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DG's Message



Industry efficiency is at record levels. Since 2001, the industry has achieved a 64% improvement in labour productivity, a 25% reduction in sales and marketing unit costs and an 18% improvement in non-fuel unit costs. Combined these factors contributed to an industry profit of \$5.6 billion in 2007 – the first in 6 years. This is progress but still less than a 2% margin, and not enough to excite investors.

This is a tough business, and it's about to get tougher. The credit crunch and recessionary US economy will slow demand growth at a time when fuel prices are hitting all time highs. Passenger traffic will increase 5% down from 7.4% last year while cargo growth increases at a sluggish pace of 4% in 2008. At the same time the industry fuel bill will top \$156 billion in 2008. And let's not forget airlines continue to shoulder some \$190 billion in debt. That is a dangerous combination. And it points to the need to do even more.

IATA is dedicated to helping the industry cut costs. Last year we saved US\$5 billion by cutting airport and ANSP charges and improving fuel efficiency by shortening routes, sharing best practices and improving operational procedures. In 2008 we are targeting \$1.5 billion in industry taxes, charges and fees. Our Green Teams are targeting similar savings with IATA's Fuel Campaign.

Simplifying the Business has been a success. On June 1, 100% electronic ticketing will be a reality as will the \$3 billion in annual savings it brings. And we will continue to push forward on the other projects that together will deliver \$6.5 billion in annual cost savings.

IATA's Operational Safety Audit is another example. It improves safety while cutting costs by eliminating the need for separate airline audits. Since its launch in 2003 it has saved airlines some US\$47 million. The introduction of IATA's Safety Audit for Ground Operations (ISAGO) will add to these savings by helping to reduce ground damage that costs the airlines in excess of US\$4 billion annually.

The year ahead will be challenging. Our combined dedication to efficiency is a must.

Giovanni Bisignani

Director General and CEO

International Air Transport Association (IATA)

Stagflation threatens industry outlook

IATA has 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\$7.6 billion profit for 2008. 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.

Along with the credit crunch and oil prices, three other key elements are impacting the performance of the industry:

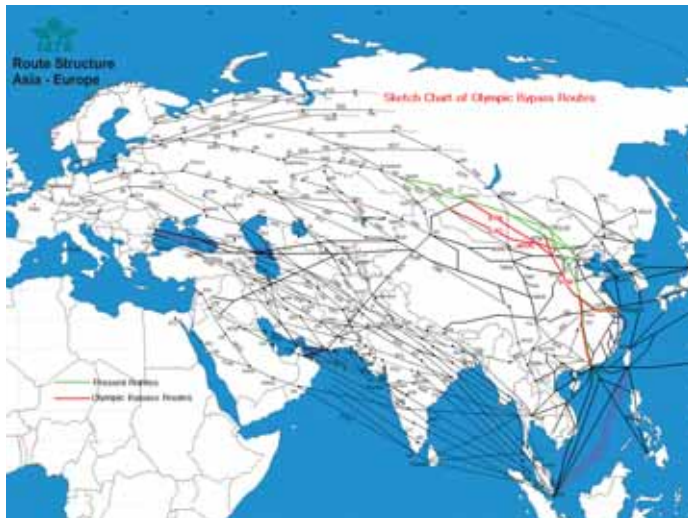
- **Aircraft Delivery Cycle:** 1,231 new aircraft are expected to be delivered in 2008.
- **Increased competition :** as a result of the US-EU Agreement on Open Skies

- **Non-Core Assets:** 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.

- 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)

Olympics Bypass Over China



IATA has welcomed the implementation of a new air route over China (designated B208) that will reduce air traffic congestion during the Beijing Olympics.

Also called the Olympic Bypass, the route will alleviate air traffic delays and congestion as flights from Europe to Shanghai, Guangzhou and Hong Kong no longer need to be channelled through Beijing. This is especially critical with the Olympics in August. The experience of previous Olympics host cities has shown there will be significantly more air traffic in China’s skies during the Olympics.

“The Olympics Bypass is the result of multiple discussions we have had with the Chinese authorities since 2006. By shortening the route by 60 nautical miles, we will save about 83 thousand tonnes of CO2 annually. This is a win-win for all – the Chinese Government, travellers, airlines and most importantly, the environment,” said Bisignani.

Upcoming Events

IATA Ground Operations Symposium 2008
12 – 14 May, Kuala Lumpur, Malaysia

IATA World Tour
16 June, Tokyo, Japan 23 June, Mumbai, India
19 – 20 June, Macau SAR 25 June, Denpasar, Indonesia



Partnership for Safety In Indonesia



IATA and the Indonesian Government have signed a three-year cooperative agreement to raise airline operating standards and improve aviation safety in Indonesia. The Partnership for Safety (PfS) agreement outlines a process to bring all Indonesian registered airlines in line with the IATA Operational Safety Audit (IOSA) standards by 2010.

The PfS programme assists airlines to prepare for the IATA Operational Safety Audit (IOSA). It comprises of :

- **Awareness seminars** on industry best practices in operational safety,
- **Individual gap analysis** for airlines indicated the improvements required in all operational areas,
- **IATA expert support** to assist airlines in their improvement process
- **Post gap training courses** to allow airlines to bridge the findings identified during gap analyses

Hong Kong slot coordination



IATA has expressed concern over Hong Kong's intention to transfer the responsibility for slot coordination to the Civil Aviation Department (CAD).

"Slot coordinators appointed by the regulatory authority should be independent and not linked or related to any interested party.

IATA providing input on Changi Airport restructuring



IATA has met with key officials from the Civil Aviation Authority of Singapore (CAAS), government officials and consultants to provide input on the need for continuous improvement in service levels, transparency and cost efficiency through effective governance and economic governance. This comes following the Singapore Government's announcement in late 2007 to corporatise CAAS. CAAS currently performs 3 major functions: regulatory functions as the CAA of Singapore, air traffic control for the Singapore FIR and management of Changi airport. As part of the corporatisation, the government intends to split off CAAS' regulatory and strategic functions under a new entity. The entire restructuring is expected to take 18 to 24 months and a series of consultations are being held with the stakeholders.

This is to ensure the neutral, transparent and non-discriminatory allocation of airport slots. The CAD, which represents the interests of the government, clearly does not meet this criterion," said Giovanni Bisignani, IATA's Director General and CEO, in a letter to Eva Cheng, Hong Kong's Secretary for the Environment, Transport and Works.

The requirement for an independent slot coordinator is one of the underlying principles of the IATA Worldwide Schedules Guidelines (WSG). The WSG is recognised by governments worldwide. The European Union, for example, uses the WSG as a key component in the EU's Slot Regulation. The International Civil Aviation Organization (ICAO) has also endorsed the need for slot coordinators to be independent.

Hong Kong's plans to transfer this responsibility to the CAD disregards globally recognised best practices. It also violates the principle of consultation with all interested parties prior to the appointment of the slot coordinator.



IATA Aviation Distance Learning Programmes

Every year, IATA provides thousands of people with training to grow their careers in aviation. Besides classroom courses, the IATA Training and Development Institute (ITDI) offers self-study programmes in various market segments.

The increasing popularity of IATA courses coupled with the growth in aviation-related employment has created opportunities for IATA to expand its Aviation Distance Learning Programme. There are currently twelve courses, with topics spanning across the airlines, airports, cargo and civil aviation segments, including the recently launched Airline Cabin Crew Training, Airline Call Centre Training, Airport Customer Service and Introduction to the Airline Industry.

Distance learning training is an effective method of delivering top-quality training programmes at an affordable cost. It also offers flexibility for trainees to acquire the latest knowledge and skills required to succeed in today's aviation industry at their own pace. The Aviation Distance Learning Programme allows participants to upgrade their professional competencies, obtain internationally recognized credentials and improve their career prospects.

In response to market demands, the Aviation Distance Learning Programme will be introducing three new courses in 2008:

Airport Ramp Services:

Learn everything you must know to start your career in Airport Ramp Services.

Cargo Customer Service:

Learn about key customer service skills to become a better cargo service provider.

Airline Revenue Management:

Learn the basic principles and terminology of revenue management that are essential to the airline industry.

The Aviation Distance Learning Programme is also provided at IATA's network of Authorised Training Centres. Over twenty-five schools have been approved to deliver one or more courses from the Aviation Distance Learning programme, with more schools joining the IATA network in the coming months.



IATA Membership

IATA members comprise some **240** airlines representing 94% of international scheduled air traffic.

For more information, please log on to www.iata.org/Membership/airlines

IATA Asia/Pacific Office
111 Somerset Road, #14-05 Somerset Wing
Singapore 238164

Tel: 65 6438 4555
Fax: 65 6438 4666
website : www.iata.org

Comments and feedback are welcome and should be sent to: chungsh@iata.org