



The State of the Industry

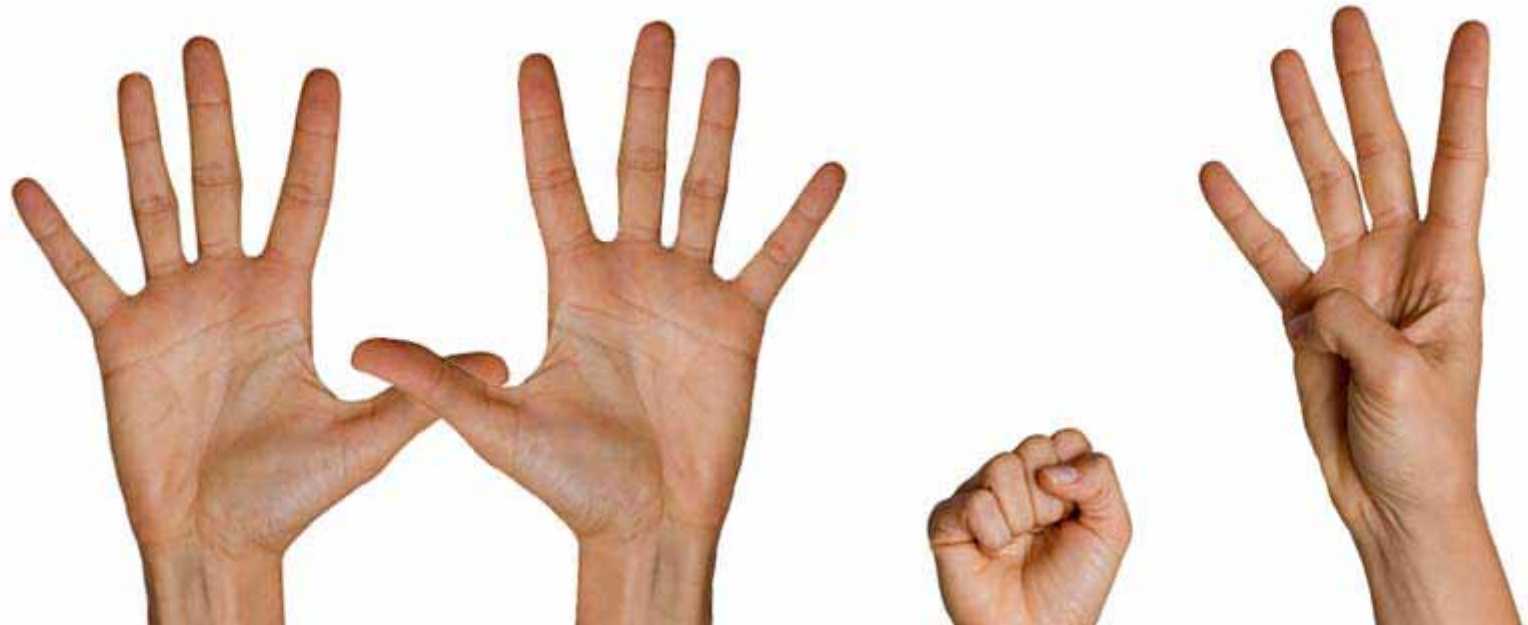
Item 5

65th IATA ANNUAL
GENERAL MEETING



\$10.4 billion

The amount we lost last year



Our industry was shaken

- ↗ Sky-rocketing oil prices
- ↗ Global recession



The industry fuel
bill will fall by
\$59 billion





Greedy speculation must not hold
the global economy **hostage**

The total revenue that will disappear
with falling demand

\$80 billion

The total revenue that will disappear
with collapsing yields

\$80 billion

The total revenue that will disappear
with broken consumer confidence

\$80 billion

The total revenue that will disappear
with pandemic fears

\$80 billion

The landscape is harsh



...and airlines will lose

\$9 billion





**How long must we travel
the desert of global recession?**

Its **23% freefall**
in December
was a clear sign that
the global economy
was collapsing



...but **recovery**
is different



This may be
the bottom...



➤ **\$1 trillion is
still needed to
re-capitalize**

**Banks are still not
able to finance business**

Our customers don't have confidence



➤ They need to reduce debt

➤ That means less cash to spend

Business habits
are changing
Corporate travel
budgets have
been cut



Business habits
are changing
...**video**
conferencing
is now a stronger
competitor



**Optimists see growth
by the end of the year**





**...pessimists view
this as a mirage...**

I don't see **facts**
to support optimism



**Our industry is
in survival mode**



**Whether this crisis
is long or short**



**Whether this crisis
is long or short
the world is
changing**



We must recognize
that it will **not** be
business as usual



A hand in a dark suit sleeve holds a rolled-up white scroll. The background is a bright blue sky with scattered white clouds. The text is written in a dark blue, serif font on the white surface of the scroll.

We must use this crisis
as an **opportunity**
for governments,
partners and airlines

**We must use this crisis
as an opportunity
to build a stronger
industry**



Protect the engine of prosperity



**Protect the global village
that we helped to build**





Since 1950

- ↗ **The world's economy grew 6-fold**
- ↗ **World trade is 22 times bigger**



This engine of growth
increased incomes
and reduced
poverty





Governments are taking **protectionist** decisions



- World trade is already suffering
- With a 15% downturn

Replacing the global village
with islands of isolation
would be a step backwards





**Protectionism
is the enemy
of global
prosperity**

In the 30s
it prolonged
the depression



**...and it will
not work today**



**To secure our future
and build a strong global economy**



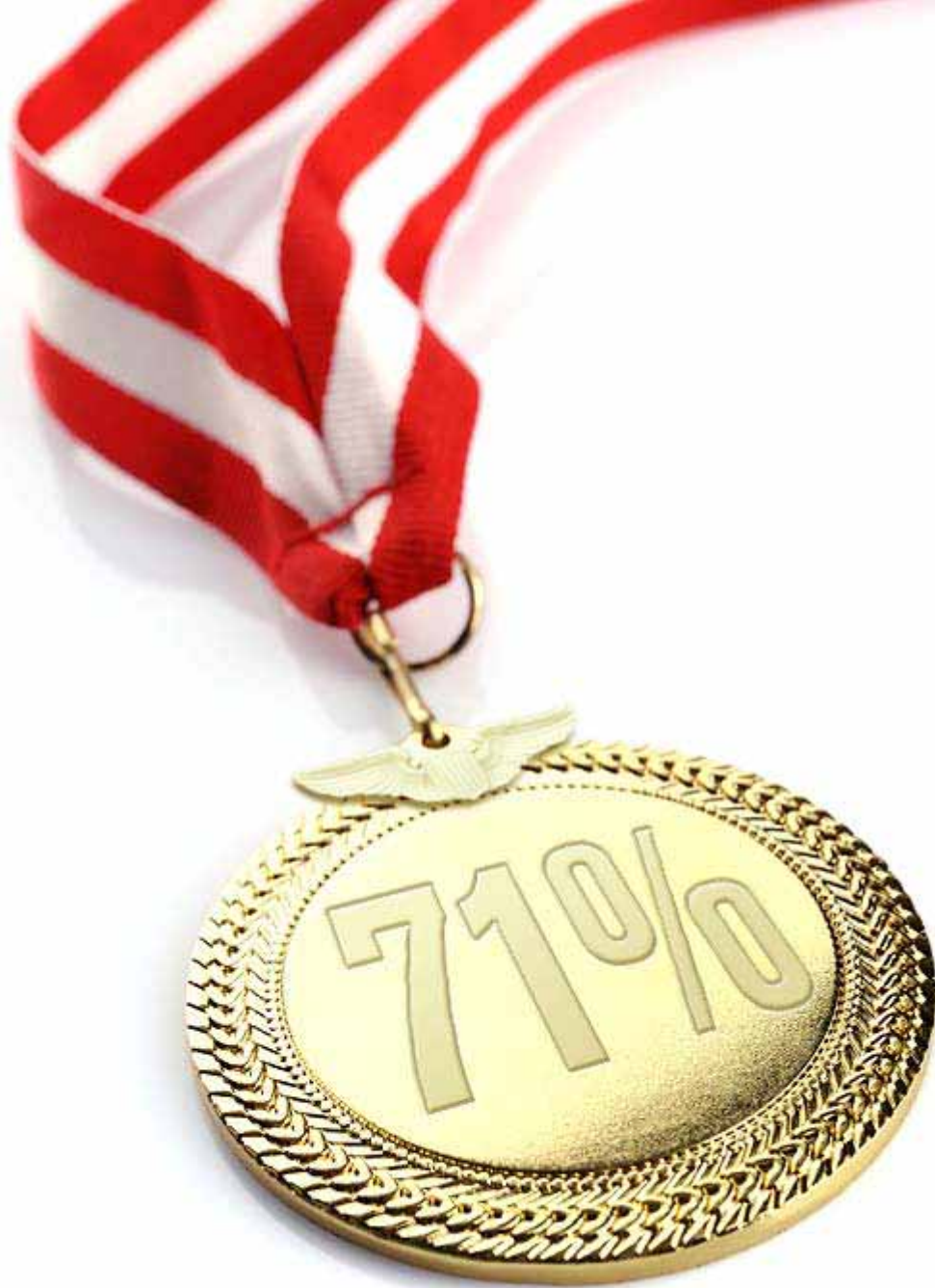
**We must fight hard
to keep the world trading**



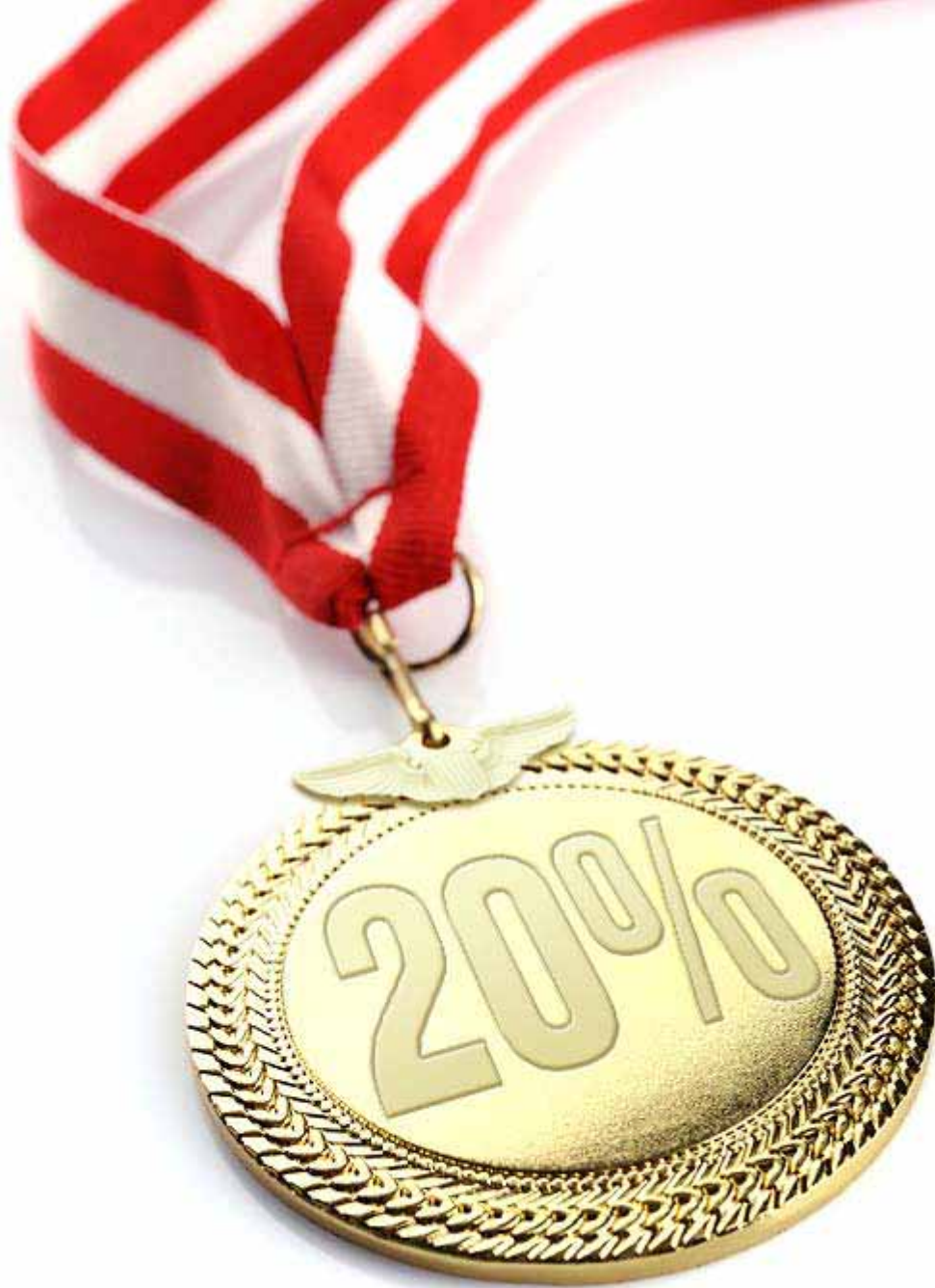


**We must also fight
to adapt our
businesses**

**We are a
resilient
industry**



...increase
in labor
productivity



...gain in fuel
efficiency



...improvement
in load factors

**We are now in
survival mode**



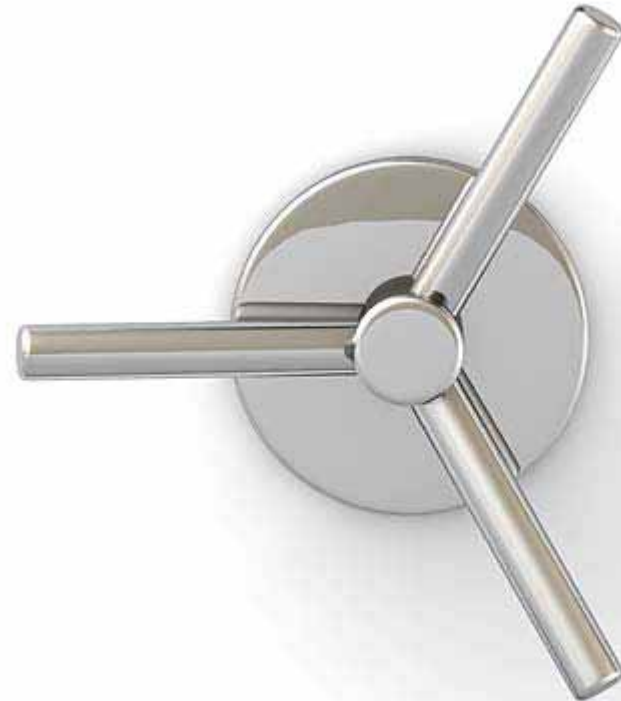
Conserving cash and cutting costs



...are at the top of the agenda

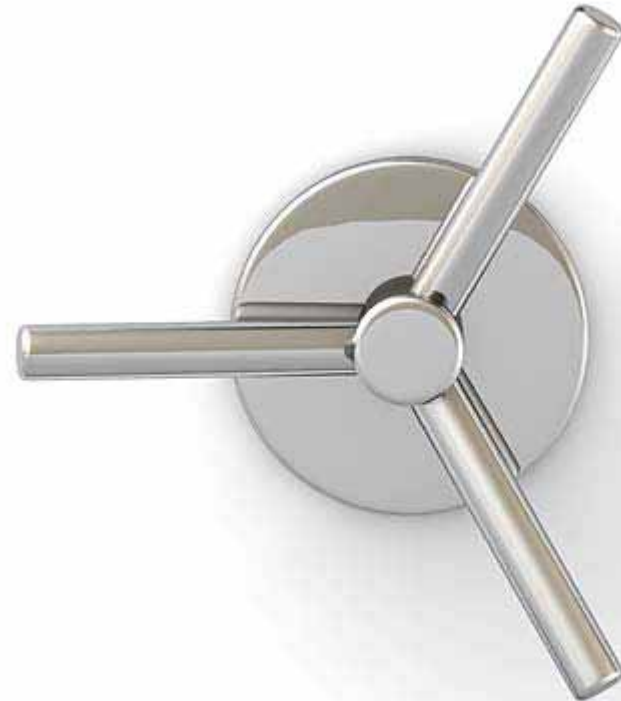
We are keeping your money safe

➤ **IATA's financial
systems handled
\$350 billion in 2008**



As airlines, agents and even banks failed

➤ IATA's financial
systems handled
\$350 billion in 2008



**...IATA did not miss
a penny or a payment**



We helped airlines reduce costs at least by \$24 billion

↗ \$5 billion in
fuel savings



We helped airlines reduce costs at least by \$24 billion



↗ **\$3.5 billion
in charges,
fees and
taxes**

We have aggressive targets for 2009

➤ **\$1.5 billion** in charges, fees and taxes



We have aggressive targets for 2009

➤ At least
\$2 billion in
fuel savings



We have aggressive targets for 2009

- **A significant reduction in BSP and CASS unit rates**



The assumptions of our past
are no longer valid



DAILY NEWS

**POST-9/11
REVENUES
DOWN BY 7%**

DAILY NEWS

**NOW WE FACE
A 15% DROP
WITH GLOBAL
RECESSION**

Our future depends



Our future depends
on **drastic re-sizing**
and re-shaping
by governments,
partners and
airlines



Our future depends
on **drastic re-sizing**
and re-shaping
to be even safer,
greener and
profitable



Cash is king



Cash is king
Debt is high
at \$170 billion

➤ **A \$70 billion**
cash cushion
to avoid major
bankruptcies



Partners help



Partners help

- **KLM + Air France**
- **Lufthansa + SWISS**
- **Delta + Northwest**
- **JAL + JAS**
- **Cathay Pacific
+ Dragonair**



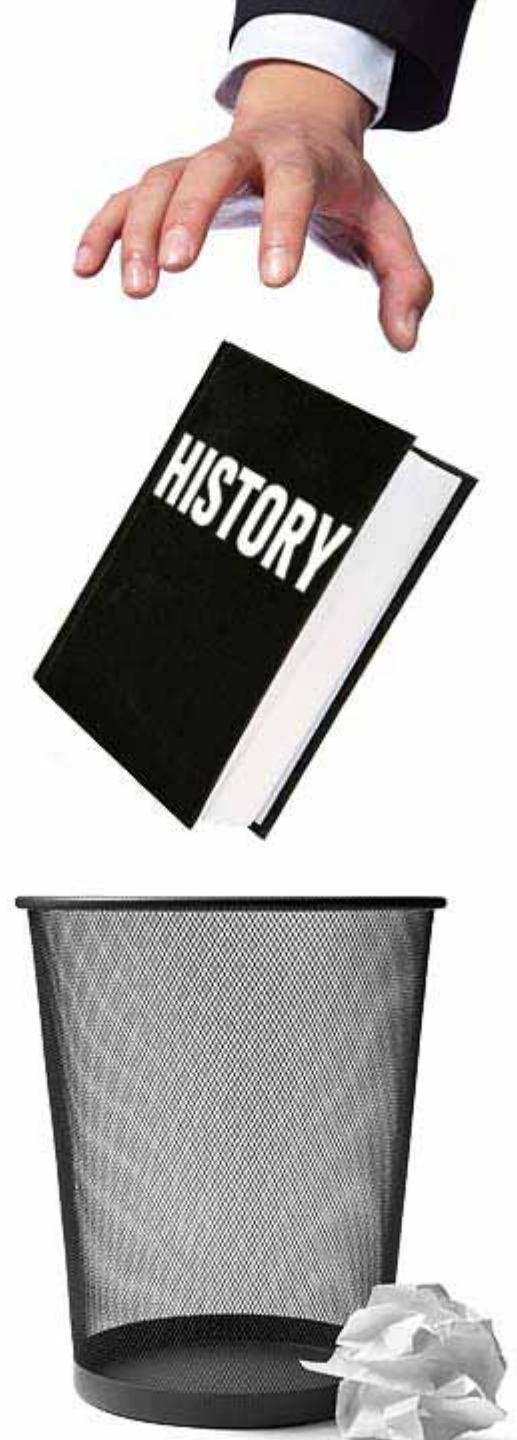
Manage capacity

- International load factors are **down 3 points**
- We must better match capacity to falling demand

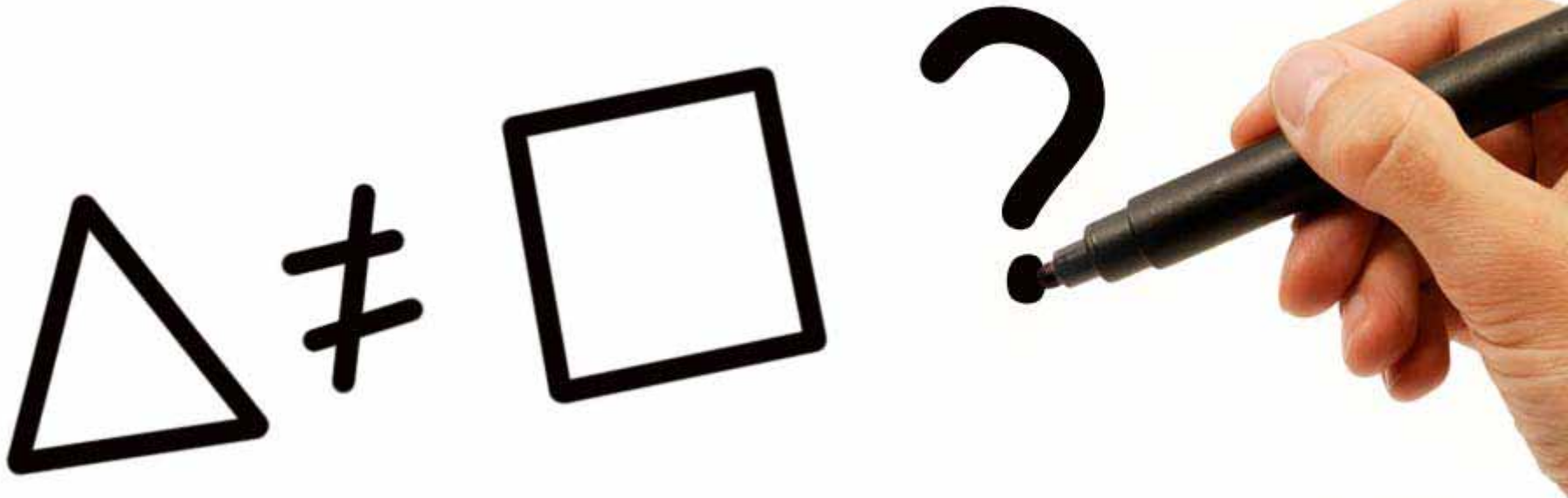


Remember history

- **4,000 aircraft** are scheduled for delivery over next 3 years
- **17%** of the current fleet



Using them as **opportunities**



Using them as **opportunities** we must move the industry forward

↗ The fall in revenues
is a **\$80 billion** case
for change



Tightening
belts is obvious



The same product in a different size
is not the answer



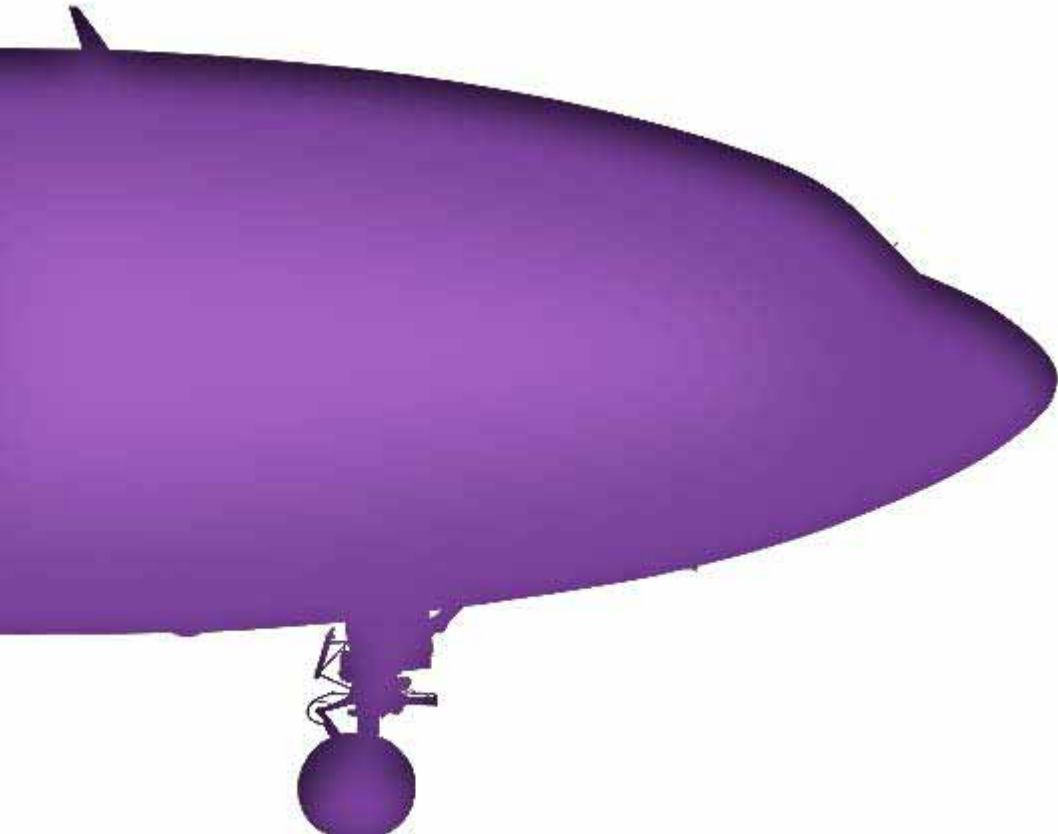
**Shippers and travelers
will expect greater value
at reduced prices**



Airlines have made a head-start



Our Simplifying the Business program
delivered \$4 billion savings [2008]



We are targeting a
further \$10 billion
annual savings

➤ By improving
baggage, travel
processes and
shipping



Our partners live on our revenues



...they must
follow the same
approach



For labour we cannot re-shape without flexibility

- We must modernize
work practices**
- We must all do
more with less**



**For our 60,000
travel agents
travel is more
accessible
than ever**

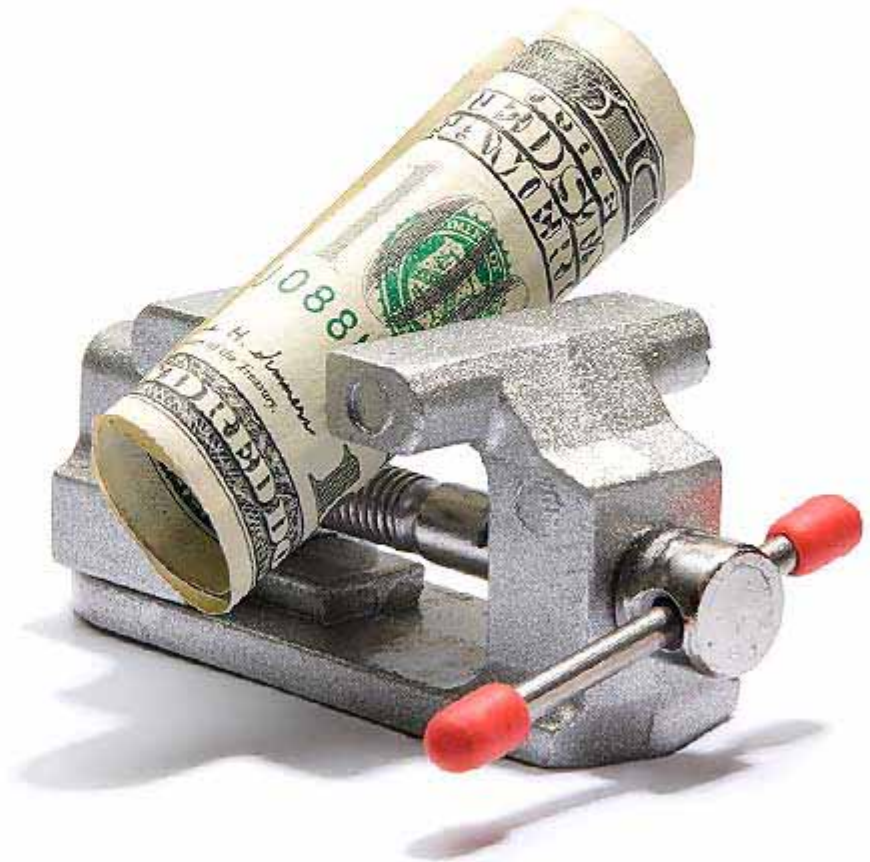


**For our 60,000
travel agents
to survive in the global
online market place**

**➤ You need to reshape
your services and
your business
models**

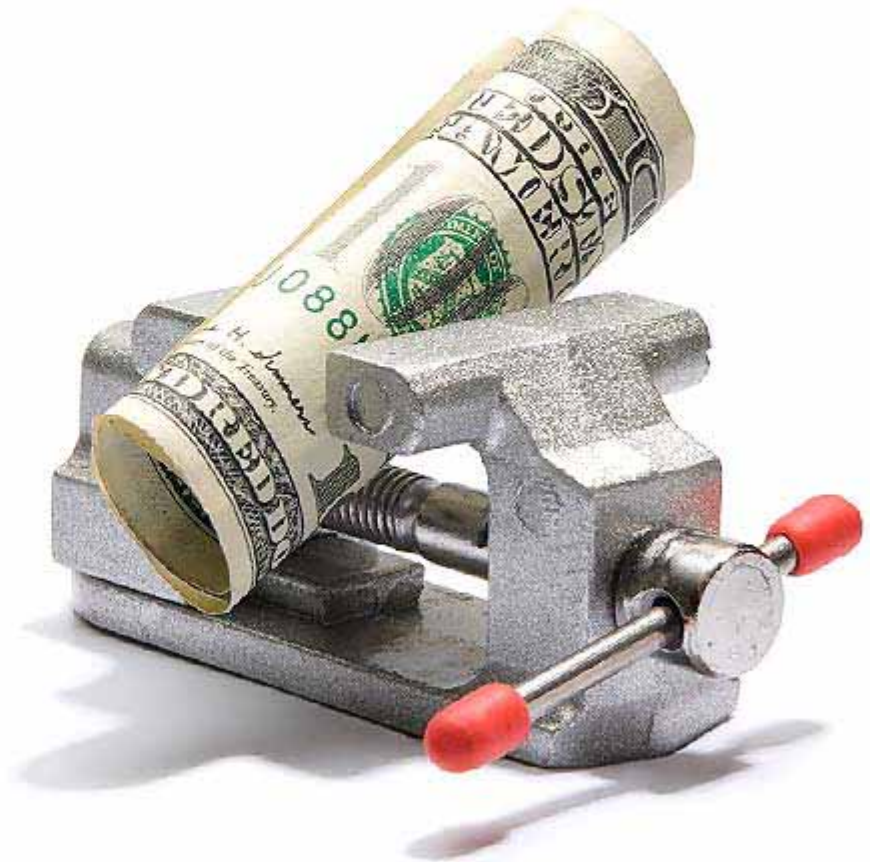
Airlines expect the same from **all** suppliers and manufacturers

➤ You must
re-shape your
products



Airlines expect the same from **all** suppliers and manufacturers

➤ You must
re-shape your
products
to reduce your
costs and ours



**Those in the West
charge around \$4
per transaction**

A close-up photograph of a person's hand holding a large, three-dimensional, golden-colored letter 'G'. The letter has a metallic sheen and is decorated with several bright, starburst-like light effects. The hand is positioned on the left side of the frame, with the thumb and index finger visible, gripping the letter. The background is a plain, light color.

GDS

**...when China Travel Sky
does the same job for \$0.50**

11% of your revenues
go to monopoly suppliers



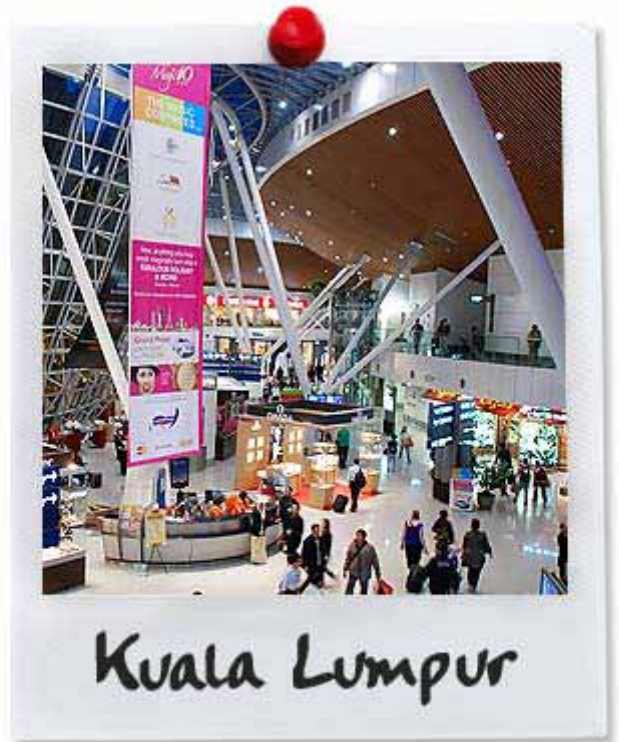
**Airlines pay over \$54 billion
to airports and ANSPs**



**Some are sharing
the burden of
change**



Malaysia airports reduced charges by 50% for 2 years



Singapore reduced
charges **by 25%**



Singapore

The growing list of partners delivering good results includes the ATC providers for

➤ Ireland

➤ Bulgaria

➤ Vietnam



...and airports in

➤ **Dallas/Fort Worth**

➤ **Geneva**

➤ **Thailand**



These helped us to achieve
cost savings of **\$357 million** [2008]



**The bill you paid to happy monopoly
suppliers grew by \$1.5 billion**



**The bill you paid to happy monopoly
suppliers grew by \$1.5 billion
and in the first six months of 2009
it grew by another \$1.5 billion**



IATA “Wall of Shame”



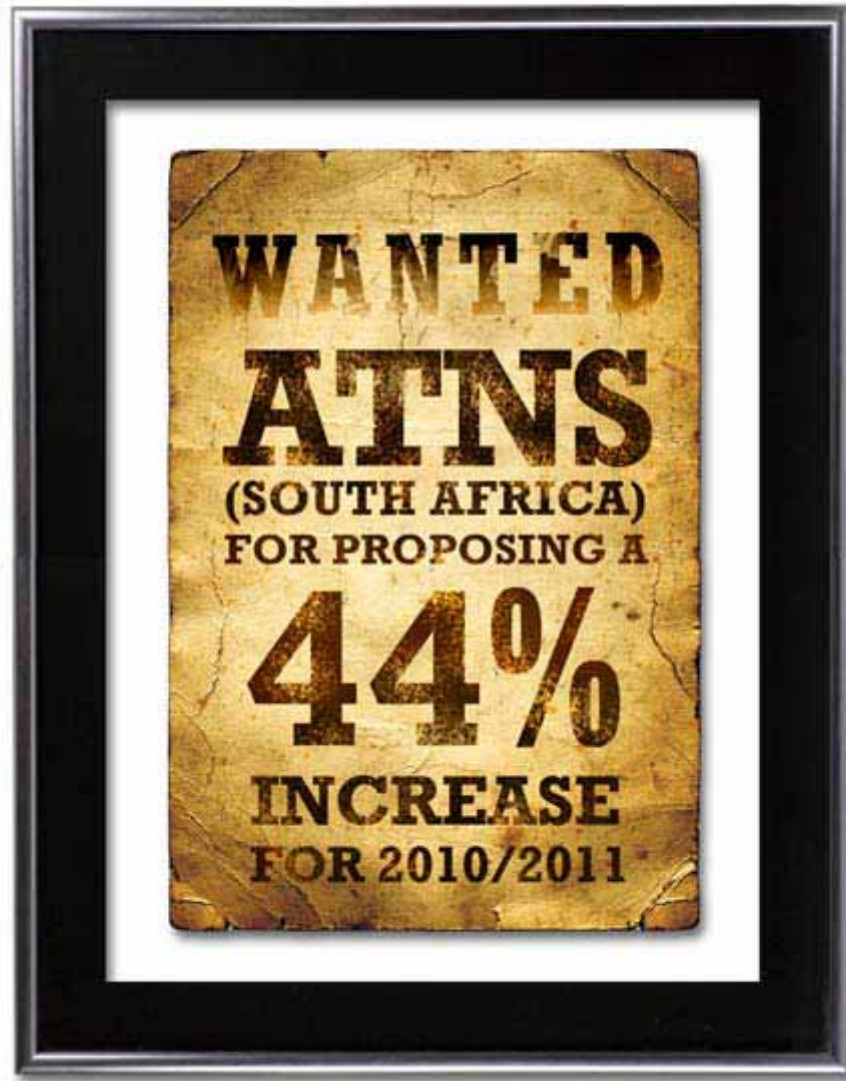
IATA “Wall of Shame”



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IATA “Wall of Shame”



WANTED
**BAA &
UK CAA**
FOR THEIR
86%
INCREASE
FOR 2008-2013

WANTED
QUIPORT
FOR THEIR
79%
INCREASE

WANTED
**DELHI &
MUMBAI**
FOR THEIR
INCREASE

BASTA!

AENA
(SPAIN)
FOR EUROPE'S
HIGHEST
ATC CHARGES

WANTED
ATNS
(SOUTH AFRICA)
FOR PROPOSING A
44%
INCREASE
FOR 2010/2011

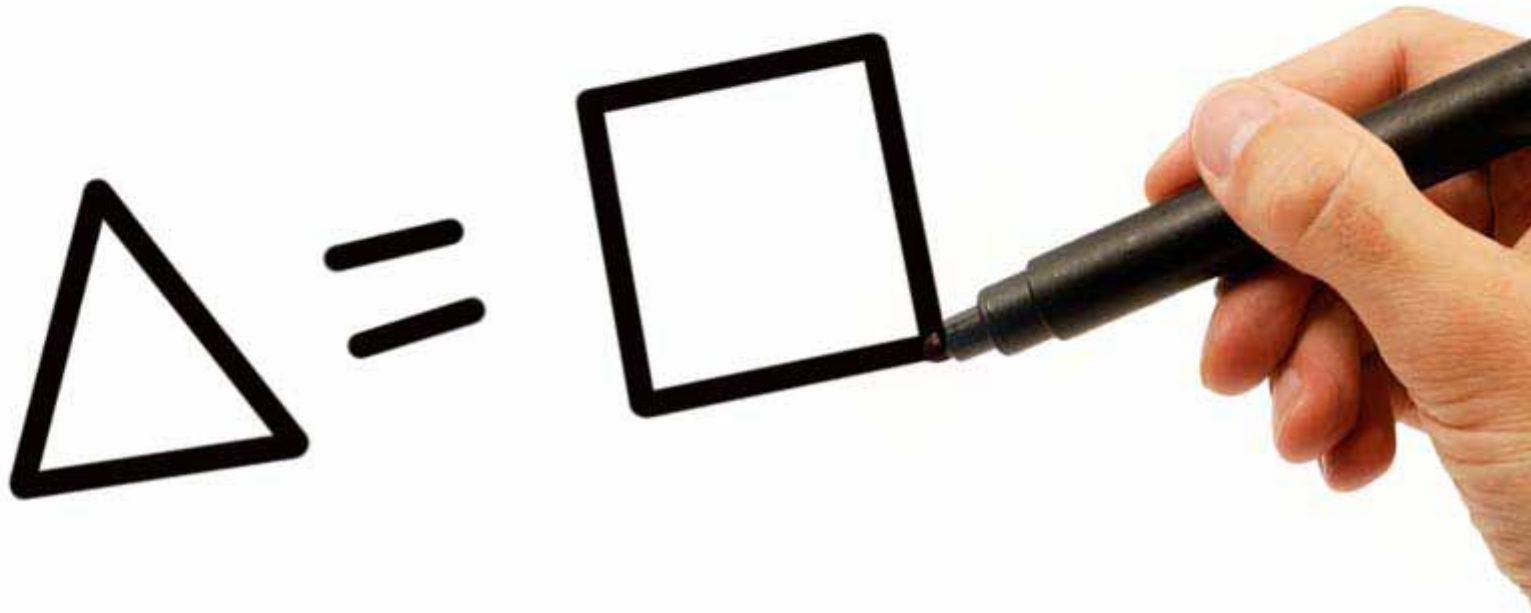
When demand drops
suppliers cannot divide



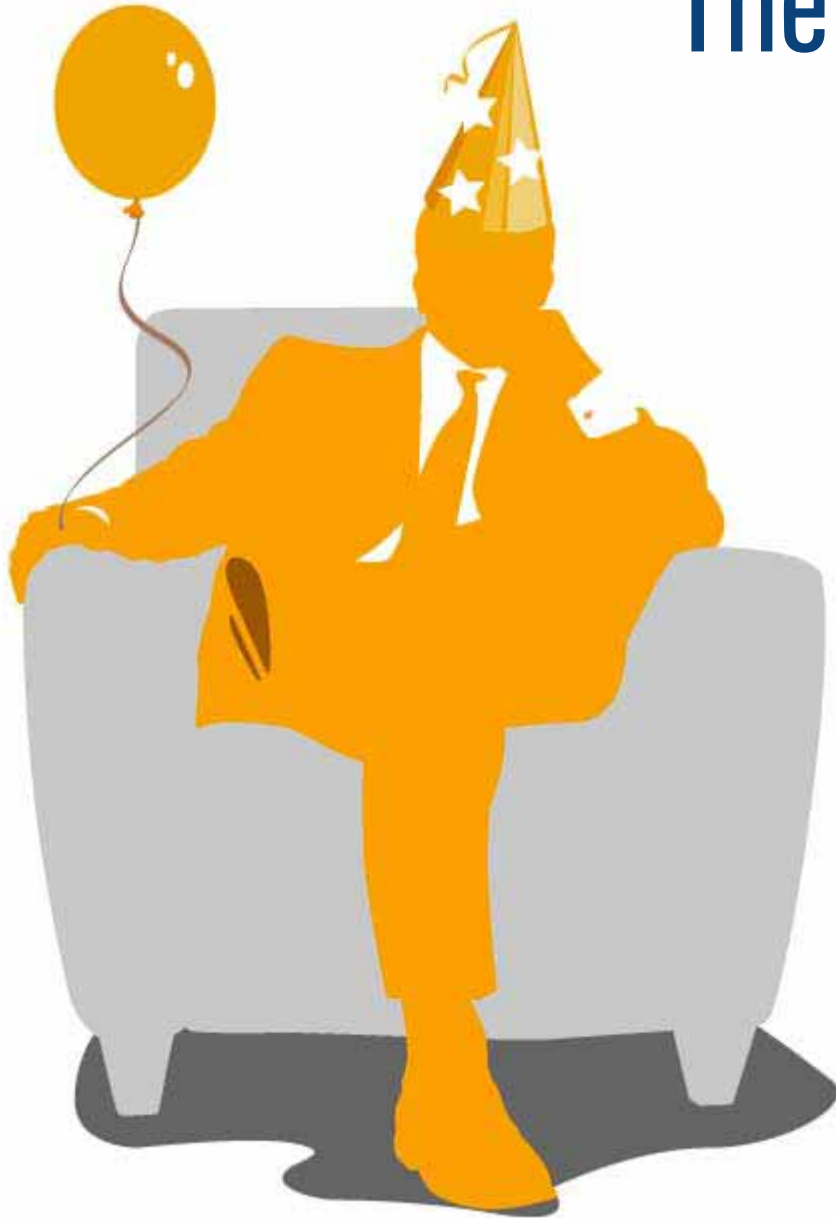
When demand drops
suppliers cannot divide
the same costs
among fewer
customers



The shape of everything
must change



The shape of everything
must change

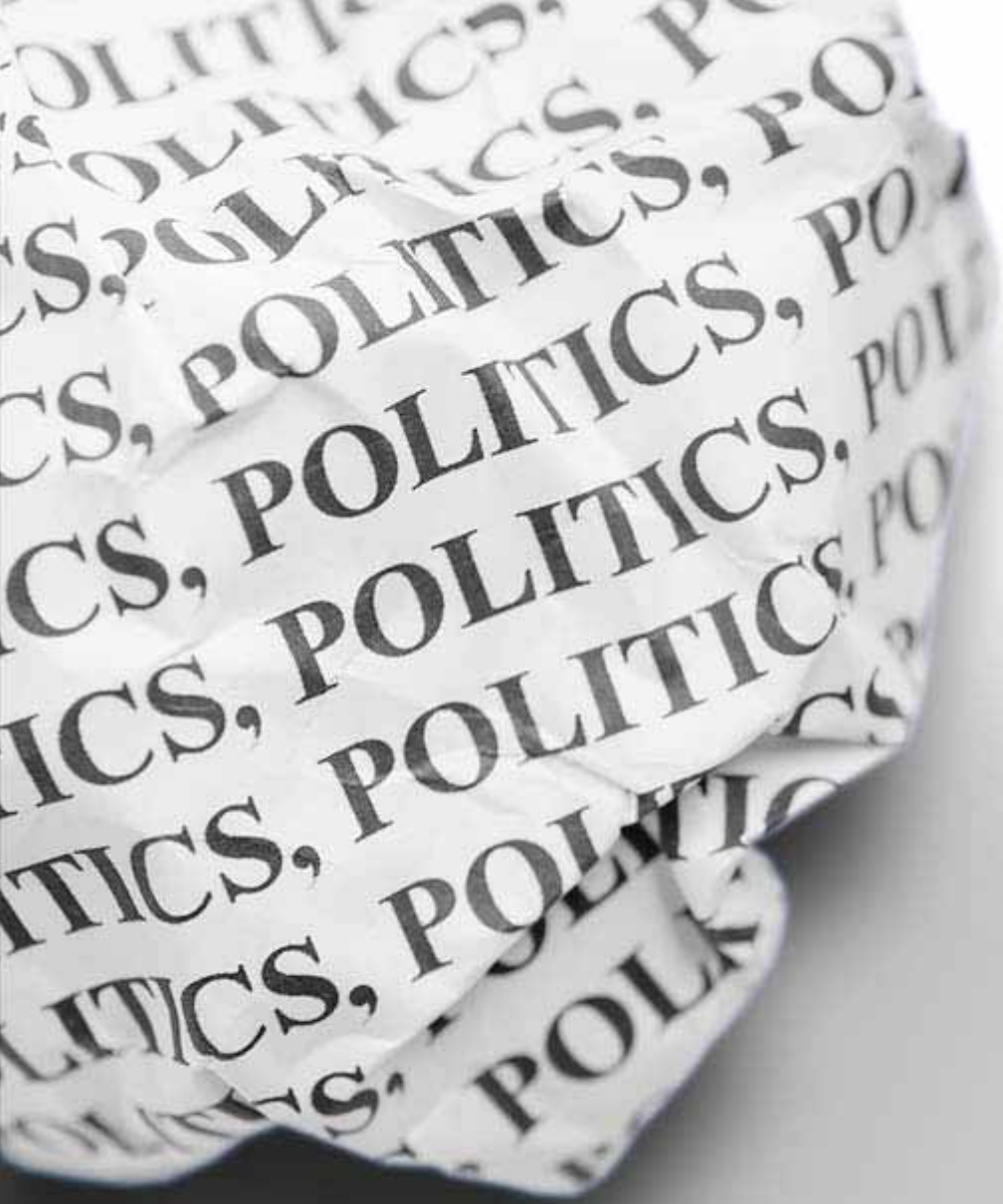


Join me in a **strong declaration**
from Kuala Lumpur...



Join me in a **strong declaration**
from Kuala Lumpur . . .





Climate change

↗ **Even in a recession
it is at the top of
our agenda**



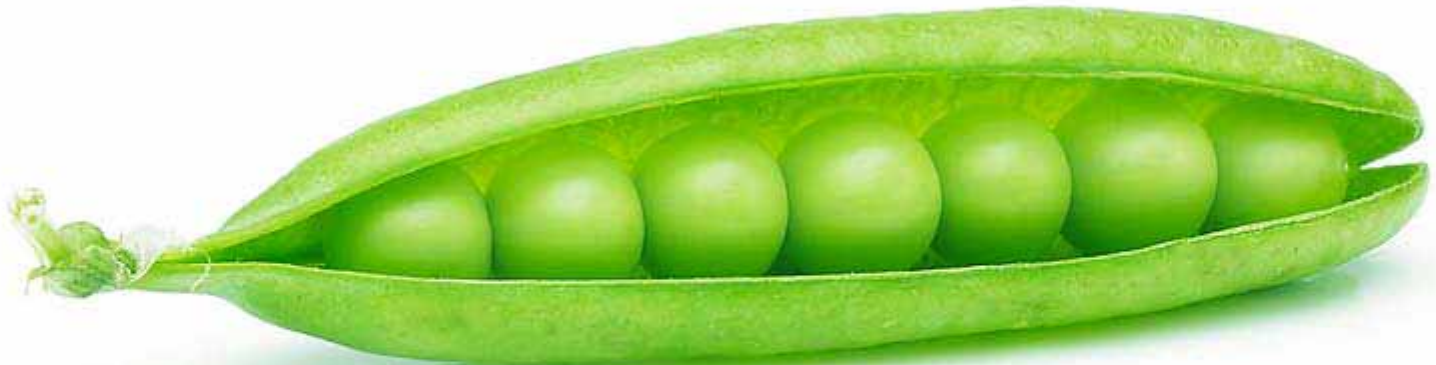
No other industry is as **ambitious**

↗ A vision to achieve carbon-neutral
growth on the way to a carbon-free future



No other industry is as **united**

➤ Our 4-pillar strategy focuses all industry players on addressing climate change together





No other industry has **achieved** so much

- ↗ 7% is how much
our emissions will
fall in 2009
- ↗ 5% from reduced
capacity
- ↗ 2% is a result of
our strategy

They have the potential
to reduce our carbon
footprint by **up to 80%**



➤ **IATA set a target
of 10% alternative
fuels by 2017**

Four airlines have tested



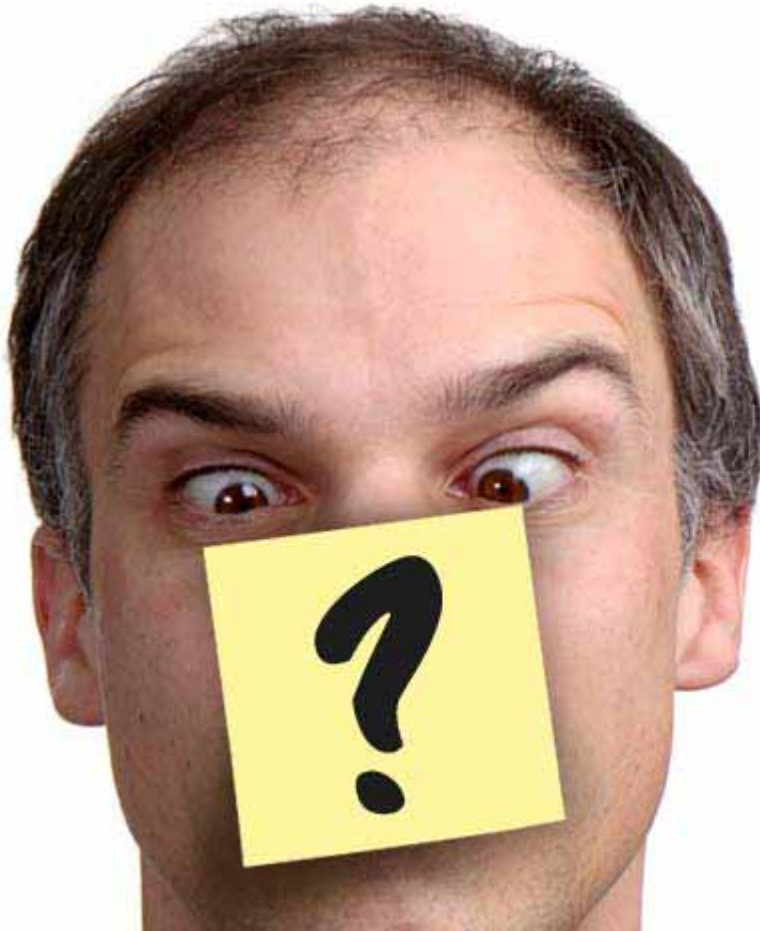
Four airlines have tested



**...making
certification
a reality by 2011**

Where are governments?

- Trillions in US stimulus funds
- Nothing on aviation bio-fuels
- US is investing \$25 million in research



Where are governments?



- **Trillions in US stimulus funds**
- **Nothing on aviation bio-fuels**
- **US is investing \$25 million in research**



Governments are
not providing
**the right
incentives**



...and oil
companies
**are not moving
fast enough**

...their investment
in alternative fuels
is also **peanuts**



If governments are too slow to invest
they are too fast to tax





...what governments added to our tax bill

Some governments
are **learning**



**The €318 million Dutch tax
cost the economy €1.2 billion**



The €318 million Dutch tax cost the economy €1.2 billion

➤ They had the good
sense to abolish it



The UK:
The Air Passenger
Duty was increased
to **£2.7 billion**



It is unacceptable
that money collected
from our **responsible industry**



It is unacceptable
that money collected
is being used by an **irresponsible**
government



It is unacceptable
that money collected
is being used to **bail out banks**



It is unacceptable
that money collected
is being used to pay
inflated MP expense
claims



The aviation industry and governments
**want to improve environmental
performance**



The aviation industry and governments
**want to improve environmental
performance**



Improve fuel efficiency
by 1.5% each year
until 2020





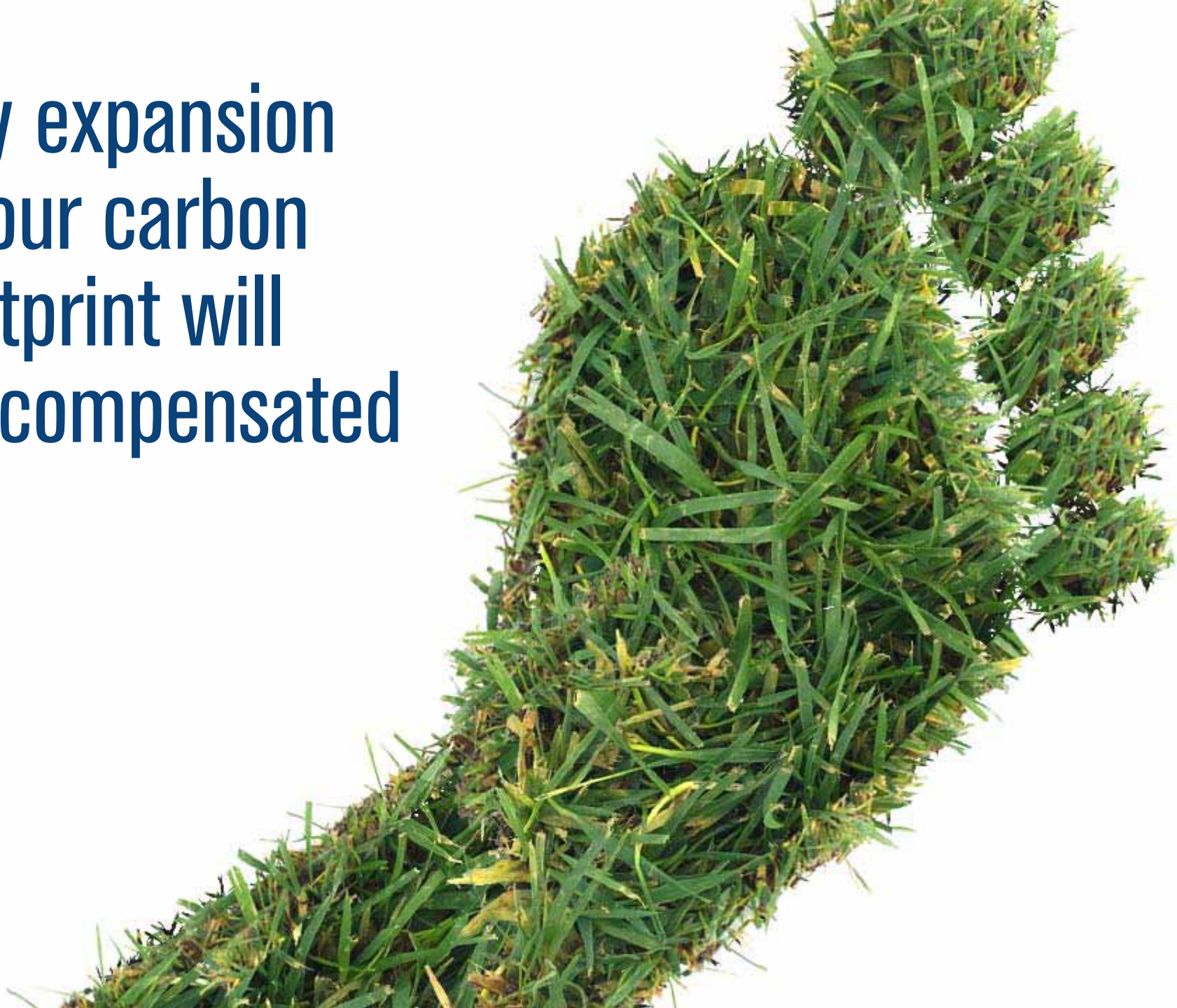
Improved fuel
efficiency is
not enough
**Our emissions
must stop
growing**

By



The airline industry will achieve
carbon-neutral growth

Any expansion
of our carbon
footprint will
be compensated





Airlines
are the first
global industry
to make such a
bold commitment

But we cannot
do it alone

➤ **ICAO must define
binding carbon
emissions standards
for manufacturers**



But we cannot
do it alone

➤ **ANSPs must make it
possible to fly even
more effectively**



But we cannot
do it alone

➤ **Fuel companies
must supply
eco-friendly fuels**



But we cannot do it alone

➤ **Governments must
give us access to
credits in global
carbon markets**



We must account
for emissions
at global level
not by state



**IATA will work with ICAO
to ensure compliance**



Airlines should get carbon credits
for every cent we pay
and we should pay only once
not several times



We can be proud of going farther
and faster than any other industry
**This industry is
a role model for
others to follow**



**The challenge will be
for governments
to catch up**



Reshaping the approach
to **climate change**
is only the start



Our relationship with governments must
move **from punitive micro-regulation**



Our relationship with governments must
move **to joint problem-solving**





**We can help them
protect their citizens**



We can help them
improve efficiency



**We can help them
save jobs**



**We can help them
support economic growth**



**But only
if we work
together**



Governments want to protect their citizens

➤ We can help



Governments want to protect their citizens

➤ ...but we need better coordination



...that's the airline security bill

\$5.9 billion



We must spend our money more wisely

\$5.9 billion



...focusing on the threats



**...not the 99.9% of our
passengers who are not a risk**



**One-stop security
must be the future**



One-stop security must be the future



- Europe is moving quickly in this direction for intra-European flights
- France was the latest to join

Why don't all governments take the same approach?

- The time has come for harmonization
- And mutual recognition of standards



Governments want to reduce delays

- We can help
- ...but we
need efficient
infrastructure



Slot auctions
and legislation
on passenger rights
**are not the
solution**



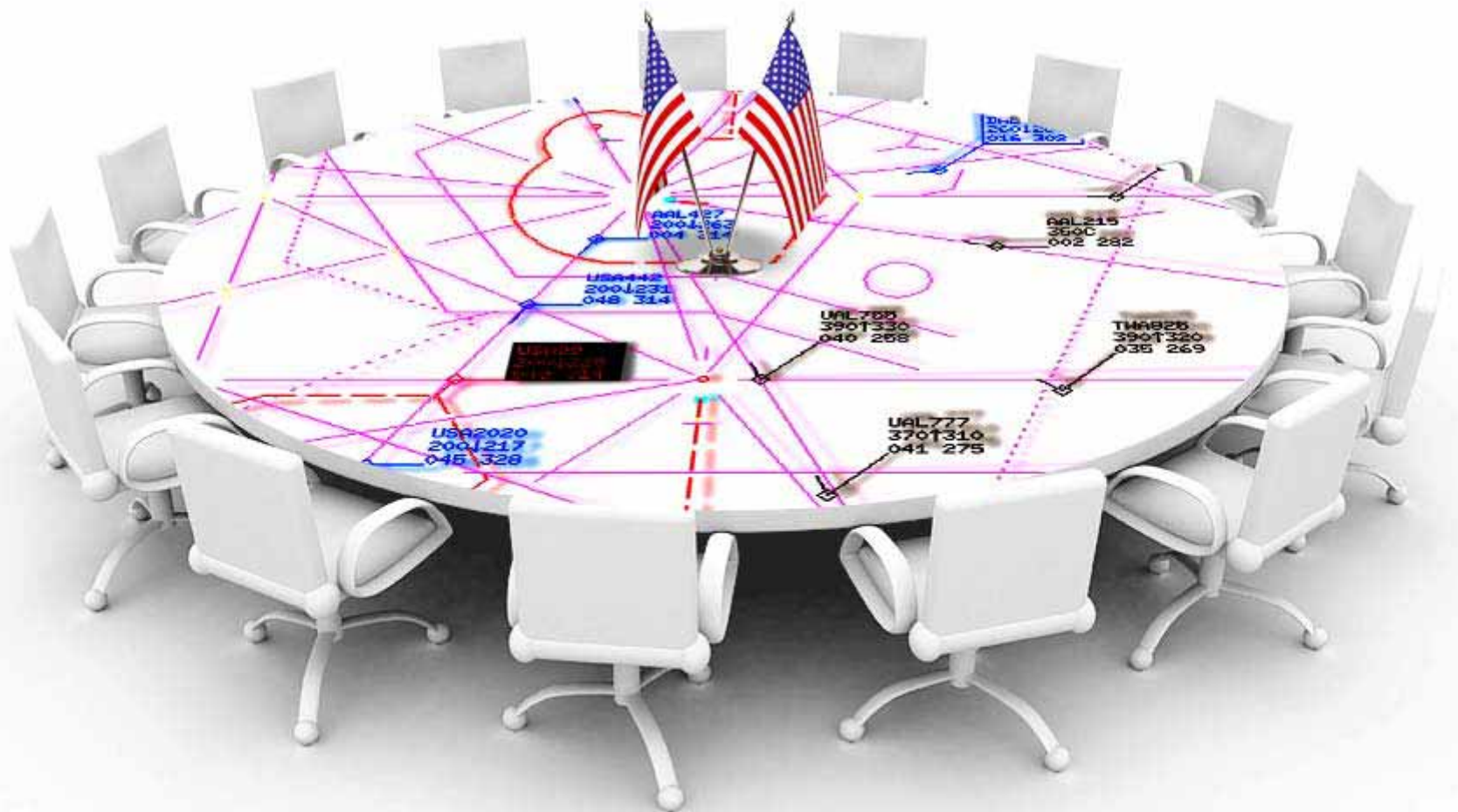
Trillions in stimulus monies
are a great opportunity
to improve infrastructure



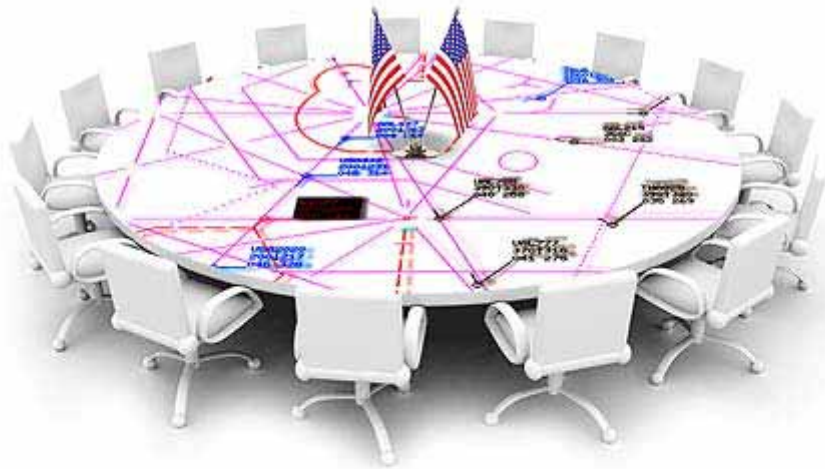
A Single European Sky is closer than ever



I hope that President Obama
can make NextGen a reality...



These programs can save
41 million tonnes of CO₂
and over \$21 billion



...but only if governments deliver

**Governments want
to protect jobs and
stimulate the economy**





We can help



...but we need **basic commercial freedoms** to run our businesses

Banks are getting capital not just from bailouts



...but also from
international
markets



Chrysler's cross-border partnership
with Fiat is building a new
future for both



We don't want bailouts



We don't want bailouts
**All we ask for is access
to global capital**



If we cannot pay the bills
saving the flag on the tail
will not save jobs





This would put at risk:
32 million jobs
and the lifeblood
of the global
economy

Progressive liberalization ...a cheap and effective stimulus

- In the US it made travel accessible
- In Europe 1.4 million jobs were created



Liberalizing key
routes today
would create
24 million jobs
and **\$490 billion**
in economic
activity



US and Europe to expand Open Skies to **Open Aviation**



US and Europe to expand Open Skies to **Open Aviation**



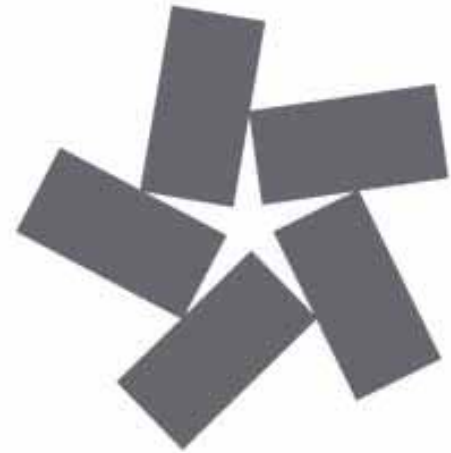
- **An agreement would strengthen industries**
- **And send a strong signal of change beyond their borders**

**Access to markets
and capital
is critical to all
of our businesses**



IATA's Agenda for Freedom will deliver an **important policy tool**

➤ **Governments
signing a
statement of
policy principles**



**AGENDA FOR
FREEDOM**



AGENDA FOR FREEDOM

The time for change is now.

**Governments must
understand that
the survival of
the industry**



**Governments must
understand that
the survival of
the industry
is at risk**





**They must deliver
normal commercial
freedoms**



They must deliver
normal commercial
freedoms
**urgently and
effectively**

In a changing world
one aspect of our
business is rock solid



In a changing world
one aspect of our
business is rock solid



...our commitment to safety

We flew

2.2 billion



people safely

Our goal must always be
to do even better: zero accidents



Our goal must always be
to do even better: zero fatalities





You made IOSA



...a condition of membership



Our goal was
to raise the
bar on safety
in every corner
of the planet



**We set targets
and we worked
with airlines**



...with your
commitment and
your hard work



... we are
a **quality**
association



The image features three red balloons against a white background. The central balloon is the largest and most prominent, displaying the number '226' in a large, bold, black sans-serif font. Below the number, the text 'IATA AIRLINES' is printed in a smaller, bold, black sans-serif font. The two balloons on either side are partially visible, showing their red surfaces and the thin red ribbons tied to their bases. The lighting is bright, creating soft highlights and shadows on the balloons' surfaces.

226

IATA AIRLINES

We are a
responsible
industry
in good times
and in crisis



**We are struggling to survive
in a new and harsh reality**



**We are resilient
and capable of great change**





The background of the image is a vibrant blue sky filled with numerous white, fluffy clouds of varying sizes. The clouds are scattered across the frame, with some appearing as large, soft masses and others as smaller, wispy patches. The overall effect is a clean, bright, and optimistic atmosphere.

**To be safer,
greener
and profitable**



The State of the Industry

Item 5