down from the 25% recorded in 2006 but it is still not good enough. IOSA plays an important role. 138 member airlines are on the IATA Operational Safety Audit (IOSA) registry but cargo is behind with only one airline on the registry. Our goal is to bring all carriers on board by the end of the year,” said Bisignani.

Security: “Security is still a US\$5.9 billion uncoordinated mess for the air transport industry. Our risk management capabilities are excellent but our stakeholders still want to treat air freight like baggage. It is not. Effective security must involve the entire logistics chain,” said Bisignani. “To clean up this mess we need a coordinated effort across the supply chain. The Air Cargo Security Industry Forum, that brings together 27 industry associations, is key to influencing regulators with a common message and coordinated action. We are working on internationally recognised security accreditation standards and a security audit. This includes a global registry of secure supply chain operators, including known shipper details to be used by regulators and the supply chain.”

Efficiency and Quality: “Shippers demand quality and efficiency. Cargo 2000 was established over a decade ago to simplify processes and implement effective quality standards from order to delivery. We simplified the supply chain process from 40 to 19 steps and developed common parameters for quality measurement. Now we need to move faster to increase Cargo 2000 participation and implementation. The key is leadership. The most successful

Cargo 2000 members have dedicated quality managers to drive the programme forward. It is time now to consider giving the process some teeth with an IATA quality audit based on Cargo 2000 standards," said Bisignani.

"Air cargo business processes belong to another age. It's time to modernise and drive paper from the business. E-freight is the answer to our customers' call for lower costs, improved reliability and more speed. Today e-freight is a reality in six key locations covering 10% of cargo volumes. What have we achieved? First, we replaced 12 paper documents with electronic messages and a single point of data entry. More importantly, we have proved that e-freight can work. Our target for 2008 is to expand the benefits of e-freight to another 8 locations," said Bisignani. "But data quality is still an issue. One key benefit for e-freight is time. Fast track customs clearance with e-freight could save up to 24 hours per shipment. But we will only achieve that if data is consistently accurate."

Environment: "Environment is an issue the entire supply chain must address quickly and with a common goal - to achieve carbon neutral growth leading to a carbon-free future. The industry is united behind IATA's four-pillar strategy on climate change: invest in technology; fly planes effectively; build and operate efficient infrastructure; and use positive economic incentives. Our first target is a 25% improvement in fuel efficiency by 2020. In the last two years, IATA's efforts in shortening routes, spreading best practice and improving operations saved 25 million tonnes of CO2 emissions," said Bisignani.

"Air cargo is a tough business. The entire value chain must be united to deliver critical solutions against aggressive targets. The priorities are clear: to provide safe and secure transport that is environmentally responsible with consistent quality and lower costs. The only way to do this is by working together with a common vision that meets customer expectations," said Bisignani.

Article 2

January Traffic Could Signal Slowdown

IATA's international traffic data released last month shows year-on-year international passenger demand grew by 4.3% in January. This is sharply down from the 6.7% growth recorded in December and the 7.4% recorded for the full-year of 2007. Capacity growth of 4.2% saw load factors inch up to 75.1%. International cargo demand growth remained sluggish. At 4.5% for January it was largely unchanged from the 4.7% year-on-year growth recorded in December.

Passenger

- At 0.3%, European carriers saw the largest fall (from 5.5% in December) and weakest growth of all regions. While intra-Europe traffic remained relatively strong, the largest drop came in long-haul markets. This is largely due to the strong Euro weakening the competitiveness of Europe's airlines.
- North American carriers recorded 5.0% growth in international passenger traffic, down slightly from the 6.0% recorded in December. US domestic traffic contracted by 3-4%, as carriers re-deployed capacity to more lucrative international routes. Increased competitiveness from a weak US dollar helped drive load factors to an industry leading 77.2%.
- Asia Pacific carriers saw a marginal drop in demand growth from 6.2% in December to 5.7% in January. Despite the weak Japanese economy, carriers in the region benefited from increased competitiveness due to the strong Euro and the booming economies of both India and China.
- Latin American airlines continue to see a sharp recovery (16.9% growth in January) on the back of strong economies, driven partly by Asian commodity demand, and continued restructuring. Middle Eastern growth slowed sharply to 7.4% but this seems due to slower growth in capacity rather than any change in the strong oil-driven upward trend in growth. African airlines saw a second disappointingly slow month of growth (2.8%), despite good regional economic growth.

Cargo

- Steady year-on-year air freight growth of 4.5% was recorded in January. This runs contrary to downward trends in many leading indicators including semi-conductor shipments and manufacturing business confidence levels.
- Air cargo has been growing at half the rate of global trade expansion, indicating a loss of market share to shipping which has benefited from faster ships and cheaper fuel costs. While aviation fuel rose 300% between 2002 and the first half of 2007, residual fuel for ships increased by 200%. During the last half of 2007 the gap narrowed with the sharp increase in prices. Both modes are experiencing a 500% increase in fuel costs compared to 2002. The result is that air cargo has clawed back some lost market share, masking any early impacts from the downturn in the US economy.
- In the larger freight markets there is continued strength. Asia Pacific airlines saw demand increase 6.5%, up from 6% in December, boosted by the booming economies in China and India. European airlines saw freight slump to 0.4% in a pattern very similar to passenger traffic. Most of the air freight is carried on long-haul markets where business for the European airlines has suffered from the strong Euro.

“January traffic results show that we could be at a turning point. A month’s data is not enough to define a trend, however, the sharp shift in demand growth patterns makes it clear that the US credit crunch is negatively impacting air travel. Fasten your seatbelts. There is likely to be turbulence ahead,” said Giovanni Bisignani, IATA’s Director General and CEO.

“This is an unusual situation for the industry. Asia outside of Japan is looking strong, even as the US economy weakens. This highlights the need for the air transport industry to globalise. The outdated bilateral system and national ownership rules will prevent the industry from responding as a normal business to economic shifts. Airlines cannot diversify risk, so the parts of the industry will see the impact of the US credit crunch with very little buffer. This must change,” said Bisignani.

[View full January Traffic Results](#)

Article 3

IATA joins forces with Solar Impulse

IATA has become an Institutional Partner of Solar Impulse – the solar airplane that will fly around the world with no fuel and zero emissions. The agreement, signed by Bertrand Piccard, President of Solar Impulse and Giovanni Bisignani, Director General and CEO of IATA in February, establishes a framework for cooperation between the two organisations. IATA will provide assistance to ensure the smooth passage of the solar plane around the world.

Giovanni Bisignani said, “Solar Impulse and IATA share a vision. We are natural partners. We are both looking towards a zero carbon emission future for air travel. Solar power is one of the building blocks that will make this happen. The Solar Impulse initiative is proof that with vision anything is possible – even carbon free flight.”

“Our future freedom relies on us converting to renewable energy sources as soon as possible. In this sense, the vision set by IATA to eliminate all polluting emissions within the next 50 years is admirable,” explained Bertrand Piccard, Initiator and President of Solar Impulse.

Solar Impulse is building the first prototype airplane that aims to demonstrate the feasibility of flying day and night, only propelled by solar energy. The first test flights will take place in early 2009. In 2011, Bertrand Piccard and André Borschberg, CEO, will fly around the world with five stop-overs. IATA will help make this dream a reality by providing support including assistance in obtaining air traffic control clearance.

"In one year's time, Solar Impulse will fly without any polluting emissions, but will carry only one person. To achieve IATA's vision there are a little more than 40 years left to find a way to increase the payload to a few hundred passengers," said Piccard.

Bisignani added, "Achieving zero carbon passenger flights will not happen overnight. And no single initiative can provide all the answers. But the airline industry was born by realising a dream that people could fly. We can already see the potential building blocks for a carbon-free future: along with solar power, other exciting initiatives include progress in fuel cell technology, and fuel made from biomass. By working together with a common vision, an even greener industry is absolutely achievable."

Article 4

Countdown to Last Paper Ticket

The days of the paper ticket are coming to an end. "In less than 90 days the paper ticket gets put in a museum. On June 1, 2008 we will achieve 100% electronic ticketing," said Giovanni Bisignani, IATA's Director General and CEO. "E-ticketing is the flagship project of [Simplifying the Business](#). While a paper ticket costs US\$10 to process, e-ticketing reduces that cost to US\$1. The industry will save over US\$3 billion each year by offering the passenger a better service. There is no better win-win proposition," said Bisignani.

When the programme began in June 2004, only 18% of tickets issued globally were e-tickets. Today e-ticketing penetration is over 93%. "It is an incredible industry success story. When we began over 28 million paper tickets were issued each month. We have reduced that number to less than 3 million," said Bisignani.

Challenges remain. E-ticketing penetration in Africa is only 83% and has reached 84% in Middle East North Africa (MENA). The real concern is Russia and CIS, which is at 54% due to a late start while the government changed legislation to allow for e-tickets. "Combined, these regions represent 8% of total volume. IATA's 150 experts are working with the airlines in these regions to close the gap quickly. If we can bring the convenience of e-ticketing even to small remote island airports with no electricity, I am confident that with some hard work in the final stretch we will be successful," said Bisignani.

Consumers can anticipate more convenient travel in an electronic world. 100% ET eliminates lost tickets, makes itinerary changes easy and enables a wide array of self-service options.

"We are entering a new age for air travel. The consumer has spoken. They love the convenience of e-ticketing and now want to combine it with self-service options to have more control over their journey," said Bisignani. "We are already seeing the ET effect. Online and kiosk check-in are at all time highs. Even newly introduced mobile phone check-in is rapidly gaining popularity. IATA is pushing Simplifying the Business to the next level with its FastTravel project. [FastTravel](#) will bring a wide array of self-service options, in a streamlined process, from reservation to arrival."

Article 5

Challenges for Asia

IATA has called on Asia to join in the race for industry leadership. "Asia has over 50% of the world's population, and will be our largest single market by 2010. Asia needs to be part of the race to lead the industry with sound policies and innovation, along with the commercial race for market share," said Giovanni Bisignani, IATA's Director General and CEO in his keynote address at the inaugural Singapore Airshow Aviation Leadership Summit in February.

Bisignani identified the case for industry change in Asia based on three challenges - (i) Middle East competition, (ii) shortage of skilled personnel, (iii) declining profitability. At the same time, Bisignani pointed to three opportunities for Asian leadership to push forward an industry agenda for change - (i) liberalisation, (ii) security and (iii) environment.

Challenges

Middle East Competition: "Everyone wants a piece of the growth pie. The Middle East is spending US\$38 billion on infrastructure to position itself as a global air hub. Dubai now handles nearly as much traffic as Singapore, and is connected to 37% more destinations. And plans for a super airport at Jebel Ali will be the world's biggest, handling up to 140 million passengers a year," said Bisignani.

Skilled Personnel Shortage: "Finding skilled personnel will be a challenge. 17,000 new pilots need to be trained a year to operate the 16,000 new aircraft needed by 2020. That is 40,000 more than current capacity. With the fast growing markets in Asia, there will be a large requirement for all licensed personnel – pilots, mechanics and cabin crew," said Bisignani.

Declining Profitability: "The profitability of Asian carriers has gone from US\$1.7 billion in 2002 to US\$700 million last year. The 40% capacity expansion over the same period has seen yields decline, as well as profit margins - from 4% to less than 1%. Asian capacity set to expand 8.8% in 2008, and demand expected to grow by only 6.4%. This is not a recipe for long-term health," said Bisignani.

Leadership Opportunities

Bisignani identified three opportunities for Asian leadership to effect industry change.

Liberalisation: The archaic bilateral system requires governments to negotiate international markets, resulting in a fragmented industry. The largest airline represents only 5% of total traffic. And in Asia 13 airlines compete for 50% of the market. "ASEAN's decision to liberalise traffic between capital cities in 2008 is a step in the right direction. But we need bolder leadership that will set the industry on a completely different course. If Asia acts as a region, it can balance the traditional leadership of the US and Europe, bringing a bolder approach and exploring new ways of doing business," said Bisignani. He also suggested the formation of a new and unique regional institution for coordination of air policy issues involving both government and industry.

Security: "The industry is much more secure than in 2001. But the system is still an uncoordinated mess. We have not harmonised measures across borders. Singapore took a major step and signed an agreement with the EU to harmonise the security of duty-free items. But why was it not an agreement that covers Asia with mutually recognised standards? Our passengers deserve much better leadership than the patchwork of different standards and procedures we have today. Asia should be thinking of a regional security area with harmonised rules and tools using the best modern technology," said Bisignani.

Environment: “Aviation is 2% of global carbon emissions. Our vision is to achieve carbon neutral growth, leading to a carbon-free future. And Asia can play a leadership role in this vision. With an average fleet age of 9.8 years - two years younger than the global average of 11.8 - Asia has a head start. But the leadership vision must be broader - bringing greater harmonisation of air traffic management, setting regional efficiency targets and providing positive economic support for research into alternative fuels and radical aircraft design,” said Bisignani.

“Asia is our industry’s present and its future. Running an airline is tough business, and Asia has done well. The race for market share and growth has been won. Now we need a unique race for leadership that involves key players from the region from fast developing China and India, to more traditional players like Japan, Singapore or Australia, and everyone in between. The leadership vision is needed to build an industry that is even safer, more secure, and delivering an industry that is financially sound and efficient, said Bisignani.

Article 6

Mark your calendar – coming events

- [Wings of Change 2008, April 1-2 – Santiago, Chile](#)
- [IATA Food Safety Forum, April 2, 2008 - Miami, U.S.](#)
- [IATA AirportIS Forum, April 9th, 2008 - Panama City, Panama](#)
- [IATA PaxIS Forum, April 10-11, 2008 - Panama City, Panama](#)
- [Aviation & Environment Summit, April 23-24, 2008 - Geneva, Switzerland](#)
- [IATA/AAPA 3rd Regulatory Affairs Forum, April 9, 2008 - Kuala Lumpur, Malaysia](#)