

# AIRLINE BUSINESS DAILY

BRINGING YOU THE NEWS FROM THE IATA WORLD AIR TRANSPORT SUMMIT AND ANNUAL GENERAL MEETING IN ISTANBUL

## BASTA!

Bisignani says "enough is enough", when it comes to the issues of security, monopoly and the European Parliament

**"B**asta" was the rallying cry shouted here yesterday by Giovanni Bisignani to the IATA assembly. During a typically passionate and entertaining state of the industry speech, three times the association's director general said "enough is enough", pointing the finger squarely at security, monopoly suppliers and the European Parliament.

"Unlike safety, security is an unco-ordinated mess," he said. "Since 2001 airlines and their customers have paid over \$30 billion for security measures. For this we get more frustration than value. In Italian I would say Basta! This must change."

Bisignani's anger as the industry spirals into crisis was also focused on "an unregulated mess with monopoly suppliers". The UK Civil Aviation Authority was singled out as "this year's worst regulator", with those words emblazoned on a gleaming cup on the huge screen as Bisignani spoke.

"Service levels are a national embarrassment but still the CAA increased charges by 50% over the

last five years and plan 86% for the next five. Could anybody in this room ask for a fare increase of 86%? Nobody. That only happens in monopoly-land."

The third "Basta!" was handed out to the European Parliament for its changes to emissions trading proposals. "For every minute of discussion the cost increased by €1 billion. Thanks God they stopped after 30 minutes!" he said.

Overall airlines face a bill of €6.4 billion for a "misguided and unilateral proposal that will inspire international legal battles but do very little for the environment. These are reckless decisions when the industry is in crisis and oil prices have changed the game completely."

As for answers, in the security field governments "must focus on risk management, harmonise global standards, use technology and intelligence effectively and take responsibility for the bill," said Bisignani.

On the environment front, Bisignani proposed taking the



politics out of air traffic management and "moving forward to fix the Pearl River Delta, implement NextGen in the US and let's have a Single European Sky...Second, think global. Governments must make ICAO successful in developing an emissions trading scheme that is fair, voluntary and global. Third, use positive economic measures to drive innovation." ■

**"Since 2001 airlines and their customers have paid over \$30 billion for security measures. For this we get more frustration than value"**

GIOVANNI BISIGNANI  
IATA

### THE EAGLES HAVE LANDED

Airways New Zealand, Incheon and Tampa airports were all celebrating yesterday after having been named winners of this year's IATA Eagle awards.

The awards honour airports and air navigation service providers for outstanding performance in customer satisfaction.

"Airways New Zealand has adopted a position of change leadership in the region," said Dr Assad Kotaite, former ICAO president and chairman of the awards panel. "These awards should not only recognise good performance but also encourage it."



THE POWER  
OF FLIGHT

# Why fuel makes an impact

With airlines facing a loss of \$2.3 billion this year, fuel costs are coming into sharp focus

In his state of the industry address at the association's annual general meeting in Istanbul today, director general and chief executive Giovanni Bisignani said high fuel prices and slowing traffic growth represent "another perfect storm".

Airlines will collectively lose \$2.3 billion this year and possibly much more as a result of recent sharp increases in fuel costs, ac-

cording to IATA's latest earnings forecast.

"After enormous efficiency gains since 2001 there is no fat left and skyrocketing oil prices are changing everything. If the consensus of experts is correct and oil averages \$107 per barrel (Brent) the fuel bill will be \$176 billion, \$40 billion more than in 2007. This would push us back into the red with a loss of \$2.3 billion in

2008, \$7.9 billion less than 2007," Bisignani said.

"For every dollar the price of oil goes up, costs go up by \$1.6 billion. If oil stays at \$135 for the rest of the year, losses will be much worse at \$6.1 billion. The situation is desperate.

"Twenty four airlines went bust in the last six months and \$130 per barrel oil is reshaping the industry even as we speak," he said. ■

## Airlines call for capacity discipline

If airlines do not jointly apply discipline when it comes to capacity it will be a "disaster for the whole industry", Air France-KLM chairman Jean-Cyril Spinetta said during yesterday's chief executive forum.

Spinetta's remarks were echoed by BA chief executive Willie Walsh, who said from the audience: "It's going to require discipline – I see no option but to take capacity out." BA will be "taking some capacity out this winter" because "it is quite clear to us that demand is going to be lower than we expected".

Walsh believes complacency is the wrong attitude to take as the airline industry struggles against record oil prices and a weakening global economy. "To sit around and wait to see what happens would be complacent," he says. "I expect more airlines to fail, capacity to come out and prices to go up."

And it is not just European car-



Scott Carson, Tim Clark, Tom Enders, Tony Tyler and Steve Udvar-Hazy

riers that are looking at taking out capacity. Cathay Pacific chief executive Tony Tyler says that while Cathay will not be grounding aircraft in the short-term, it is "struggling with older aircraft" in its cargo division and "will consider parking some of those".

However, Emirates president

Tim Clark is singing from a different hymn sheet when it comes to capacity discipline. "I can't speak for the rest of the industry but we're committed to a growth plan," says Clark. "We're going to continue to grow our network with little or no contraction of capacity growth." ■

## European privatisation of airports a "disaster"

BY MARK PILLING

As yesterday's debate turned to the topic of monopoly suppliers, Air France-KLM head Jean-Cyril Spinetta (pictured) launched a fierce attack on European moves to airport privatisation, which he labelled a "disaster".

"It's a very sophisticated toll and nothing else. To privatise a toll is very strange," he said, adding they had only



brought negative things for airlines. Cathay Pacific chief executive Tony Tyler said that while "various regulatory models around the world have been tried" to police airport pricing behaviour, "I don't think we've ever found a good one." ■

### IATA IN BRIEF

#### AGM GENERATES HOT AIR



IATA Chairman, Fernando Pinto (pictured) said that this week's meeting would be carbon neutral

following the decision to purchase a wind turbine for a windfarm close to Istanbul. "We have purchased gold standard carbon credits to promote our determination to be carbon neutral," he said. A report to the AGM showed that 27 IATA member airlines now offer carbon offset schemes.

#### TRIBUTE TO FORMER DIRECTOR GENERAL

A tribute was paid to Gunter Eser, the former director general of IATA who died in October. Delegates at the AGM applauded a short film which summarised Eser's contribution to the industry during the seven years he was director general from 1985. "It is a tribute to his friendship and his leadership," chairman Fernando Pinto said.

#### SAFETY FIGURES IMPROVING

The AGM heard that the number of fatalities and the fatality rate continued to decline in 2007 despite the increase in traffic. "From a regional perspective, the accident rates in areas such as North America and Europe decreased. However, accidents in Brazil, Indonesia and Africa pushed the global accident rate up to 0.75 Western-built jet hull losses per million sectors flown," said IATA's Günther Matschnigg. Overall, IATA member airlines surpassed the industry in terms of safety with an accident rate of 0.68 losses per million flights.

# Cry freedom

Bisignani fights for a new agenda to change regulatory restrictions to the current bilateral aviation agreement

BY KERRY EZARD

IATA director general and chief executive Giovanni Bisignani is calling for bilateral aviation agreements to be torn up to allow airlines to break free from regulatory restrictions, and has proposed an "agenda for freedom" to bring about this change.

In his annual state of the industry speech yesterday, Bisignani said: "The bilateral system is the problem. The so-called freedoms of the air are really restrictions on our business. We cannot fly to new markets without an international agreement. We cannot look beyond national borders to try new ideas, grow our business, access global capital, or merge and consolidate. We fight crisis after crisis with our hands tied because flags, not brands, define our business. This must change."

The IATA chief used his fiery speech to implore governments to "keep pace with the urgent need for change" and to "stop treating us and our passengers as cash cows".

For starters Bisignani suggests ripping up the 3,500 bilateral

agreements and replacing them with "a clean sheet of paper without any reference to commercial regulation".

This, he adds, will allow airlines to be "free to innovate, free to compete, free to grow, free to disappear, and free to become financially healthy". That clean sheet of paper should also ensure a level playing field by "bringing commercial discipline to monopolies" and "regulating global standards for safety, security and environmental performance".

IATA's goal is to free airlines from their national flags and enable them to compete globally in a fully liberalised market. Rising fuel prices make this all the more important, says Bisignani.

"Cross-border mergers are delivering shareholder value. Look at Air France-KLM or Lufthansa/Swiss. International brands can work safely ... Customers don't care about the flag," says Bisignani.

IATA plans to hold an "Agenda for Freedom Summit" here in Istanbul this autumn in order to push its message forward. ■



## TURKISH GOVERNMENT SHARES CONCERN

Turkey's minister for transport, Binali Yildirim, outlined his concerns over rapidly rising oil prices during a keynote speech at the IATA annual general meeting yesterday. "The huge increase in fuel prices around the world is a situation that brings about concerns for civil aviation," he said, adding that high oil prices mean "our 10-year projection [for the Turkish airline sector] is going to be turned upside down".

# Arpey: change needed

BY KERRY EZARD

Record oil prices mean there will have to be "significant change in the industry" in order for carriers to survive and consolidation alone is not going to solve the problem, says American Airlines chief executive Gerard Arpey.

Speaking to *Airline Business Daily*, Arpey said there "may be

more changes to come" at American later in the year, in addition to the carrier's recent announcement that it will cut domestic capacity by 11-12% in the fourth quarter, retire at least 75 aircraft and charge \$15 for each first checked bag.

He says change is needed because the airline industry "was not designed for \$125 oil". ■

# Garuda restructuring deal very close

BY NICHOLAS IONIDES

Garuda Indonesia is hoping to finalise a debt restructuring package with its lenders in the coming months after more than 2-1/2 years of talks.

The carrier fell into financial difficulty and stopped making principal payments on its debt of



around \$800 million at the end of 2005, although it has continued to make interest payments.

President Emirsyah Satar says that "my target is the third quarter" for a debt restructuring package to be finalised.

He says an in-principle agreement was reached with European

export credit agencies, which are Garuda's biggest creditors, earlier this year. Talks are due to continue with its lenders in Europe in the coming weeks.

Garuda has been restructuring its operations in recent years and reported a return to profitability for 2007. ■

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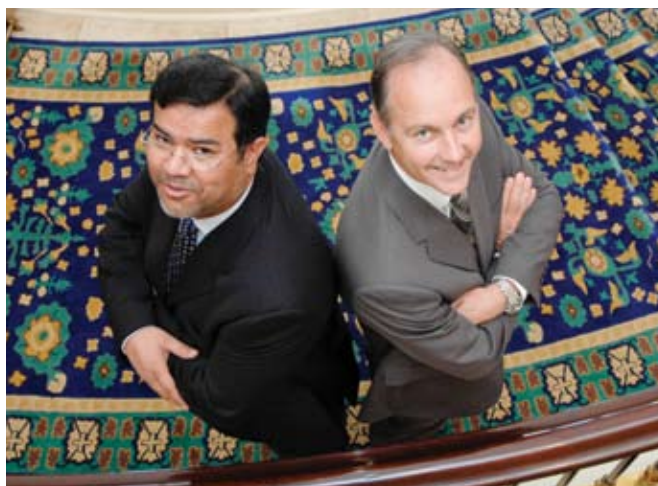
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# Outsourcing saves money

IT solutions provider Mercator believes outsourcing process management can lead to greater efficiencies



BY ALAN PEAFFORD

As the fuel crisis leads more airlines to review their operations, UAE-based IT solutions provider Mercator believes outsourcing business process management will lead to greater efficiencies.

Mercator is part of the Emirates group and has proven itself with the leading Gulf airline. "Our systems have been built by people who use them every day," says Duncan Alexander, Mercator's vice-president, sales and market development.

"Airlines will have to decide if they want to carry the cost of ownership in this new economic environment. We believe that we have solutions that will help them save money and improve efficiencies."

One key element of the offer that Mercator is making in Istanbul is SkyChain, a new generation cargo management system that was initially developed for Emirates SkyCargo. It replaced 23 legacy systems with a single integrated set of applications operating on a new technology platform. The hosted version sits within Mercator's environment and is used independently by the individual airline. This service is designed

for start-up or small carriers.

It has been designed to manage every aspect of an airline's cargo business and transforms information into a powerful asset, with data fully utilised to maximise performance, raise service quality and optimise resources. Processes are streamlined and enhanced, with the latest industry developments, such as IATA's e-freight initiative, being fully supported. The system has the unique ability to process real-time financial information for cargo operations thus optimising revenues.

"Ram Menen (head of Emirates Sky Cargo) knows how much profit he will make on a flight before it takes off. This is not a system that looks backwards. It is instant," says regional manager Rashid Al Khayat.

Khayat says that the Mercator systems work with large carriers like Malaysia Airlines and Saudia but also with small airlines like Air Tahiti. The same is true on the cargo side.

"We have just introduced SkyChain Lite with our launch customer Midex, a cargo operator in the UAE. This will integrate with Midex's current Track and Trace." ■

# In-flight entertainment on display with Thales

BY ALAN PEAFFORD

Passengers are demanding more and more from airlines' in-flight entertainment (IFE) systems and one exhibitor, Thales (booth 5) is keen to show IATA delegates exactly what is on offer.

The company is showing the latest version of its TopSeries family of IFE systems that combines both entertainment and communications facilities, as well as providing connectivity with passengers' own electronic devices.

The light-weight systems have meant TopSeries is offered for both Boeing 787 and Airbus A380 aircraft. "We have been selected by 70% of the airlines that have committed to IFE on the 787 programme so far," says Brett Wells, Thales director of strategy and business development. "About 16 airlines have bought the 787 and we have 11 of them."

The Thales system is called the TopSeries i-8000. This system has many of the features of the Thales i-4000 video and audio on-demand system, but it is designed to use a wireless network throughout the aircraft for increased flexibility and weight savings. Thales says customers will be more comfortable as it has eliminated much of the equip-

ment that typically is housed under seats.

Thales has also announced that it is to join Apple's "Made for iPod" programme, which is designed to encourage the third-party development of accessories and applications for the iconic gadget and aims to introduce new TopSeries-hosted services for passengers who carry iPods and other personal electronic devices on to the aircraft.

"It's a natural evolution to bring personal electronic devices and IFE systems together," says Alan Pellegrini, general manager of Thales' IFE business. "Our system's internet-based network and connectivity capabilities will eventually allow passengers to do in the air what they do on the ground."

The company says its seven-part strategy is in the process of introducing various ways to integrate personal electronic devices with TopSeries. Capabilities already in service include the provision of power to the handheld unit through the IFE system, and the ability to view on the in-seat screen films that are stored on the passenger device. Thales expects that passengers will eventually be able to download TopSeries con-



Thales' Alan Pellegrini, David Pook and Brett Wells introducing the latest technologies to the cabin

# Fuel-saving turboprop

China Aviation Industry Corporation I is here at the IATA AGM for the first time and ready to do business



BY ALAN PEAFFORD

**C**hinese aircraft manufacturer AVIC 1 is here to draw attention to an alternative for regional aircraft against the traditional Bombardier and Embraer offerings.

"Both our turboprop aircraft and the regional jet have begun to attract international orders," says Xu Bo, managing director of the civil aircraft marketing division. "With all of the issues that are arising because of the fuel price, we believe there will be a lot more interest in our MA60 turboprop because it is economical to buy and to operate."

The MA60 is dubbed "The

Modern Ark" and is a stretched version of the Xi'an Y7-200A, itself a close copy of the AN-26 cargo plane.

It was first tested in 1993, and given its airworthiness certificate in 1998 by the Civil Aviation Administration of China.

There are currently 34 aircraft in operation or on order from six countries outside of China. AVIC 1 also says it has orders for 200 of its ARJ21, a 70-seater regional jet. The aircraft is due to be certificated next year.

"A lot of people have been interested in what we are showing," says Xu. ■

## Saudi reveals widebody purchases while Asiana decision is close

**S**audi Arabian Airlines identified itself as a customer for 12 Boeing 787 and eight Airbus A330 aircraft, which the flag-carrier is to acquire as part of a 10-year fleet plan. Speaking in the exhibitor area yesterday, director general Khalid Al Molhem said the fleet plan covered some 70 aircraft.

The Jeddah-based carrier has already committed to a narrow-body fleet featuring up to 50 A320s but Al Molhem says it has placed

"firm" commitments for the larger jets.

Also in Istanbul yesterday South Korea's Asiana Airlines said it is close to finalising a major order for widebody twinjets.

The Star Alliance carrier has been in discussions with Airbus and Boeing on an order for A350s and/or 787s for some time. Chief executive Chan Bup Park said that a decision could be made "hopefully in the middle of June". ■

## SOUND BITES VIDEOS ONLINE



Peter Davies, former SN Brussels and Caribbean Airlines chief executive, joined the *Airline Business Daily* team for the IATA AGM, as roving reporter. There are interviews with British Airways' Willie Walsh, Garuda's Emirsyah Satar, Jet's Naresh Goyal, ALTA's Alex de Gunten, Air Malta's Joe Cappello and Caribbean Airlines' Philip Saunders.

View them all online: [flightglobal.com/iatavideo](http://flightglobal.com/iatavideo)



### WILLIE WALSH, BRITISH AIRWAYS

“At some point elasticity has got to impact on demand. If you look at everything that's happening: you've got a softening economic environment, high oil prices, it's inevitable that fares will have to go up. I think the economic environment and prices are going to impact on demand. I genuinely believe we're in uncharted waters.”

### PHILIP SAUNDERS, CARIBBEAN AIRLINES

“It think this will be an important conference in terms of setting the agenda for what is going to be a very difficult period. After all, the global economy needs aviation. It needs aviation in a very positive sense, so addressing those issues and making sure the industry comes out stronger at the end of this challenge will be key”



### JOE CAPPELLO, AIR MALTA

“What is interesting is that the question of fuel has averted the debate on emissions trading, which up to a few months ago was the hottest issue and biggest crisis that airlines were facing”

### MARK DUNKERLEY, HAWAIIAN AIRLINES

“Cash is king. There is a rising water level and the question is who can hold their breath for longest and who's sitting on the perch of the one remaining tree”





# MEETING OF MINDS

**BY KERRY EZARD**

**PICTURES BY IAN BILLINGHURST**

Delegates started this year's IATA annual general meeting gathered together on for an evening of food, drinks and networking at the Conrad Hotel.

The dinner was sponsored by Boeing and Scott Carson, president and chief executive of Boeing

Commercial Airplanes, took the opportunity to address the attendees and acknowledged that this year will be a difficult one for the airline industry. "For many of us 2008 will be a year of great challenges," said Carson. "The IATA general meeting is the most fitting venue for us to come together to address those challenges. I know together we can

solve these challenges."

And when the main sessions started yesterday morning with an explosion of confetti-like paper tickets (see main picture), it made those resulting headaches just a little bit easier to deal with.

## IN BRIEF

### NEW INTERNATIONAL TERMINAL FOR PHUKET

Airports of Thailand plans to build a new international terminal in Phuket and upgrade the existing domestic terminal as part of a five billion baht (\$150 million) upgrade package so it can cope with future traffic growth. The airport currently has capacity to handle six million passengers in total but after the upgrade its capacity will be six million international and five million domestic. The upgrade is due to start in 2010.

### AIR INDIA EXPRESS FIRMS PLANS DUBAI

Air India's low-cost airline Air India Express is this month launching services from three cities in India to Dubai using Boeing 737-800s. The carrier says in statement that on 5 June it will launch a thrice-weekly Hyderabad-Dubai service, on 17 June it will launch the first Goa-Dubai routing thrice-weekly and on 18 June it will launch Pune-Dubai thrice-weekly.

### AIRPORTS ANNOUNCE NEW MANAGEMENT

Holland's Schiphol Group has named Jos Nijhuis as president and chief executive to take over at the end of the year. Nijhuis is currently chairman of PricewaterhouseCoopers. Meanwhile BAA has named Stephen Peat as managing director for its new airports division, where he will be running the six BAA UK airports other than London Heathrow. Peat is currently director of operations of Tube Lines.

# Crashed TACA A320 landed in drizzle with tailwind

**M**eteorological data shows that the TACA Airbus A320 which overran in Honduras on Friday was attempting to land at Tegucigalpa's Toncontin Airport in wet weather conditions and a slight tailwind.

Two passengers and the aircraft's captain – who had accumulated over 11,000 hours' flight time – were killed, along with at least one person on the ground after the jet came off runway 02.

Toncontin's runway is relatively short at 1,863m (6,112ft), and the accident has prompted Honduran president Manuel Zelaya to initiate plans to shift flights by larger aircraft to the Soto Cano air base near Comayagua, 55km northwest of Tegucigalpa.

Soto Cano, formerly known as Palmerola, has a runway of about 2,900m (9,500ft).

TACA, which has been forced to divert Tegucigalpa services to San Pedro Sula, says it backs the plan. "We are more than willing to support the decision of the presi-



More details are becoming clear into the TACA crash

dent of Honduras in the process of empowering the Comayagua airport," says TACA chief executive Roberto Kriete.

Flight TA390 had arrived from San Salvador at about 09:45 with 124 passengers, six crew and five repositioning cabin crew. Weather data shows haze and light drizzle in the area at the time, with a 4kt wind from 190°, giving a slight tailwind to aircraft landing

on runway 02.

NOTAM information for Toncontin Airport issued in early May cautions pilots that the runway might be wet because of the rainy season. Archived air traffic control communications show that controllers cautioned the crew that the runway was damp.

Unconfirmed reports claim the A320 was making a second attempt to land at Toncontin. ■

## Open Skies talks bear fruit for US and Kenya

**U**S and Kenyan authorities have reached an open skies deal after two days of negotiations in Washington, DC.

Under the new agreement, carriers from both countries can select routes and destinations without limitations on the number of US or Kenyan carriers that are al-

lowed to fly between the two countries.

No restrictions on capacity or pricing exist in the deal.

The US Transportation Department says that after three years, US carriers also will be able to fly beyond Kenya to any other African country. ■

## Turkish profit

**T**urkish Airlines (THY) achieved a first-quarter net profit of \$104 million despite a 46% rise in fuel prices, resulting in additional costs of \$87 million for the period.

Operating revenue increased by one-third to \$910 million as passenger numbers rose by 16% to 4.5 million. Profit before tax was up to \$132 million. The carrier says the proportion of its expenditure attributable to fuel has risen by six points to 31%. ■

