

Article 1

G8 Supports Global Sectoral Approach for Aviation Encourages Government-Business Partnership On Environment

IATA has welcomed the G8 leaders' support for a global sectoral approach in dealing with aviation's emissions in the post-2012 period on the way to a 50% reduction in global greenhouse gas emissions by 2050.

The G8 declaration specifically noted two points of significance to aviation:

- The need for a coordinated approach by the International Civil Aviation Organization (ICAO) and the United Nations Framework Convention on Climate Change (UNFCCC) which will guide the international aviation sector's contribution to meeting the G8 recommended target to reduce global emissions 50% by 2050
- The need to more proactively engage the private sector and trigger investments with partnerships between government and business

"Effectively addressing climate change is a top priority for the aviation sector. Aviation is a global industry and its emissions should be accounted for at the global level as a sector, not by state. In line with the Summit Declaration's call for business and government cooperation, IATA looks forward to working with governments in the ICAO and the UNFCCC processes to help develop details of global sectoral approach for aviation and climate change," said Giovanni Bisignani, IATA's Director General and CEO.

The commercial aviation industry has agreed to three sequential targets:

- 1.5% average annual improvement in fuel efficiency between now and 2020
- Carbon-neutral growth by 2020
- A 50% absolute reduction in aviation's emissions by 2050 compared with 2005

"The G8 Summit declaration is absolutely aligned with the aggressive targets that aviation has set. Commercial aviation is the first global industry to commit to a carbon-neutral growth target by 2020. We have a solid track record of meeting our targets. In 48 months IATA led a successful campaign that brought electronic ticketing to every corner of the planet. By moving effectively as a united sector, aviation will achieve our climate change targets as well," said Bisignani.

"The industry's four-pillar strategy to address climate change with better technology, improved operations, more efficient infrastructure and positive economic measures is already delivering significant results. Aviation's carbon footprint will shrink by 7% this year—5% from the recession and 2% as a direct result of aviation's united industry strategy. But aviation's long-term success on climate change is also contingent upon governments playing their

role. Governments must invest in more efficient infrastructure and support the development of biofuels with an appropriate fiscal and legal framework. Government and industry must work together,” said Bisignani.

Bisignani noted that economic measures would be critical to achieving the carbon-neutral growth target until the full benefit of technology solutions can be realized. “We welcome the opportunity to work with ICAO and the UNFCCC to replace the developing patchwork of environmental taxes and charges with a coordinated approach that does not distort competition, credits airlines for every cent that they pay and ensures that they pay only once,” said Bisignani.

Article 2

Passenger Decline Stabilizes - Some Improvement in Freight

IATA has announced international scheduled traffic results for May showing passenger demand declining 9.3% compared to the same month in previous year while freight demand was down by 17.4%. International passenger load factors stood at 71.2%, down from 74.5% recorded in May 2008.

The 17.4% decline in international cargo demand is a relative improvement compared to the 21.7% drop in April. Since December 2008, cargo demand has been moving sideways in the -20% range. This is one of the first physical signs of the economic recovery being anticipated in equity markets.

International passenger demand weakened from the -3.1% recorded in April to -9.3% in May. But both of the past two months have been slightly stronger than the 11.1% decline reached in March, even after adjusting for the distortions caused by the timing of Easter. This indicates that a floor may now have been reached. However, the capacity adjustment of -5.0% in May did not keep pace with the fall in demand during the same month. Moreover, although the impact of the recession appears to be stabilizing, strong headwinds from debt and low asset prices are expected to weaken and delay any significant recovery.

“We may have hit bottom, but we are a long way from recovery,” said Giovanni Bisignani, IATA’s Director General and CEO. “Capacity is not aligned with demand. Passenger load factors dropped 3.3 percentage points over the last 12 months. The impact on revenue is dramatic. After a 20% fall in international passenger revenue in the first quarter, we estimate that the drop accelerated to as much as -30% in May. This crisis is the worst we have ever seen,” said Bisignani.

International Passenger Demand

- May was the first full month to feel the impact of the Influenza A(H1N1) on travel. Mexican carriers saw their traffic fall almost 40% in May. Latin American carriers saw their traffic decline by 9.2% in May compared to the previous year. Against a capacity increase of 0.2%, the load factor plummeted to 64.7%. That is a 6.7 percentage point drop compared to May 2008 and the lowest load factor among all the regions. It is estimated that the global impact of Influenza A(H1N1) on global travel patterns in May was a 1% drop in passenger traffic.
- Asia Pacific carriers recorded a 14.3% fall in demand. While capacity adjustments by the region’s carriers were the most severe (-9.3%), they did not keep pace with the fall in demand driven by weak economies and the impact of Influenza A(H1N1) on the region with the most vivid memories of the SARS crisis.
- North American carriers posted a 10.9% fall in passenger demand, considerably worse than the 4.2% fall in April. This was the result of weak demand to Latin American destinations affected by Influenza A(H1N1) along with significant recession-driven drops in both trans-Atlantic and trans-Pacific markets.

- European carriers, in addition to weak long-haul markets, saw some loss of market share to European low cost carriers whose traffic grew by 2.1%, while the network carriers reported a 9.4% decline.
- African carriers saw a slight improvement of a 6.0% fall in demand in May, compared to a 7.1% decline in April.
- Middle Eastern carriers bucked the declining trend with 9.5% growth in demand and a 14.5% expansion of capacity.

International Air Freight

- In May, freight volumes rose by around 3% above April levels as manufacturers began to add to their product inventories in anticipation of an economic recovery. However, inventories remain 10-15% higher than normal in relation to sales levels, indicating that a significant recovery is not expected in the near term. Surveys of purchasing managers indicate we could experience a further improvement in air freight demand during June and July to levels that are 12-15% below last year's levels.
- Most regions were relatively aligned in the severity of the freight declines. Latin American carriers were the worst performers with a 21.0% fall, followed by Africa (-20.0%), Europe (-19.2%), North America (-18.8%), and Asia Pacific (-18.1%). Middle East carriers were the exception with a 3.7% fall.
- Capacity adjustments in freight markets have been catching up to demand declines. Freight load factors are 3.6 percentage points lower than a year ago. Freight yields fell by 17% in the first quarter, reducing revenues by 35%. Given the continuing downward pressure on yields, even the improvement in volumes in May will likely come without a corresponding improvement in revenues.

"We have lost several years of growth and yields are under severe pressure. Airlines are in survival mode. Cutting costs and conserving cash are the priorities," said Bisignani.

"Even if we look beyond the crisis, it is difficult to see a return to business as usual. This crisis is re-shaping the industry. The burden cannot be placed on airlines alone. All partners in the value chain must be prepared to change—reducing costs and improving efficiencies. Too often we get the opposite. Already this year we have seen US\$1.5 billion in cost increases from airports and air navigation service providers. It's irresponsible in the best of times and a completely unacceptable abuse of monopoly position in a crisis," said Bisignani.

[View full May traffic results](#)

Article 3

Latest Industry Health Monitor Released

IATA has released its latest report on the industry's financial health for May/June 2009

Share prices

Equity markets become more cautious on the airline sector in June, with the Bloomberg global airlines index falling 2% from May levels, compared to a 0.9% rise in the FTSE Global All-Cap. The airline sector index is now 4% down since the end of 2008, while the market as a whole is up 7%.

Industry losses

Total net losses remain just over \$3 billion, which is a significant deterioration from 2008. This deterioration was before the recent rise in fuel prices and was due to the fall in revenues, as a sharp fall in yields added to the impact of weak travel and freight volumes.

Fuel

Both crude oil and jet fuel prices rose almost \$20 a barrel or more than 30% since early May. At \$70 a barrel, oil prices are 75% higher than their low point at the end of 2008. Airlines have not felt the full impact of this oil price rise as low refinery utilization has compressed the 'crack spread' to around 15%.

Traffic

Air travel market volumes have shown signs of hitting a floor during April and May. The market remains volatile but even after some decline from April levels, the passenger kilometers flown remained higher than in March. Air freight volumes have been stable since hitting a low point in December.

Fleet

Airlines are continuing to take delivery of new aircraft, though the pace moderated a little to 96 in May. Given the severe business environment the number of cancellations and deferrals of aircraft orders is growing. Current deliveries reflect past commitments as well as ongoing needs to replace old fleet.

However the size of the fleet is growing as old fleet is not being retired or taken out of service.

Capacity

Airlines continue to cut capacity with available seat kilometers down 5% in May and available freight tonne kilometers down almost 10%. However, the resizing of the industry has not yet kept pace with the shrinkage of demand for air transport. Capacity cuts so far this year in both passenger and freight markets have been roughly half the decline in volumes flown.

[View the full report](#)

Article 4

Priorities For Indian Aviation

IATA has outlined priorities that would shape an aggressive and positive agenda for continuing the transformation of Indian aviation. Giovanni Bisignani, IATA's Director General and CEO, reiterated these priorities following the reappointment of Praful Patel as India's Civil Aviation Minister:

Safety: Aviation safety should continue to be India's foremost priority. Recent international safety assessments have brought about an increased focus on safety and safety oversight in India. India should mandate the IATA Operational Safety Audit as an additional testimony to its commitment to safety oversight.

Global Leadership: India has emerged as a critical driver of growth in the international aviation market – and must now play an active leadership role in shaping the international aviation agenda. Liberalisation and climate change are just two areas where India could play a useful leadership role.

Airport Development: Mumbai remains a critical bottleneck. India must develop a new Mumbai airport, which can adequately serve the financial capital of the world's second most populous nation. The breathing space provided by the current downturn must be used quickly to plan for capacity of about 100 million passengers. India should also restart the shelved non-metro airport development program.

Aeronautical charges and taxes: The recent increases in aeronautical charges in India have been disappointing and counter-productive. They did not take into account the current economic environment and are restraining the recovery of airlines. A quick one-off charges reduction across airports in India, followed by a longer-term review by the Airport Economic Regulatory Authority would help to restore the industry's financial health. Reduction of aviation taxes, in particular the high sales tax on fuel, is another critical change that can provide relief to airlines and stimulate the economy.

Technology: IATA's Baggage management Improvement Program (BIP), Fast Travel and e-Freight are ongoing industry initiatives, which leverage on technology to bring efficiencies to the aviation value chain. India should also adopt technology and such initiatives to leap frog into a leadership role.

Airspace infrastructure capacity: India needs to renew its focus on building a next generation airspace infrastructure improvement. They should include defining flow management and procedures.

Article 5

Mark your calendar – coming events

- [Aviation Health Conference, 6-7 Oct – London, UK](#)
- [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](#)