

Article 1

Improving African Safety

IATA announced further enhancements to its commitment to improve aviation safety in Africa.

"African safety has improved, but the accident rate is still nearly six times the global average. This must change. IATA is serious about delivering results that will raise the bar on aviation safety," said Giovanni Bisignani, IATA's Director General and CEO.

Bisignani announced the Association's latest addition to its African safety initiatives - the Implementation Plan for Safe Operations in Africa (IPSOA). "This is a US\$3.7 million programme that follows on the US\$5.4 million that we have already committed to improve safety in this region," said Bisignani.

IPSOA will give up to 30 African airlines access to IATA's Flight Data Analysis (FDA) tool over a three-year period. FDA offers airlines the capability to statistically analyse data from actual flights to improve procedures and monitor compliance. FDA offers critical insight for aircraft maintenance by using data to monitor engine condition trends and aircraft fuel usage.

"IPSOA is a partnership to improve both safety and efficiency. IATA will provide access to the data, but the airlines must invest to ensure that their organisations can take advantage of the programme," said Bisignani.

Bisignani also highlighted IATA's three other key areas to improve African safety:

1. Auditing: Twenty African carriers are among the 193 airlines on the IATA Operational Safety Audit Registry. With less than eight months to the December 31 deadline for obtaining IOSA registration, 15 IATA members in Africa have open findings. "Our goal is to have all of our members on board to raise the bar on safety. We will be working with our African members in a special Partnership for Safety Plus programme to bring our members into compliance with IOSA standards by the end of the year," said Bisignani. Bisignani also urged African governments to make use of IOSA. "Already Egypt and Madagascar are mandating IOSA as part of their safety oversight programmes. I want to see more African governments follow their lead - including Nigeria," said Bisignani.

2. Infrastructure: Bisignani highlighted two areas of concern. "Despite high user charges, in many parts of Africa infrastructure is poorly funded and not up to international standards. Lack of transparency is a critical issue that is costing lives. IATA supports the creation of special infrastructure fund mechanisms to ensure that the money that airlines pay in charges stays in the industry," said Bisignani.

3. Skills Shortage: "Airlines are competing in a global market that has a shortage of licensed personnel. To meet projected demand in 2026, we must train 19,000 pilots a year. With capacity of 16,000, the shortfall by 2026 would be 54,000 pilots. We must broaden the pool of qualified candidates without compromising on safety. IATA's

Training and Qualification Initiative (ITQI) is working on a comprehensive approach from recruitment to training, standards and technology. Governments also have a role. The challenge is for governments to cooperate and jointly provide and recognise standards, licensing and training. It would help Africa (and other regions) use scarce resources more efficiently while improving safety," said Bisignani.

"Safety is a team effort. IATA is working closely with all its members to deliver results. Safety oversight is a government responsibility. They must be equally committed to providing resources and leadership. Working together we can make Africa's skies safer," said Bisignani.

Bisignani made his comments in a keynote address to industry stakeholders at IATA Aviation Days for Africa being held in Lagos, Nigeria where the Association has just opened a sub-regional office serving Nigeria, Ghana, Sierra Leone, Gambia, Liberia and Cape Verde. With the new office, IATA will expand its Billing and Settlement Plan (BSP) to the Nigerian market. Anticipating the 100% e-ticketing deadline on 31 May 2008, the Nigerian BSP operation will be among the first completely e-ticketing BSPs in the US\$220 billion IATA settlement system.

Article 2

Stagflation Threatens Industry Outlook

IATA downgraded its industry profit expectations for 2008 to US\$4.5 billion based on global economic growth slowing to 2.6% and an average annualised oil price of US\$86 per barrel (Brent Crude). This is the second downgrading of the 2008 forecast. In September 2007 IATA predicted a US\$7.8 billion profit for this year. The initial impact of the credit crunch saw that lowered to US\$5.0 billion in December 2007.

"We still expect a positive bottom line of US\$4.5 billion, but it's turning out to be a very tough year," said Giovanni Bisignani, IATA's Director General and CEO.

Skyrocketing oil prices during 2004-2008 were offset by efficiency gains and rising consumer confidence. "The broadening impact of the US credit crunch has brought buoyant consumer confidence to an abrupt end. Oil prices continue to rise. Demand is softening and after the 64% improvement in labour productivity and an 18% reduction in non-fuel unit cost attained since 2001, efficiency gains are much more difficult to achieve," said Bisignani.

At an average annual price of US\$86 per barrel for Brent, fuel represents 32% of operating costs and a total bill of US\$156 billion. Along with the credit crunch and oil prices, three other key elements are impacting the performance of the industry:

Aircraft Delivery Cycle: The downturn in demand coincides with a stepping-up of aircraft deliveries - from 1,041 new aircraft in 2007 to an expected 1,231 in 2008. While some of this will be offset by retiring less fuel-efficient aircraft, real yields (adjusted for inflation and the US dollar) are expected to drop 4.1% this year (compared to a 3.2% drop in 2007).

Increased competition: The US-EU Agreement on Open Skies is increasing trans-Atlantic frequencies by 11% in April. London Heathrow and Spain are leading the change with an increase of 25% each. Increased competition will put pressure on yields in these markets.

Non-Core Assets: In the past two years non-core business significantly boosted the consolidated profits of airlines. In 2007 alone the contribution of non-core profits and asset sales almost tripled the airline business profit of US\$5.6 billion to over US\$15 billion. The crisis in financial markets will make asset sales more difficult in 2008.

Regional Profitability: All regions are expected to be profitable in 2008, except for Africa. Compared to 2007, areas with strong commodity markets and strong ties to the booming economies of China, India and Latin America are in general doing better. By contrast, the US and Europe will see significant decreases in profitability:

- North America: US\$1.8 billion (down from US\$2.8 billion in 2007)
- Europe: US\$1.8 billion (down from US\$2.1 billion in 2007)
- Asia Pacific: US\$900 million (constant from 2007)
- Middle East: US\$200 million (down from US\$300 million in 2007)
- Latin America: Break-even (compared to a US\$100 million loss in 2007)
- Africa: US\$300 million loss (improved from the US\$400 million loss in 2007)

Consolidation: “It’s time for governments and labour to get serious about the future structure of the industry. A fragmented industry of over 1,000 players is generating net profit margins around 1% - in a good year. There is no secure long-term future for an industry that is constantly on the verge of intensive care,” said Bisignani.

“Labour must see the good results of the consolidation that we have seen in Europe and paint itself into the picture of even broader global consolidation. And governments must understand that the flag on the tail has lost its meaning. Airlines need to grow into global businesses, spreading risk and benefits in the same way that any other normal business would. Ownership and control restrictions must go. And a good starting point is the Second Stage US-EU talks which begin soon.”

[Full forecast information](#)

Article 2

Global Load Factor Falls

IATA released international traffic data showing that the global passenger load factor (PLF) fell to 73.3% in February. This is 0.6 percentage points below the PLF in February 2007. Moreover it is the most significant drop in the PLF in 4 years.

Traffic: Traffic data for February is skewed by the leap year. The extra day hides the continuing slow down in demand. Unadjusted traffic figures showed year-on-year increases of 9.2% and 5.9% for passenger and cargo demand respectively.

“When we adjust for the impact of the leap year, passenger demand increased by 4-5% while freight was even more sluggish in the 2-3% range. Demand is still growing. But clearly we are in a different league from the 7.4% and 4.3% growth that we saw in 2007 for passenger and freight respectively. Things are slowing down,” said Giovanni Bisignani, IATA’s Director General and CEO.

Passenger Load Factors: “Load factors tell the story. They fell in the four largest carrier regions showing the growing impact of the US economic slowdown on the airline industry,” said Bisignani.

European PLF recorded the largest single drop of 1.6 percentage points to 71.7%. Asian carriers saw their PLF fall by 0.1 percentage points to 75.2% while North American airlines experienced a 0.5 percentage point drop to 74.0%. The Middle East saw a 0.9 percentage point fall to 72.6%, balanced against a 20.3% growth in passenger traffic supported by the oil business. This is strong growth even taking into consideration the leap year impact.

The exceptions were Africa, where a contraction in supply boosted the PLF by 2.1 percentage points to 67.4% and Latin America where strong economic growth and travel demand boosted load factors by 0.9 percentage points to 73.0%.

US-EU Open Skies: Against the backdrop of a slowing US economy, the US-EU Agreement on Open Skies takes effect today. The weak US dollar and strong Asian and European economies are boosting US exports and outbound business travel. US carriers are growing trans-Atlantic traffic in double-digit figures. By contrast, the competitiveness of Europe's carriers is negatively impacted by the strong Euro which is also dampening European exports.

"US-EU Open Skies will be yet another variable in a very complicated equation," said Bisignani. "Out of Europe's busiest international hub - Heathrow - there are 25% more weekly flights scheduled to serve the US market. Consumers will benefit from greater choice and lower fares due to intensified competition. We expect a counter-cyclical boost in April traffic as result. The question will be how much and for how long."

"Trans-Atlantic competition will increase in April thanks to new route opportunities. Now what we need is the full set of commercial freedoms to be able to serve those opportunities most effectively. The stage two talks must address the liberalisation of ownership rules so that airlines can merge or consolidate where it makes business sense. Every other industry has the opportunity to go global. Why not the airlines?" said Bisignani.

[View full February traffic results](#)

Article 3

Urgent Work Needed to Improve Latin America Safety

IATA called for the Latin American aviation industry to redouble its efforts to drive down the accident rate in the region and better coordinate safety regulations in a [keynote address](#) delivered by IATA Director General and CEO Giovanni Bisignani at the Wings of Change conference on April 1. The accident rate in Latin America fell from one accident for every 400,000 flights in 2005 to one accident for every 600,000 flights in 2007 but it still remains double the global average.

Two Latin American governments - Brazil and Panama - took a significant step to improve safety today by committing to incorporate the IATA Operational Safety Audit (IOSA) into their respective national safety oversight programmes. IOSA is the global standard for aviation safety management. It is a membership requirement for IATA members but is available to all airlines. IATA announced today there are 20 Latin American airlines on the IOSA registry with eight more in the quality control process.

Brazil and Panama join Chile, Costa Rica, and Mexico, which are the other three Latin American countries to incorporate IOSA into their aviation safety programmes. "IOSA is fully funded by IATA for our members and it is free for any government to use. There are no more excuses for anyone in the industry that is not participating in the IOSA programme. Five Latin American countries participating in IOSA are not enough. It is crucial that more states join quickly for the benefit of our members and passengers," Bisignani said.

In the address to aviation leaders, Bisignani called for immediate action to reverse a dangerous trend of diverging safety regulations across individual countries in the region. There are more than 250 safety deficiencies with regard to ICAO standards in the region.

"This is unacceptable and must be improved immediately. Cooperation and a broader view based on global standards are necessary to address unique infrastructure challenges and upgrade the ageing and insufficient air traffic control technology. Safety knows no borders and safety regulation must converge again," Bisignani said.

Article 4

UK Regulation of Airports a “Failure”

IATA blasted as a failure the UK’s Civil Aviation Authority’s decision to allow costs at London airports to rise by a massive 50% between 2008 and 2013. “Failure is the only word to describe the CAA’s decision,” said Giovanni Bisignani, IATA’s Director General and CEO.

For Heathrow the CAA has allowed charges per passenger to rise by 23.5% from 1 April 2008, followed by increases of 7.5% plus inflation for each of the following four years. In the case of Gatwick, a similar 21% hike from 1 April 2008 will be followed by increases of 2% plus inflation for each of the following four years. In 2006 BAA generated an operating profit of 35% at Heathrow, which produced a net return on capital invested of 15.3%—twice the level of the cost of capital set by the regulator. “Economic regulation must produce results that are measured by improved efficiency and quality, not reward excessive monopoly profits and embarrassingly low service levels,” said Bisignani.

“The regulator already allowed a 50% increase between 2003 and 2008 and now the road is being paved with gold for a further 50% increase. Only an out-of-control monopoly could think in such terms. And only a phantom regulator that is the result of a flawed structure could allow this to happen,” said Bisignani. “Compare that to the 64% improvement in labour productivity and 16% reduction in non-fuel unit costs achieved by airlines since 2001.”

“The bureaucrats have proved to be impotent in defending the interests of travellers against monopolies. This decision impacts London’s competitiveness as a world city. If we don’t fix London’s dysfunctional airports, the City’s regular travellers will find a more convenient home. Frankfurt, for example, would be only too happy to welcome them,” said Bisignani.

The problems of a weak regulator and an out-of-control monopoly are well-recognised. The Government has seen fit to commission an independent review of the CAA by Sir Joseph Pilling. The Competition Commission is investigating breaking up the BAA monopoly. And the Parliamentary Select Committee on Transport is about to report on the future of BAA.

“We all agree that there is a problem. These reviews and inquiries must recommend an ambitious agenda for change that will give London the effective air transport infrastructure it needs. The starting point is a new modus operandum for economic regulation to deliver efficient airports. It’s not rocket science. The time for excuses is over. It is now time for action. The UK authorities must act decisively and speedily to get the basics right in order to protect London’s competitiveness,” said Bisignani.

Article 5

Mark your calendar – coming events

- [Aviation & Environment Summit, April 23-24, 2008 - Geneva, Switzerland](#)
- [IATA/AAPA 3rd Regulatory Affairs Forum, April 9, 2008 - Kuala Lumpur, Malaysia](#)
- [CNS Partnership Conference 2008, May 4-6, 2008 - Palm Beach Gardens, Florida, USA](#)
- [IATA Ground Operations Symposium and IGHC 2008, May 12 - 14, 2008 - Kuala Lumpur, Malaysia](#)
- [Aviation Fuel Forum, May 20-22, 2008 - Athens, Greece](#)