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Article 1

In the Red, Despite Demand Improvements

IATA has announced international scheduled traffic results for July showing passenger demand declining 2.9% compared to the same month in the previous year while freight demand was down 11.3%. The international passenger load factors stood at 80.3%.

The July passenger demand fall of 2.9% was a relative improvement over the 7.2% drop in June and the 6.8% decline recorded over the first seven months of the year. July capacity was more in line with reduced demand than in previous months and load factors are similar to those recorded in July 2008. These positive developments, however, have come at the expense of yields which continue to fall sharply.

The 11.3% decline in cargo demand for July was also a relative improvement over the -16.5% recorded in June and the -19.3% average for the first seven months of the year. Despite this improvement, the July freight load factor of 47.6% was lower than the 49% recorded in July 2008.

“Demand may look better, but the bottom line has not improved. We have seen little change to the unprecedented fall in yields and revenues. The months ahead are marked by many uncertainties, including the price of oil. The road to recovery will be both slow and volatile. In the meantime, the industry remains in intensive care,” said Giovanni Bisignani, IATA’s Director General and CEO.

International Passenger Demand

All regions saw improved demand performance compared to June, but significant differences by region should be noted:

- **Asia-Pacific carriers** are experiencing the extremes of this recession. The 7.6% fall in passenger demand compared to July 2008, was the largest decline of any region. At the same time, compared to the -14.5% recorded in June, the relative improvement to -7.6% was also the biggest among all regions. Economic growth returned during the second quarter in a number of Asian economies, to a much larger extent than elsewhere. This was likely the driver behind July’s better performance. The impact on passenger confidence from Influenza A(H1N1) was also somewhat diminished as media coverage of the disease decreased.
- **European** and **North American carriers** saw declines of 3.1% and 3.2% respectively. Passengers have been trading down to cheaper seats in the face of recession pressures. Airlines have also been leaving less expensive fares open for sale much longer (closer to departures dates) in the face of excess capacity and intensifying competition. The July improvement in travel demand was more the result of deep discounting than stronger incomes or greater economic confidence.
- **Latin American carriers** saw demand decline by 3.5%. This was the only region to see a greater decline in July than the seven month average which is -3.0%.

- **African carriers** saw a fall of 5.5% compared to the seven month average of -8.6%.
- **Middle Eastern carriers** were the only region to grow in July. The 13.2% growth in July was slightly better than the 12.9% recorded in June. The growth is fueled by increased capacity and greater market share in traffic between Europe and Asia.

International Air Freight

Freight demand on international markets was 11.3% lower in July than a year earlier, but was a considerably better result than the -16.5% recorded in June. All regions, except Africa, saw improvement in demand compared to June. The Middle East was the only region to grow.

- Falls by **Asia-Pacific carriers**, **European carriers** and **North American carriers** were 9.5%, 16.2% and 14.6% respectively.
- **African carriers** posted the worst performance at -25.9%. This was the only region to see a deterioration in freight demand compared to June when the region's carriers posted a 20.2% decline compared to the same month in the previous year.
- **Middle Eastern carriers** were the only region to grow, posting a 1% growth in demand compared to July 2008.
- **Latin American carriers** posted a 1.2% fall in demand compared to July 2008.

The stabilization of air freight demand in the first quarter and its improvement in the second quarter has helped reduce the rate at which excess capacity has been growing. But load factors are still lower than levels seen at the same time last year. Downward pressure on freight rates and revenues continued to intensify in July.

"The freight numbers tell an interesting story. The sector is being boosted as companies re-stock depleted inventories. Once inventories are at desired levels in relation to sales, improvements in demand will level off until business and consumer confidence returns. Given the large amount of debt in all sectors of the economy, instant relief is not in the forecast," said Bisignani.

"Airlines need to make their money in the June-August peak travel season. Planes are full. Load factors are high. But revenues are way down. Conserving cash, effectively managing capacity and cutting costs will be the long-term theme for every business in the air transport value chain," said Bisignani.

View full July traffic results

Article 2

August Airlines Financial Monitor Released

IATA has released its latest report on the industry's financial health for July-August 2009

Share prices

Airline share prices rose a further 3.6% in August over the previous month to a level 7.4% up on the start of the year. However the sector underperformed the market which is up 23% so far this year as investors took a more cautious view of companies heavily exposed to the rise in oil prices

Industry losses

Airlines made a loss in Q2 2008 but would usually make 50% of their profits in this seasonally strong quarter. This year Q2 losses of US$2 billion follow Q1 losses of US$4 billion. Total industry losses in the first half of 2009 are likely to have been in excess of the reported US$6 billion

Fuel

The increasing signs of economic recovery, albeit uneven and hesitant, added to the upward pressures from financial investors on both oil and jet fuel prices in August. Jet fuel prices rose back above $80 a barrel

Traffic

Both air freight tonnes and passenger numbers are now starting to improve. Both rose more than 3% in July from the previous month, though both remain well below levels seen the same time last year.

Fleet

Airlines continued to expand the in-service fleet in July with 87 new aircraft delivered, 12 taken out of service and only 18 retired. So far this year, there have been net additions of 487 aircraft, expanding the fleet by around 2%. To some extend deliveries have continued as many airlines have been locked into previous commitments. However, this replacement and expansion of the fleet has delivered significant fuel efficiency savings.

Capacity

July marked the first month in over a year when the average passenger load factor on international markets did not fall below year earlier levels. However the 80.3% capacity utilisation could mark the high point this year as the industry moves into a seasonally weak period and published schedules suggest some capacity growth ahead.

View the full report

Article 3

Strengthening the Foundations of Brazilian Aviation

IATA has set out an agenda for the Brazilian civil aviation sector, leveraging positive actions by the Government of Brazil to improve competitiveness and deliver broad economic benefits.

“The new Civil Aviation National Policy is a great opportunity. Air transport supports 2.6% of Brazil’s economy. Thousands of jobs and billions of dollars of business depend on its success. Brazil must use the national policy to build a more competitive industry by overcoming major fiscal and infrastructure handicaps,” said Giovanni Bisignani, IATA’s Director General and CEO. Bisignani made his comments in a speech to industry and government leaders at the British Chamber of Commerce in Sao Paulo, Brazil.

Bisignani held positive meetings with ANAC, the Ministry of Defense and the Minister of Institutional Relations and noted many recent encouraging developments in Brazilian aviation. These include the elimination of the

PIS/COFINS tax on jet fuel which collected US$100 million annually, the adoption of the IATA Operational Safety Audit (IOSA) by the Brazilian government, and the staged liberalization of air fares. “As Brazil prepares to host the 2014 FIFA World Cup, we look forward to working even more closely with the government to further improve the competitiveness of Brazilian aviation and achieve cost-efficient infrastructure improvements,” said Bisignani.

Bisignani offered to work with the Brazilian government in two key areas:

- **Airport Concessions**: Brazil is contemplating airport concessions to help speed infrastructure improvements. “Private investment with the right conditions can help improve infrastructure but concessionaires must be governed by robust economic regulation. Our common goal is to ensure that the airport is run efficiently, serves and consults with its customers and drives economic development. This is a natural role for ANAC. IATA is happy to bring its global expertise to ensure that ANAC has the independence to carry its mission effectively,” said Bisignani.
- **Congestion at Sao Paulo’s Guarulhos Airport**: Bisignani offered support for early implementation of IATA’s Worldwide Scheduling Guidelines at Sao Paulo’s Guarulhos airport. “Congestion pricing is not a solution. IATA’s Worldwide Scheduling Guidelines are helping airports around the world manage congestion. As we evaluate longer term solutions, we look forward to working with INFRAERO to make the most of existing terminals and infrastructure and to a robust consultation process on future developments,” said Bisignani.

Bisignani also noted the need to improve the competitiveness of the Brazilian aviation sector by working together to addressing two specific issues:

- **Petrobras’ import parity pricing policy**: “This adds 30 cents to every gallon of jet fuel sold in Brazil. This US$450 million annual competitive disadvantage makes no sense for a country that supplies 80% of its fuel needs domestically. The result is that 32% of the cost structure of Brazil’s airlines goes to fuel, compared to a global average of 23%. We must find a policy that brings prices in line with market realities,” said Bisignani.
- **ATAERO Tax**: Airport charges paid to INFRAERO, Brazil’s airport operator, do not equally recover costs for each individual airport. Airlines pay a 50% surcharge (US$370 million annually) known as ATAERO to cover the gaps. “INFRAERO must be funded on a cost recovery basis, with charges that are transparent, agreed with users and in line with international standards,” said Bisignani.

Finally, Bisignani urged Brazil’s government to be a strong voice driving aviation forward on two key priorities: environment and liberalization.

Environment: IATA is leading industry efforts on aviation and the environment with three sequential targets: a 1.5% average annual improvement in fuel efficiency to 2020, carbon neutral growth by 2020 and a 50% absolute cut in emissions by 2050 (compared to 2005). “Brazil is critical to these goals. As a leader in biofuels, I hope that the Brazilian government will provide the fiscal and legal framework to encourage investments in sustainable biofuels which can significantly reduce aviation’s carbon footprint. Brazil is a major player in the UNFCCC process and at ICAO which is tasked with handling aviation’s international emissions. It has a leadership responsibility to ensure that ICAO can bring to the UNFCCC a position that supports a global sectoral approach to aviation emissions and reflects the industry’s globally harmonized approach to controlling emissions,” said Bisignani.

Liberalization: Brazil was one of 15 governments participating in IATA’s Agenda for Freedom. An IATA study showed that market and ownership liberalization in Brazil had the potential to generate up to 400,000 new jobs and up to 24 billion Reais. “CONAC’s proposal to increase foreign ownership possibilities to 49% and a recent liberal bilateral agreement with Chile are steps in the right direction. As the region’s largest economy, I hope that Brazil can take leadership to promote liberalization in Latin America and globally,” said Bisignani.

Article 4

IATA and India Ink Agreement on Aviation Training

IATA and India's Ministry of Civil Aviation (MOCA) have signed a Memorandum of Understanding (MOU) to enhance the skills and knowledge of Indian civil aviation personnel to support the development of Indian aviation.

The MOU was signed by Giovanni Bisignani, IATA's Director General and CEO, and Madhavan Nambiar, Secretary of the Ministry of Civil Aviation. "India is an important player in the aviation industry. It is a growth market for international aviation, and has a leadership role to play in global aviation issues. Talent development will be critical for India to address the ever changing priorities of Indian aviation and on international issues," said Bisignani.

The MOU is the first step towards a closer partnership on training between IATA and India. Under the MOU, civil aviation officials will be provided with the latest in aviation information at the IATA Training Development Institute (ITDI) training centres worldwide. Officials attending these programs will also benefit from the networking opportunities with their counterparts from around the world.

The training needs of the Directorate General of Civil Aviation (DGCA) will also be addressed though customized onsite programs. The topics include safety management, regulatory compliance, airport operations, air navigation systems management, dangerous goods regulation, and security management. IATA will also cooperate with India's National Institute of Aviation Management and Research (NIAMAR) to explore new programs which could be jointly organized at the NIAMAR campus in Delhi.

Article 5

Mark your calendar – coming events

- Webinar - Aging populations and air travel concerns, 10 Sep 10am ET
- Aviation Health Conference, 6-7 Oct – London, UK
- 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