

# CEO BRIEF October 2007

Strong demand and disciplined traffic management drove load factors to an August all time high of 80.3%. While this supported an increase in our 2007 profit projection to US\$ 5.6 billion, the credit crunch, combined with stubbornly high oil prices, have resulted in a more cautious outlook for 2008 at US\$ 7.8 billion. Driving efficiency gains even further throughout the business and controlling costs—particularly labour—remains critical to the industry's agenda.

On the political agenda, we took some major steps forward in September at the ICAO Assembly which embraced IATA's four pillar strategy to address climate change. Meanwhile, Europe was isolated with its unilateral approach to emissions trading. This will no doubt lead to legal, trade and diplomatic challenges.

As governments squabble over economic measures, IATA will continue to work with member airlines, manufacturers and governments on practical measures to improve environmental performance—optimizing routes, improving operations and spreading best practice in fuel management. Our vision for carbon neutral growth, leading to a carbon-free future, is a role model for any other industry. The support of our manufacturing partners is solid. The next challenge is to turn the endorsement of ICAO into real and effective results.



**Giovanni Bisignani**  
Director General & CEO

## ICAO Assembly Update

The 36th Session of the ICAO Assembly took place in Montreal, 18-28 September. IATA urged governments to show leadership in three critical areas – safety, security and environment – where a globally harmonized approach is fundamental.

### Safety

- To help airlines implement IOSA standards, IATA has developed and published the Integrated Airline Management Systems (IAMS). The benefits of the integrated approach were recognized by the Assembly to mitigate those risks with a potential impact on operational safety.
- The Assembly noted the launch of the IATA Safety Audit for Ground Operations (ISAGO). Ground handling accidents cost the industry US\$ 4 billion a year .

### Security

- The industry has been promoting global best practice with Security Management Systems (SEMS), complementing ICAO's security programme, and the Assembly supported SEMS development and implementation.
- IATA promoted a risk-based approach to security among governments, developing a common risk-assessment methodology, which the Assembly endorsed.

### Environment

The final ICAO Resolution fully embraces IATA's comprehensive strategy to tackle aviation's impact on the environment, based on our 'four-pillar' approach.

- The Assembly also endorsed IATA's goal of improving airlines' fuel efficiency by 25% by 2020.

- It called for an aggressive and comprehensive Programme of Action to be developed, including technological advances, increased operation efficiencies; improved ATM and voluntary market-based measures.
- On the controversial issue of ETS, Europe stood by its plan to impose emissions trading on foreign carrier flights to/from Europe. The opposition to the European position was unanimous and the other non-European States indicated that they will not impose emissions trading on foreign operators.

## Getting out our environmental message

Preparing for the ICAO Assembly, a group of high level executives from aircraft manufacturers and oil companies was convened in Geneva on 24 July.

- IATA's vision and its four-pillar strategy received broad support. Participants committed to work in coordination with IATA to help build a consensus among governments.

IATA plays a key role in ATAG's industry-wide environmental communications campaign.

- Through its website [www.enviro.aero](http://www.enviro.aero), ATAG disseminates information about the industry's environmental track record.

IATA's print advertisements are now being carried in more than 30 in-flight magazines and the wider press such as The International Herald Tribune.

- They have proved popular and are a good way of getting our environmental message across.  
[www.iata.org/whatwedo/environment/campaign/index.htm](http://www.iata.org/whatwedo/environment/campaign/index.htm)

The next phase of the communications campaign will target even more passengers by utilising advertising space at European hub airports over the next ten months.

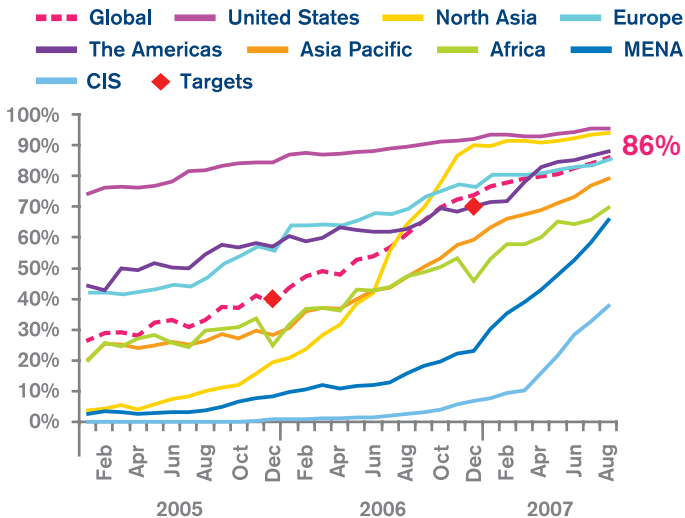
## StB on track

### E-ticketing

Penetration in IATA BSPs reached 86% in August.

- A total of 239 airlines, which collectively account for 99.2% of BSP-issued tickets, are now issuing ETs through IATA BSPs.
- IATA is providing airlines with one-on-one support to overcome the remaining obstacles to 100% ET, through airline-specific business intelligence such as the StB Extranet.
- Over 1,900 interline ET agreements (IETs) have been completed. Leading carriers have completed 100 IETs.

#### ET penetration - Split into regions by base country of airlines



### BCBP - 2007 Target reached!

- 80 airlines are using IATA standard 2D bar coded boarding passes.
- To meet the 2008 mandate for all airlines to become BCBP capable, IATA is providing implementation support to airlines through BCBP workshops and other channels.

### CUSS - 2007 Target reached!

- 80 airports are operating CUSS worldwide.
- Leveraging the knowledge gained in this project, IATA is developing a Passenger Self-Service Strategy, which will be presented to the IATA Board of Governors, to bring more choice to passengers through a range of self-service options.

## Updates

### BSP Ukraine

IATA's office in Kiev continues to provide BSP services, notwithstanding the continuing harassment by supporters of a local settlement service. The diplomatic pressure on the Ukrainian authorities by a number of member airlines and Western governments, is clearly having a positive effect and should be maintained until we receive unconditional approval for the operation.

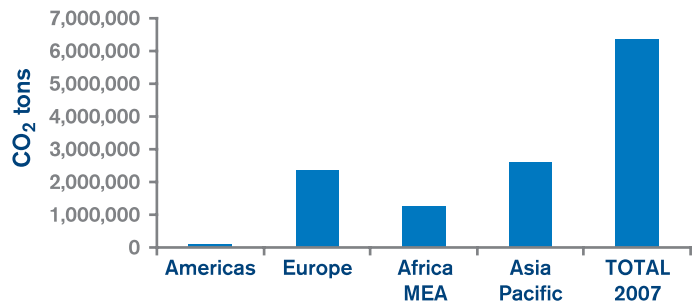
### IATA office in Nigeria

IATA has signed a MoU with the Nigerian Government to open an IATA office in Lagos. IATA plans to establish a BSP for Nigeria and to recruit an expert on safety issues in the region. In 2008, the office will cover the needs of other West African countries (Ghana, Sierra Leone, Liberia, Gambia and Cape Verde).

## Fuel Saving Campaign

To date, the IATA Go Teams have assessed 25 airlines totaling a fleet size of 2,000 aircraft with potential savings of US\$ 1.26 billion and 6.3 million tons of CO<sub>2</sub>.

Identified CO<sub>2</sub> emission savings 2007 (tons)



## Looking at the numbers

### A more cautious outlook for 2008

The improvement in industry profitability over the past year has been concentrated among North American airlines and, to a lesser degree, European carriers. In contrast, profitability deteriorated in Asia-Pacific.

- North America has reaped the benefits of restructuring, while booming long-haul business travel boosted European airlines. Performance in Asia-Pacific has been hindered by the big expansion in capacity and a high exposure to fuel prices.
- Next year's forecast is more uncertain than usual. The falling US housing market generated turmoil in credit markets and the first run on a UK bank in 100 years. Business and consumer confidence have suffered, with a recession risk, at least in the US.
- The cost of oil has hit new all-time highs, taking jet fuel prices close to US\$100 a barrel.
- Economic growth up to now has been strong; even the US economy was growing 3-4% this summer, while China and India continue to expand at rates approaching 10%.
- The US economy may now slow as falling housing prices hit consumer spending, including leisure travel. However, the credit crunch may not damage business investment because companies are cash rich. The big fall in the US dollar will boost US exports, including business travel on long-haul markets.
- There is, however, considerable growth momentum in Asian economies and in Europe. The credit crunch is likely to reduce M&A-related business travel but trade and outsourcing should continue to support premium long-haul markets.
- The challenges to improving profitability are more likely to come from rising fuel and labour costs rather than recession.

Operating profit margins

