The State of the Industry

Item 5
$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.
This may be the bottom... 

...but recovery is different
Banks are still not able to finance business.

$1 trillion is still needed to re-capitalise.
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.
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.
POST-9/11 REVENUES DOWN BY 7%
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...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%
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”

WANTED
BAA &
UK CAA
FOR THEIR
86%
INCREASE
FOR 2008-2013
IATA “Wall of Shame”

WANTED DELHI & MUMBAI AIRPORTS FOR THEIR 207% INCREASE OVER THE LAST 4 YEARS
IATA “Wall of Shame”

WANTED QUIPORT FOR THEIR 79% INCREASE SINCE 2005
IATA “Wall of Shame”

WANTED
ATNS
(SOUTH AFRICA)
FOR PROPOSING A
44% INCREASE
FOR 2010/2011
IATA “Wall of Shame”

WANTED
Eurocontrol States
Denmark
Netherlands
Poland
for proposing charges increases between 27/32%
WANTED BAA & UK CAA FOR THEIR 86% INCREASE FOR 2008-2013

WANTED QUIPORT FOR THEIR 79% INCREASE FOR 2008-2013

WANTED DELHI & MUMBAI FOR THEIR 79% INCREASE FOR 2008-2013

WANTED AENA (SPAIN) FOR EUROPE'S HIGHEST ATC CHARGES

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

BASTA!
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
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- Nothing on aviation bio-fuels
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Governments are not providing the right incentives.
...and oil companies are not moving fast enough

$48 billion
...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
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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 2020, 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

ICAPO 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 CO$_2$ 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
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
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
To be safer, greener and profitable