

Article 1

Promoting Aviation's Copenhagen Commitment

Airlines, airports, air navigation service providers and manufacturers joined forces to agree three challenging targets for aviation to address climate change:

- Improving fuel efficiency 1.5% on average per year through 2020
- Stabilizing emissions with carbon-neutral growth from 2020
- Reducing emissions 50% by 2050, compared to 2005

In the run-up to the UNFCCC Copenhagen Climate Conference IATA is making four specific demands of governments:

- To adopt challenging industry targets to stabilize and eventually reduce aviation's carbon emissions;
- Manage aviation's carbon emissions through the International Civil Aviation Organization (ICAO) with a global sectoral approach in the post-Kyoto framework
- Invest in efficient infrastructure, particularly air traffic management
- Establish fiscal and legal frameworks to promote the rapid development of biofuels for aviation.

"Climate change is a global problem. Aviation is a global industry. We need a global approach for this industrial sector if we are to deal with climate change effectively," said Giovanni Bisignani, IATA's Director General and CEO.

A global sectoral approach for aviation and the environment has three main elements:

- That aviation's carbon emissions are accounted for at a global level, not by state
- That aviation should be fully accountable for its CO₂ emissions, but only required to pay once for these emissions
- That industry has access to global carbon markets to offset emissions until technology can provide the ultimate solution

This message was repeated by a united aviation sector to world leaders attending the UN Secretary General's Summit on Climate Change in New York (September 21-22), delegates attending the Greener Skies Conference in Hong Kong in October (6 October), the ICAO High Level Meeting on International Aviation and Climate Change (HLM-ENV) in Montreal (October 7-9) and in a personal meeting with the UN Secretary General Ban Ki-moon.

ICAO High Level Meeting on International Aviation and Climate Change (HLM-ENV)

The ICAO HLM-ENV Declaration confirmed the desire of governments to deal with aviation and climate change through ICAO and in coordination with the United Nations Framework Convention on Climate Change (UNFCCC). The Declaration also contained commitments for:

- States to work together to achieve a global annual average fuel efficiency improvement of 2% to 2020, followed by an aspirational goal of a further average annual 2% improvement from 2021 to 2050
- ICAO and its contracting States to evaluate the possibility of more ambitious goals by the next ICAO Assembly (2010), taking into consideration industry's collective commitments and the special needs of developing nations

- ICAO to establish the process to develop a framework for economic measures
- ICAO and its contracting States to encourage the development and use of sustainable biofuels

We took a step in the right direction, toward a global sectoral approach, but there is still a lot of ground to cover. Governments took note of our targets and recognized the need to work with industry to secure a sustainable future for aviation. This is significant progress," said Bisignani. He also urged governments to move forward quickly to implement what was agreed and develop an even more ambitious agenda.

Noting that governments have set a more ambitious average annual fuel efficiency improvement target (2% per year) than the industry's 1.5% in the medium term, to 2020, Bisignani called on governments to back their target with infrastructure investments to make it achievable and accelerate the development of the legal and fiscal frameworks to support the use of sustainable biofuels.

UN Secretary General

Following the ICAO High Level Meeting, Bisignani presented the aviation industry's climate change strategy and targets to UN Secretary-General Ban Ki-moon in a meeting at the UN headquarters in New York. "I assured the Secretary-General that the aviation industry is serious about its climate change responsibility. We have united all the players with a clear strategy and targets that are even tougher than those our regulators are prepared to administer. No other industry is as united, ambitious or determined. We are eager to work within the UN framework to achieve them," said Bisignani.

In the meeting, the UN Secretary-General commended the aviation industry's commitment to contribute to the global fight against climate change and encouraged that these commitments be followed by concrete actions. He stressed the importance of addressing emissions from international aviation and shipping if the world is to achieve its goal of reducing global greenhouse gas emissions to a level that avoids dangerous climate change.

Article 2

Court Supports IATA in PaxIS Dispute

The International Air Transport Association (IATA) won a major court victory in a dispute with Travelport over PaxIS. On 1 October, the Amsterdam District Court denied an application by Travelport for an injunction to block IATA's use of airline data stored in Travelport databases for PaxIS.

"IATA has won an important legal battle to preserve competition for airline data transaction products. The Dutch court decision vindicates the rights of airlines to earn profits from commercializing their data," said Giovanni Bisignani, IATA's Director General and CEO.

PaxIS is an airline business intelligence product based in part on data that it collects through its billing and settlement plans (BSP), some of which is stored in third party databases.

In late August, Travelport sought a preliminary injunction against IATA's use of BSP data in PaxIS. Travelport argued that the EC database directive gave it the right to control the use of data that it retrieves from its database and transmits to IATA's BSP settlement systems on behalf of its airline clients.

The 1 October decision of the Amsterdam District Court (Netherlands), denied Travelport's application, ruling in favor of IATA on almost every significant issue.

"This decision brings clarity and common sense to the evolving and complex interplay between the EC database directive and principles of EC competition law. We are pleased that we can continue to provide the airlines with a cost-effective and competitive data product that supports critical decision-making in their businesses," said Bisignani.

Article 3

Deeper Losses Forecast - Falling Yields, Rising Fuel Costs

IATA has announced a revised global financial forecast predicting airline losses totaling US\$11 billion in 2009. This is US\$2 billion worse than the previously projected US\$9 billion loss due to rising fuel prices and exceptionally weak yields. Industry revenues for the year are expected to fall by US\$80 billion (15%) to US\$455 billion compared with 2008 levels.

IATA also revised its loss estimates for 2008 from a loss of US\$10.4 billion to a loss of US\$16.8 billion. This revision reflects restatements and clarification of the accounting treatment of very large revaluations to goodwill and fuel hedges. IATA industry profit figures strip-out such extra-ordinary items which are not realized in cash terms.

"The bottom line of this crisis - with combined 2008-9 losses at US\$27.8 billion - is larger than the impact of 9/11," said Giovanni Bisignani, IATA's Director General and CEO. Industry losses for 2001-2002 were US\$24.3 billion. "This is not a short-term shock. US\$80 billion will disappear from the industry's top line. That 15% of lost revenue will take years to recover. Conserving cash, careful capacity management and cutting costs are the keys to survival. The global economic storm may be abating, but airlines have not yet found safe harbor. The crisis continues," said Bisignani.

Three main factors are driving the expected losses:

- **Demand:** Passenger traffic is expected to decline by 4.0% and cargo by 14% for 2009 (compared to declines of 8.0% and 17% respectively in the June forecast). By August, cargo demand was -9.6% and passenger demand was -1.1%. While both are improvements over the lows of -23.2% for cargo (January) and -11.1% for passenger (March), both markets remain weak.
- **Yield:** Yields are expected to fall 12% for passenger and 15% for cargo, compared to declines of 7% and 11% respectively in the June forecast. The fall in passenger yield is led by the 20% drop in demand for premium travel. Cargo utilization remains at less than 50% despite the removal of 227 freighters from the global fleet. There is little hope for an early recovery in yields in either the passenger or cargo markets.
- **Fuel:** Spot oil prices have been driven up sharply in anticipation of improved economic conditions. Oil is now expected to average US\$61 per barrel (Brent) for the year (up from US\$56 per barrel in the June forecast). This will add US\$9 billion in cost for a total expected fuel bill of US\$115 billion.

"The optimism in the global economy has seen passenger and freight volumes rise, but that is the only bright spot. Rising costs and falling yields have squeezed airline cash flows. The sharp decline in yields will leave a lasting mark on the industry's structure. And revenues are not likely to return to 2008 levels until 2012 at the earliest," said Bisignani.

"With cash flows substantially down over the first half of the year, the situation is critical. Larger carriers have built-up cash reserves of US\$15 billion - a war chest that is warding off a major cash crisis. But the outlook for small and medium sized carriers - with limited options to raise cash - is much more severe," said Bisignani.

The regional picture is varied:

- **North American carriers** are expected to post losses of US\$2.6 billion, more than double the previously forecast loss of US\$1.0 billion. Early resizing of capacity matched the slump in demand. But yields remain weak and recovery in travel demand is being held back by high levels of debt and unemployment.
- **European carriers** are expected to post the largest losses, US\$3.8 billion. This is also more than double the previously forecast US\$1.8 billion loss. Key long-haul markets were hit by the world trade collapse and delays in relaxing slot regulations prevented a timely reduction in capacity.
- **Asia-Pacific carriers** will post losses of US\$3.6 billion, similar to the US\$3.3 billion previously forecast. Worst hit by the recession and fuel hedging losses at the end of 2008, the region's carriers are the first to benefit from reviving Asian economic growth and the modest restocking of inventories in the West.
- **Latin American carriers** are expected to break even, an improvement from the previously forecast loss of US\$0.9 billion and the best performance among the regions. Airlines in this region are benefiting from more robust economies and less of the consumer debt headwind seen in North America.

- **Middle East carriers** will also see an improved outlook, from a loss of US\$1.5 billion to a loss of US\$0.5 billion. Airlines continue to gain long-haul market share with expanded capacity and hub connectivity. The weakness of economic recovery, however, could mean continued excess capacity and further losses.
- The outlook for **Africa's carriers** is unchanged with an expected loss of US\$0.5 billion. In spite of many economies on the continent continuing to grow during the global recession, African airlines were not able to benefit and lost market share. Further losses are expected in this region next year.

"This is not an airline-only crisis. There is less cash coming into the industry and the entire value chain must be prepared for change. All our business partners - including airports, air navigation service providers, global distribution systems - must be prepared to cut costs and improve efficiencies. Some airports have delivered cost reductions, but not in line with the magnitude of the changes to the industry cash flow," said Bisignani.

"Governments need a wake-up call to create a policy framework that supports a competitive air transport sector capable of driving economic expansion. But European governments are fixated on using environment as an excuse to squeeze more taxes out of the industry. And the US is not moving fast enough to deliver the critical advantages to competitiveness that NextGen air traffic management will bring," said Bisignani. "We don't want bailouts. But we need governments to look more seriously at this sector by (1) investing in efficient infrastructure, (2) replacing the proliferation of environmental taxes with a global solution for the environment and (3) giving airlines normal commercial freedoms to merge where it makes sense and to access markets and global capital like any other business," said Bisignani.

2010

IATA expects losses to continue into 2010 with the industry expected to report a US\$3.8 billion net loss. This is based on a limited revival of growth in traffic volumes of 3.2% for passenger and 5% for cargo; very little increase in yields of 1.1% for passenger and 0.9% for cargo and oil at US\$72 per barrel.

[Full Financial Forecast](#) (pdf)

Article 4

US Needs To Restore Aviation Leadership Role

IATA has called on the new Obama Administration in the US to renew its role as a leader in the global aviation industry and take immediate action to boost the US economy and to make the global system safer and more secure. In a speech to the International Aviation Club of Washington, Giovanni Bisignani, IATA's Director General and CEO, outlined a prescription to help the US aviation industry recover from a crisis worse than the period following 9/11.

"The industry situation remains bleak. With rising fuel costs and falling yields, recent optimism in the global economy has not appeared on the industry's bottom line. Our future must be built on normal commercial freedoms, effective infrastructure, dedication to safety and environmental responsibility. Government bailouts are not the answer," said Bisignani. "President Obama has a full agenda, but aviation policy must also be among his White House priorities. Putting NextGen on a fast track would provide tremendous stimulus to this country including 77,000 new jobs."

IATA also urged the Obama Administration to deliver broad policy changes in the areas of safety, security, environment and commercial freedoms:

Safety: The global accident rate through August is down 30% compared to the same period a year ago. "Getting on a plane is about the safest thing you can do," Bisignani said. "But every fatality reminds us that we must do better." IATA called for greater cooperation between the US and ICAO to break down silos and share safety information and data. "The US also needs to provide leadership based on global standards as the industry

addresses the challenge of training aviation professionals. Evidence-based training and multi-crew pilot licensing have tremendous potential.”

Security: IATA outlined three important steps the US Department of Homeland Security (DHS) can take in order to improve security and make the system more efficient. “The US must put an end to duplicate and conflicting data collection efforts by coordinating across DHS departments. Stakeholder consultation is essential. And to be effective, the focus must be on harmonized global standards,” said Bisignani. In the area of cargo security, Bisignani warned that the 100% deadline for screening set for next year is at risk as the government has not yet certified the required tools to meet the objective.

Environment: Bisignani urged the Obama Administration to work together with industry to reach the industry’s goal of carbon neutral growth from 2020. The aviation industry is united behind IATA’s Four Pillar Strategy of technology investment, efficient infrastructure, effective operations and positive economic measures. Aviation’s emissions are expected to fall by 7% in 2009—5% as a result of the recession and 2% directly related to the strategy. US contributions to emissions reductions are critical. Accelerating the implementation of NextGen air traffic management and creating the fiscal and legal framework to support investments in sustainable bio-fuels are two important steps. Bisignani warned that US proposals to include aviation in cap-and-trade legislation would be counterproductive. “The US must exempt aviation from its cap-and-trade proposal to give ICAO an opportunity to develop a global sectoral approach. If not, this punitive tax will not only undermine ICAO’s work, but it will also contravene the Chicago Convention and compromise the US’ ability to object to Europe’s unilateral inclusion of aviation in its emissions trading scheme. Environment is a global issue. Only a global solution will be effective,” Bisignani said.

Commercial Freedoms: “It has been three decades since the US started the process of domestic deregulation,” Bisignani said. “This crisis highlights that we must finish the job,” he added in a challenge to be a leader in the work to reform the more than 60 year-old bilateral system. Bisignani challenged some of the proposals in Congress, which would be counterproductive to that goal. “Tightening restrictions on alliances and antitrust immunity are protectionist and show a lack of understanding of aviation and how the global economy works. These are symptoms of lost leadership.”

“This crisis must be an opportunity to work with governments, including the US, to become safer, more secure, greener and profitable,” said Bisignani.

Article 5

Traffic Volumes Improve, But Costs Rising - Profitability Remains Distant

IATA has announced international scheduled traffic results for August. Compared to August 2008, passenger demand was down 1.1%, (an improvement compared to the 2.9% decline in July), and freight demand fell by 9.6% (also an improvement compared to the 11.3% drop in July).

Compared to August 2008, passenger load factors improved by 1.2 percentage points to 80.9%. Despite the tighter supply and demand conditions average fares continue to be depressed (-22% for premium seats and -18% for economy).

To match capacity with demand, airlines have reduced daily aircraft utilization in recent months. For example, average daily hours for the global Boeing 777 fleet dropped by 2.7% to 11.1 hours per day through the first eight

months of the year. Lower utilization helps load factors, but spreading fixed asset costs over fewer hours in the air pushes up unit costs.

“Demand continues to improve, but profitability remains ever distant,” said Giovanni Bisignani, IATA’s Director General and CEO. “Fares have stabilized, but at profitless levels. Meanwhile cost pressures are mounting from reduced aircraft utilization and rising oil prices. The industry is not out of the woods yet,” said Bisignani.

International Passenger Demand:

Compared to the low point of March 2009, seasonally adjusted passenger demand has improved by 6%, but traffic levels remain 5% below May 2008 when the fall in demand began. All regions, except the Middle East, saw improved demand conditions in August compared to July:

- **Asia-Pacific carriers** recorded the most significant improvement moving from a -7.6% drop in July to -1.6% in August. This improvement is somewhat exaggerated as August 2008 was the start of the steep decline in passenger demand for the region’s airlines. This region is where second and third quarter growth has been strongest, boosted by massive government and central bank stimulus packages and fewer problems with consumer debt and bank balance sheets.
- **European and North American carriers** saw smaller improvements driven by exposure to more robust long-haul markets, rather than local economies. European carriers saw demand fall 2.8% compared to August 2008 (up from the -3.1% recorded for July). For North American carriers, the improvement was to -2.5% in August compared to -3.2% in July.
- **Middle Eastern carriers** were the only region to show year-on-year growth with demand expanding by 10.8%. This is below the 13.2% recorded in July due to a distortion resulting from the earlier start of Ramadan compared with last year. Middle East carriers continue to win market share on long-haul travel via their expanding hubs.
- **Latin American carriers** saw demand improve to -2.3% in August (from -3.5% in July). Passenger confidence, dampened by Influenza A(H1N1) is returning with the end of flu season in the southern hemisphere.
- **African carriers** showed the weakest demand at -4.9% in August. This was a slight improvement on the -5.5% recorded in July.
- For 2010 IATA’s latest industry outlook anticipates average international passenger growth of just over 4.0%, compared to an expected full-year decline in 2009 of almost 5.0%.

Freight Demand:

Compared to the low point of December 2008, seasonally adjusted freight demand has improved by 12%, but remains exceptionally weak at 16% below April 2008 levels when the fall in demand began. All regions saw improved demand conditions in August compared to July:

- **Latin American and the Middle Eastern carriers** were the only regions to report growth of 3.9% and 3.0% respectively.
- **Asia Pacific carriers**, representing 44% of the global freight market, saw year-on-year demand improve marginally from -9.5% to -9.0% in August compared to July.
- **North American carriers** saw a slightly larger improvement from -14.6% in July to -12.1% in August. This is similar to the -16.2% to -14.5% improvement registered by **European carriers**.
- **African carriers** saw the largest improvement - from -25.9% in July to -5.1% in August. The region’s small market size exaggerates any shifts.
- For 2010 IATA’s industry outlook anticipates average international freight growth of 5.5%, compared to an expected full-year decline in 2009 of 14.5%.

“Even with improving demand, there are few bright spots in the industry. This must point us to the need for some fundamental re-thinking. At the top of the list for change are the industry’s antiquated rules of the game which restrict access to markets and to international capital. This industry needs to operate as a normal business. Liberalization of ownership rules could be a lifeline for airlines as we approach a difficult fourth quarter,” said Bisignani.

[View full August traffic results](#)

Article 6

Mark your calendar – coming events

- [ICCS 2009, 26-27 Oct – Geneva](#)
- [Maintenance Cost Conference, 28-29 Oct – Istanbul, Turkey](#)
- [5th Cargo Claims and Loss Prevention Conference, 3-5 Nov – Dallas, US](#)
- [Aviation Fuel Forum, 10-12 Nov – Vienna, Austria](#)
- [AVSEC 2009, 10-12 Nov – Cape Town, South Africa](#)
- [125th Schedules Conference, 19-22 Nov - Vancouver, Canada](#)
- [IATA Commercial Strategy Symposium 2009, 9-11 Dec – Athens, Greece](#)