

AIRLINE BUSINESS DAILY

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

Industry in crisis seeks the green shoots of recovery

Airline chief executives gathering for this year's IATA AGM in Kuala Lumpur hope the downturn will end soon

BY AIRLINE BUSINESS EDITORS

The industry is still falling and there is no sign yet that the bottom is in sight. That is the unequivocal message from the six heads of the regional airline associations that represent the world's leading carriers – interviewed by *Airline Business* in the days running up to this year's IATA Annual General Meeting.

Any talk of green shoots of recovery is premature. "We do not know when the downturn will bottom out," says Ivan Misetic, chairman of the Association of European Airlines. "Passenger volumes are in steep decline and the air freight market has suffered

what can only be described as collapse," he says, after gauging opinion at the AEA spring presidents' assembly in late May.

"This industry didn't have any breathing space to forget the last crisis, even a little bit," notes Abdul Wahab Teffaha, secretary general of the Arab Air Carriers Organisation. Predicting when the recovery will begin is extremely tough, says Alex de Gunten, director general of the Latin American and Caribbean Airlines Association.

At last year's meeting the central theme was soaring fuel prices, although there were worries about worsening economic conditions too. Since then, the effects of the global recession have caused IATA to continually revise its forecasts. In March it further downgraded its outlook, predicting that losses will reach \$4.7 billion in 2009, almost double the \$2.5 billion loss it was anticipating in December.

But there are major regional differences. While Asia Pacific, Europe and North America have all been badly hit, carriers in the Middle East and Latin America are not seeing such huge traffic falls.

Continued on page 12



Boat Features

MALAYSIA WELCOMES IATA

The weather this weekend in Malaysia's capital, the host city for the 65th IATA Annual General Meeting and World Air Transport Summit, is expected to mirror the mood of the industry that is gathering here: stormy and uncertain.

Over 700 delegates from all four corners of the globe will attend the AGM with many experiencing the new Kuala Lumpur International Airport for the first time. Apart from a packed AGM and Summit programme, many delegates will want to sample the varied delights of Kuala Lumpur, including markets such as Little India seen above.

See page 14 for some suggested dining tips.

TAP first to launch IATA's carbon scheme

As delegates gathered for this year's AGM, TAP Portugal became the first carrier to go live with IATA's new carbon offset programme. The initiative is aimed at developing an industry-wide

scheme that carriers can join to enable passengers to buy carbon offsets for their travel. TAP timed the launch of its carbon offsets to

Continued on page 6



Misetic: traffic is still falling

INSIDE THIS ISSUE



Majali: IATA gets the green message	3	Aegean signs up for starring role	10
CEOs on film: Book your video interview		Green shoots of recovery	12
Sir Richard Branson edits Flightglobal.com	4	Malaysia's favourite foods	14
Carbon offsets: The industry solution	6		
Domestic traffic holds up in China	8		

All three IATA Airline Business Dailies will be available online at: flightglobal.com/ab



THE POWER OF FLIGHT



Royal Jordanian head Samer Majali has chaired IATA for the past year

IATA gets the message out

Association has raised its game on being proactive on environmental issues, says Majali

BY DAVID KAMINSKI-MORROW

IATA chairman Samer Majali, the chief of Royal Jordanian Airlines, vacates the position this month after a tumultuous year which, he says, has underlined the fragility of the airline business.

Within four months of his taking up the post in June 2008, fears over the runaway price of fuel started giving way to concerns that global economic collapse would deliver a knock-out blow to crippled operators. Majali says that airlines could do little to bring down fuel costs and, a year on, are similarly struggling to attract revenue.

"I think the airline industry remains the weakest link in the entire air transport chain, because we're at the front end to the consumer," he says.

Majali suggests that one of IATA's most significant achievements this year has been "minimising the damage" to the business as a whole, not least by

ensuring that the banks which have gone through a "hard time" have nevertheless protected carriers' finances. "There's been a lot of work on that side," he says.

But during his tenure as chairman – a support role to IATA director general Giovanni Bisignani – Majali also believes that the association worked to become more vocal about its members' interests, and increasingly prepared to defend itself against charges over environmental indifference.

"IATA has done a far better job in terms of getting our message across," he says, citing its presence at the Copenhagen climate change summit in May. The association presented its "Green Team" efforts to implement operational best practice, as well as route-shortening and technological initiatives, plus IATA's plans to establish an industry carbon-offset programme this year (see related story p1).

He says he "finds very strange"

the accusations of "irresponsibility" towards the industry regarding the environment. "We must remember that airlines have a built-in desire to reduce emissions," he says. "We're trying to do our bit through global solutions and minimise our negative image."

While IATA remains heavily critical of the European Union's unilateral emissions trading scheme, Majali admits it has been "so far thwarted" in securing a global alternative.

He adds that the airline industry needs governmental support in the form of reinvestment, to ensure that green taxation is fed back into relevant projects such as the development of second-generation biofuel.

But he says there is "incremental" progress on all of IATA's issues, adding: "You expect that on a global level things take time. You can always control things within your own airline better." ■

IN THE WORKS

Since IATA members met in Istanbul last summer there have been a string of airline deals as the economic crisis added momentum to the need to consolidate. But many possible deals and challenges are still to be resolved:

- **Lufthansa's** consolidation moves: Will EC conditions put the brakes on its move for **Austrian**? What's going on with **bmi**? Could Lufthansa move for Poland's **LOT**?
- Will **Air France-KLM** win the bidding for SkyTeam partner **Czech Airlines**?
- When will **British Airways** and **Iberia** merger talks finally be completed?
- Can **Air Canada** recover without another bankruptcy restructuring?
- Is the tie-up between Indian carriers **Jet Airways** and **Kingfisher** going anywhere?
- Will the alliance antitrust immunity agreements and applications get the all-clear?
- Are **Shanghai Airlines** and **China Eastern** going to merge this year?
- Will **Qantas** and **Air New Zealand** try to renew talks of a trans-Tasman alliance?
- How will the new **Alitalia** take shape?
- Are **Air India** and **Indian Airlines** going to complete their merger and properly integrate their IT systems and networks this year?
- Will **Ryanair** eventually get its hands on **Aer Lingus**?
- Can **Frontier Airlines** emerge from Chapter 11 bankruptcy this year?

AIRLINE BUSINESS DAILY

flightglobal.com/ab

Editorial team

Mark Pilling
Geoff Thomas
Victoria Moores
Leithen Francis

Video team

Stuart Clarke
Peter Davies
Photographer
Tom Gordon

Design & production

Gareth Burgess
Dominic Ray
Printed by
Times Printers, Malaysia

To arrange your video interview with Airline Business come to see us at the Press Centre

© Airline Business 2009

Live transmission from the AGM

Airline Business is out in force at this year's IATA AGM providing news, views and videos to our various media outlets

Airline Business has uprooted its editorial teams from London and Singapore to provide comprehensive and live coverage from this year's IATA Annual General Meeting.

The live coverage is being provided by the six-strong *Airline Business Daily* team which will produce two papers on site using the IATA press room in the Mandarin Oriental Hotel as its base.

This issue of the Daily was produced in the days running up to the show and distributed on Saturday and Sunday. Look out for the first live paper from the AGM given out on Monday morning with the second coming out on Tuesday morning.

Former SN Brussels and Caribbean Airlines chief executive Peter Davies (who was recently appoint-



Davies: book your interview

ed chief executive of UK regional carrier Air Southwest) will act as our roving video reporter here at the AGM. We will be sending him out with a video camera to capture

the mood of the conference, as well as airline executives' views on both their business strategy and when – and where – the recovery might start.

You can catch up on the latest news via the *Airline Business Daily*, our blog at flightglobal.com/ablogs or on Twitter, where Airline Business' editors TheABEd and VictoriaOnAir will be posting bite-sized updates.

If you would like to book a video interview, or if you have some news you would like to see published in the *Airline Business Daily*, come and see us in the Press Room. ■

Take a look at our video coverage from last year's IATA AGM in Istanbul at: flightglobal.com/iatavideo



READ ALL ABOUT IT

You can catch all the news, interviews and initiatives from the IATA AGM on the web with our up-to-the-minute coverage. Go online to see:

- **Headline news**
- **Analysis**
- **Video interviews**
- **Blogs**
- **Tweets**
- **Show dailies**

Sir Richard takes a turn in the editorial hot seat

Entrepreneur, adventurer and self-made billionaire Sir Richard Branson will be taking the reins as guest editor of Flightglobal.com on 8 June.

Branson brought the fun and glamour back to the airline industry when he founded Virgin Atlantic Airways 25 years ago, at the same time challenging the established order. In addition, the Virgin Group chairman has been instrumental in diversifying the Virgin brand, branching out into markets as wide-ranging as financial services and soft drinks. He has taken the Virgin airline network to Belgium, Nigeria, the USA and Australia, and is now taking

his whole travel empire to another dimension with Virgin Galactic, his space travel firm.

During his editorial stint with Flightglobal, Branson will be involved in various activities, including selecting our image of the day, homepage news stories and explaining his choices in the Editor's Blog. The Virgin entrepreneur will share a personal insight through a "day in the life" feature and he will answer a selection of questions submitted by Flightglobal's users. The best submission will be rewarded with a free return flight with Virgin. Branson will also be updating his legion of 116,000 Twitter followers on his



Branson edits Flightglobal

progress throughout the day.

Taking on the guest editorship is something of a return to Branson's earliest business roots. Long before he became a household

name his first successful business venture was at age 16, when he published a magazine called *Student*. Flightglobal editor Michael Targett says: "Getting Sir Richard to guest edit the site is obviously a great coup for us."

"It stems from Virgin and Sir Richard warming to our increased success in making use of social media on Flightglobal. Virgin told us that they traditionally shun B2B publications in favour of more wider reaching forms of marketing and promotion. The fact that they now wish to build closer relationships with us is indicative of the ever-expanding role our website is taking." ■

ALTA AIRLINE LEADERS FORUM 2009

HILTON CARTAGENA HOTEL, COLOMBIA
OCTOBER 14-16 ▶

Your best connection with the Latin American and Caribbean Airlines - www.alta.aero/airlineleaders

organized by
ALTA

AIRLINE BUSINESS
MEDIA PARTNER

TAP first to launch IATA's carbon scheme

Continued from page 1

coincide with the United Nation's World Environment Day on 5 June. "The decision to join the IATA carbon offset program was taken last year, during my term as chairman of IATA's Board of Governors (June 2007 – June 2008)," says Fernando Pinto, TAP Portugal chief executive.

Top green priority

"We have elected environment as a top priority for IATA's agenda. I have realized that this program was a good opportunity for TAP to offer our customers a practical tool to compensate, on a voluntary basis, for their carbon emissions, joining TAP's effort to become more and more efficient in order to minimize the company's contribution to climate change," says the TAP boss.

IATA began developing the scheme in late 2007 following a request from the board. Although around 30 airlines have launched their own offset programmes, many did not want to create their own, and there is a lack of consistency. "They vary in quality, vary in how emissions are calculated, and vary on how airlines present them and how passengers can buy them," says Jon Godson, assistant director environment best practice at IATA.

It is critical to have a sound



TAP chief executive Fernando Pinto (left) and IATA's Giovanni Bisignani sign for action on climate change

offset programme for customers and one that carriers globally can sign up to. "For the passenger it is a very difficult purchase. They have to believe in the project wholeheartedly – it is essentially a charitable donation," he adds.

According to Maria João Calha, TAP's environment manager: "To develop and implement the carbon offset program we have created a working group gathering a multi-disciplinary team of experts from several areas of activity within TAP.

"For the last eight months, experts from corporate environmental affairs, information technology, international affairs, marketing, sales, flight operations, financial accounting and communication and public relations, have analyzed and discussed all the technical and commercial questions related to the implementation of this project in TAP. IATA co-operation

was extremely important during the entire process."

Hydro-electric offset

As part of the programme, IATA will select credible environmental projects for which it can buy carbon credits paid for from offset schemes. "For the TAP offset it has chosen a hydro-electric project in Brazil," says Godson. IATA will only select projects from which it can buy United Nations so-called Certified Emission Reductions credits. These projects are already up and running and delivering environmental benefits, he says.

Importantly, the IATA scheme uses a carbon calculator tool approved by the UK government, which is independently validated. This uses actual fuel burn data and load factors. IATA manages the offset project and it is easily integrated into the online booking process.

"Together with several industry leaders, I have signed last year an historical commitment to tackle climate change, the Aviation Commitment to Action on Climate Change," said TAP's Pinto. "Now, I am very proud to announce TAP as the launch airline for this industry-wide scheme, which proves that we are firmly committed to a carbon neutral growth and do believe that a collective effort is the best way to achieve it."

Here at the AGM IATA is encouraging airlines to sign up to the scheme and wants 14, plus one GDS, by year-end. It has memorandum of understandings with five carriers so far, including TAP and Qatar Airways. ■

IATA's Jon Godson is on hand at the AGM to discuss the offset scheme with any carriers interested in more information. Visit the IATA stand in the exhibition area

\$500m
The estimated sum spent on airline carbon offsets in 2008

AIRLINE BUSINESS The latest surveys, rankings and analysis direct to your desktop

Subscribe to Airline Business Premium today and access the latest data from Airline Business online. Download the data to create your own reports and analysis. Subscribe today at atiusubs@flightglobal.com

For more information contact Daniel Sedman at daniel.sedman@flightglobal.com



www.flightglobal.com

China bucks the downturn at home

Despite gloomy reports of dwindling traffic around the world, Chinese domestic traffic is undergoing double-digit growth

BY LEITHEN FRANCIS

Chinese carriers may not have escaped the economic crisis unscathed, particularly on cargo and international routes, but domestic traffic is surprising healthy and has defied the downturn with double-digit growth since October. In an odd twist, domestic traffic growth was weakest between May and August 2008, because of the Sichuan earthquake in mid-May, but rebounded as the rest of the world hit the downturn.

While international traffic has been badly hit, and is still down on last year, there are indications that China's airlines are slowly recovering. During the first quarter the three major airline groups – Air China, China Eastern and China Southern – posted profits.

An analysis of the major Chinese carriers' monthly traffic statistics shows the drop-off in international cargo started in May last year. By June international passenger traffic started contracting at double-digit rates, pushing most of the country's airlines into the red for 2008. Airlines responded by slashing capacity, getting rid of unwanted aircraft and delaying aircraft deliveries.

April data for the big three shows international traffic is still down year-on-year, but domestic is rising. Air China, China Eastern and China Southern posted 16%, 25% and 6% domestic RPK growth respectively.

The domestic activity of



IN FIGURES: THE KEY CHINESE PLAYERS IN 2008

Airline	Pax 2008 (m)	Pax change	Fleet size	Revenue \$m
China Southern Airlines	58.2	2.3%	279	7,983
Air China	34.2	-1.7%	211	7,640
China Eastern Airlines	37.2	-5.0%	228	6,028
Hainan Airlines	15.0	0.3%	58	1,957
Shenzhen Airlines	11.9	25.6%	74	1,877
Shanghai Airlines	8.8	2.1%	53	1,920
Xiamen Airlines	9.6	4.0%	51	987

SOURCE: ATI

Chinese carriers is much bigger than their international business, so domestic RPK growth has been enough to boost total RPKs. "The rebound in the domestic market is good news and the warming of cross-Straits ties means we have seen [China-Taiwan] routes flourishing," says director general of the Association of Asia Pacific Airlines Andrew Herdman.

While Taiwan has provided China with a welcome boost, international cargo traffic looks like it will be slower to recover. Air China, China Eastern and China Southern posted a 14%, 5% and 28% fall in cargo traffic in April

respectively. Centre for Asia Pacific Aviation executive chairman, Peter Harbison, says cargo recovery "is a long way off".

He adds that, in a global context, we are now seeing "a bottoming out and a deceleration" of the negative growth and international cargo will start to pick up before economic growth improves. But Harbison is less optimistic that China's international passenger traffic will recover any time soon, noting that it has generally fallen because of capacity cuts.

Harbison believes faults in the Chinese carriers' business models explains why international has

fallen so hard and fast. "Chinese carriers don't have strong global brands so they rely on outbound traffic. They are not strong performers in generating inbound sales. Most inbound tends to be students and low yield traffic."

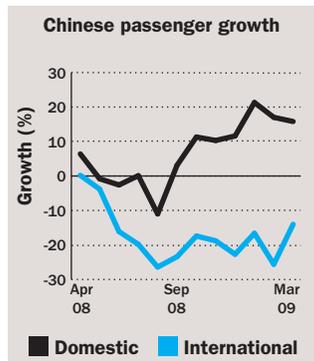
In response to the crisis, the government axed its tax on fuel surcharge revenue, opened China's airspace further to allow more direct routings and stepped in to bail out struggling state-controlled airlines. It gave China Eastern's parent seven billion yuan (\$1.03 billion), and talks are underway to give it a further two billion yuan. China Southern Airlines' parent has also received three billion yuan, but Air China has received no bailout because it is in relatively strong shape.

Funding boosts

Airlines that have less sway with central government have turned to local and provincial governments. Hainan Airlines has received 500 million yuan from the Tianjin municipal government, and is getting a three billion yuan bail-out from its parent company and the Hainan provincial government.

Shanghai Airlines, meanwhile, has agreed to sell about 15% equity to a Shanghai-based hotel operator Jinjiang International so it can raise one billion yuan. It has also been speaking to its major owner, the Shanghai Municipal Government, about a cash injection, but that government has been talking with China Eastern's parent about merging the two Shanghai-based carriers.

Consolidation of China's airline industry is already underway. Shanghai-based Juneyao Airlines late last year seized control of Okay Airways after the Tianjin-based carrier hit financial problems. Then, in March, Sichuan Airlines Group paid 200 million yuan to increase its stake in Chengdu's United Eagle – the first privately-owned airline in China – to 76% from 20%. ■



Aegean signs up for Star role

Greek carrier Aegean Airlines will become the 30th member of the Star Alliance when it joins next year

BY SIMON WARBURTON

Star Alliance has slotted a further piece of its white spot jigsaw into place with the addition of Greek carrier Aegean Airlines.

The Athens-based operator recently started the 12-month process of formal integration into the grouping, which now numbers 29 members in its global club.

Aegean brings nine new airports to Star, not currently covered by alliance members, as well as an extensive domestic network that could grow significantly if it succeeds in securing part or all of Greece's 28 Public Service Obligation (PSO) routes, currently operated by rival Olympic Airlines.

Star has 21 full members, while

a further five, Brussels Airlines, TAM, Continental, Air India and Aegean Airlines, are in the process of joining. Regional partners in the process of becoming full members include Croatia Airlines, Adria Airways and Blue1.

But of the BRIC countries of Brazil, Russia, India and China, it is Russia that is proving challenging, particularly given S7 Airlines' recent acceptance into oneworld that takes its membership to 12 carriers and Aeroflot's SkyTeam membership.

"Russia is a very special market and we have been observing it for some time," says Star Alliance chief executive Jaan Albrecht. "There are more than 250 opera-



Star chief Jaan Albrecht (right) gives a sextant to Aegean Airlines chairman Theodore Vassilakis

tors in Russia who call themselves airlines. AirUnion was supposed to be the major alliance of Russian airlines, but it failed. The coin is in the air to define what will happen in the Russian market."

Albrecht says several conversations of "quite intense dialogue" have taken place with Russian airlines and that it has had contact with the non-aligned carriers Rossiya and Transaero, as well as new operator Rosavia.

The other white spot needing attention would appear to be France where Star has no home carrier, although Albrecht insists the grouping is a "formidable competitor" in Paris.

"There are 17 airlines in our network which are in France and around 23% of market share," he says. "We have just opened a new lounge in Terminal 1 and we have support from Aeroports de Paris to co-locate." ■

07.09.09

HONG KONG

Inside Air Finance Conference

An unparalleled opportunity to hear answers to critical questions and network with leading airline and aircraft financiers

What's the true cost of borrowing for airlines and lessors?

Who's left to finance aircraft in the global economic downturn?

Has the level of pricing peaked?

Attendance is free for Airline Executives

www.flightglobal.com/caohongkong

ORGANISED BY

COMMERCIAL AVIATION Events

SPONSORED BY



SUPPORTED BY



Flightglobal/Events

Green shoots of recovery

Continued from page 1

Asia Pacific: Worst affected?

Airlines in Asia Pacific were slower to feel the impact of the downturn, but have arguably been the worst affected.

"We have felt the brunt, more so than the USA and Europe," says Andrew Herdman, director general at the Association of Asia Pacific Airlines which represents 17 of the major carriers in the region.

He explains this is because most major Asia Pacific carriers rely heavily on the market segments which have been most adversely affected: cargo, premium travel and long-haul services.

Herdman says international cargo traffic was the first to feel the impact of the downturn, and will be the first to recover along with short-haul leisure traffic.

Short-haul leisure trips can often be an impulse buy so people respond well to price promotions, says Herdman. Business traffic and long-haul leisure traffic will take longer to recover, he says, adding that "people don't make impulse buys for long-haul trips".

Herdman declines to say when the recovery in long-haul travel will begin, because it depends on when the North American and European economies recover.



"We have felt the brunt, more so than the USA and Europe"

ANDREW HERDMAN
Director general, AAPA



"Any talk of when we will reach the bottom is pure conjecture"

ULRICH SCHULTE-STRATHAUS
Secretary general, AEA

But he says there are signs Asia Pacific airlines have passed the bottom. For the first four months of 2009 AAEA members' international passenger traffic fell "just under 10%", but for the month of April it was down 6%. "That is one of the signs there is some relief but one month's figures is not enough," he notes.

"We have passed through the worst, but it is still very tough," he says. Last year AAEA member carriers posted \$4.3 billion in collective losses, compared with a profit of \$4 billion in 2007. The AAEA has a policy of refraining from giving financial forecasts, but clearly another loss is likely this year.

Europe: A new cycle

In Europe the outlook is bleak, with no signs of recovery. Figures for the first half of May are "the worst yet", says Association of European Airlines secretary general Ulrich Schulte-Strathaus.

He adds: "Any talk of when we will reach the bottom is pure conjecture", noting that the financial picture is even worse.

External costs are high – and in many cases still rising – as service providers look to shore up their dwindling revenues. Meanwhile premium traffic is "well down",

eroding airline profitability. Suspension of the "use-it-or-lose-it" slot rule will bring airlines some relief, but the AEA chief is also calling on the regulators to act on external costs and "open up avenues of institutional investment funding, as [airlines] face their own credit crunch".

AEA members tracked around 6% passenger growth until the end of 2007, when the trend fell into decline and stabilised at roughly 3.5% until June. But from mid-2008 figures began to slide once again, going negative from September onwards.

The consensus among AEA airline chief executives during the recent spring assembly in Brussels was that market conditions are showing no indication of when the recovery might begin, and the impact of the downturn is expected to continue well beyond 2009.

AEA chairman and Croatia Airlines chief executive Ivan Misetic describes the economic downturn as "unprecedented". He adds: "This is not a cyclical feature in an industry which is used to business cycles. It is a structural upheaval, and we must adapt structurally."

North America: Under pressure

As the timing of an economic recovery remains anyone's guess, Air Transport Association of America chief executive James May believes pressure on carriers will continue through 2010.

May explains once the major indicators of traffic and fares "point north", a timeline for an industry rebound should emerge. However, he cautions, "at this point we don't see any of the indicators pointing north". While some chief executives expressed



"At this point we don't see any of the indicators pointing north"

JAMES MAY
Chief executive, ATA

highly cautious optimism that fares could be stabilising during the release of their first quarter results, ATA chief economist John Heimlich says those sentiments were expressed prior to the onset of the H1N1 virus.

Heimlich believes May's US carrier results are therefore likely to be worse than they otherwise would have been. "We don't see any indication of a flattening yet," he says. "We'll be anxiously monitoring May and June data."

As US carriers try to craft strategies to sustain their businesses during the downturn, ATA chief executive May says it is getting more difficult to find "meaningful cost savings in the equation", since airlines have already done a great deal to streamline expenses.

ATA already predicts 14 million fewer passengers travelling during the peak summer season as the weak economy continues to pressure demand.

An indicator of just how difficult the operating environment remains is shown by US carriers deciding against reinstating services to markets which they cut last year. Some of those markets are significant; Heimlich highlights that both American and Continental no longer serve Oakland.

3.1%

IATA: International passenger numbers dipped again in April



“For this region, the crisis is not in terms of RPKs, it is in terms of passenger yields”

ABDUL WAHAB TEFFAHA
Secretary general, AACO

Even as Southwest Airlines introduces four new markets in 2009, Heimlich says that is being achieved via the redeployment of aircraft, and the carrier’s autumn schedule actually shows a 9% reduction from the prior year.

Middle East: Growth path

“For this region the crisis is not in terms of RPKs, it is in terms of the yield we are getting from our passengers,” said Abdul Wahab Teffaha, secretary general of the Arab Air Carriers Organisation.

The Middle East is the one region that has remained in positive growth territory almost throughout the past year. It only fell back in September last year and climbed back to 11% growth in April. Traffic within the Arab world has remained healthy, with the VFR, business and religious market segments holding up.

In addition, most Arab countries have not fallen into recession. “These cushions have dampened the impact of the crisis,” said Teffaha. Those suffering the most in the region are the carriers heavily involved in global traffic flows, while other have been less exposed as they concentrate on point-to-point business.

Although profitability will be

stretched this year, “there is no single instance up to now of any Arab airline asking their government for money because of the crisis”, says Teffaha. “What we are asking governments to do is make it easier for us, for example reduce user charges and taxes.”

Based on the first part of the year, Teffaha believes the region could end up with overall growth of 5-6% for the year as a whole.

Latin America: Positive feeling

“I think the expectation is that by the end of 2009 we will go back to positive numbers,” says Alex de Gunten, director general of ALTA, the Latin American and Caribbean Airlines Association.

The only exception to this will be Mexico, which has been hit hard by traffic drops following the swine flu outbreak.

Latin America was one of the last regions to see traffic drops, with growth rates only turning negative in February.

“The GDP of the region is still positive, which means we are going to have positive traffic growth,” says de Gunten.

“Our economies have been doing relatively well politically and financially. The region is more stable than it has been for years,” he adds. “The economies are also



“The expectation is that by the end of 2009 we will go back to positive numbers”

ALEX DE GUNTEN
Director general, ALTA



“Africa hasn’t plummeted to the bottom line yet”

JOSE VIEGAS
President, AFRAA

less connected to the US than 10 years ago. This has isolated us a little from the crisis.”

Add these to the fact that in some countries air travel is still in development mode, means the mood in the region is “still not as pessimistic as in other parts of the world”, explains the ALTA chief.

Mexico will however take longer to recover. This market, which represents around 30% of the region’s total, has been the worst performer. Traffic was falling even before the flu outbreak, and yields had been plummeting.

Africa: Recipe for recovery

African carriers, represented by the African Airlines Association, have not escaped the downturn.

AFRAA president and LAM Mozambique Airlines chairman Jose Viegas says: “By and large airline profitability has been quite poor in the first quarter of 2009, with a downturn in traffic and a fall in yields, which have not been offset by the benefits of lower fuel prices and capacity adjustments.”

He adds that the world financial crisis will “most certainly hit African airlines during 2009”, causing record operating losses and significant budgetary constraint.

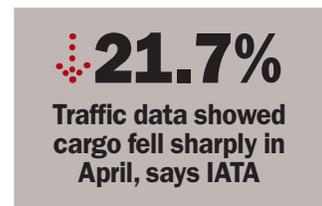
“According to IATA research,

Africa will be hit by losses of up to \$300 million in operating results and \$600 million in net profits,” says the AFRAA president.

“Nevertheless, Africa hasn’t plummeted to the bottom line yet. Traffic volumes forecast a pick up from the third quarter of 2009, in line with preventive measures already taken, the outlook of a slow recovery of the world economy and tourist market uplifting, which is an important factor in our business,” notes Viegas.

He is also optimistic that the 2010 World Cup will help boost tourism, increasing passenger and cargo revenues in South Africa and neighbouring countries.

“Southern African airlines are facing an unprecedented crisis. In the last 12 months alone, some have filed for bankruptcy. The lack of cash flow has hit the region’s so called ‘big brothers’ too.”



He says the commercial aviation is “under pressure” and “shaky”, creating an urgent need for partnerships.

Viegas is also backing stronger regional relationships, “energising” of some hubs, flight schedule co-ordination and other commercial co-operation as key ingredients in any future recovery.

Across the globe, and in Malaysia, the search for the green shoots of recovery continues. ■

Report compiled by Leithen Francis in Singapore, Lori Ranson in Washington and Victoria Moores and Mark Pilling in London

Find out what experts were predicting for the industry at the beginning of the year
flightglobal.com/forecast09

OUT AND ABOUT

Malaysian food is coloured by a wide array of ethnic influences, giving rise to a huge range of dishes which you should sample during your visit. With a little help from their Twitter followers, our friends at Malaysia Airlines have compiled the following insider's guide on the must-try local flavours

DRINK LIKE THE LOCALS

Teh Tarik (Pull tea) Hot tea beverage. Its name is derived from the pouring process of "pulling" the drink during preparation. It is made from



black tea and condensed milk.

Ice bandung Rosewater with milk.

TOP DISHES

Cendol The dessert's basic ingredients consist of shaved ice, coconut milk, starch noodles with green food colouring (usually sourced from the pandan leaf), and palm sugar.

ABC (Ais batu campur) The word "air batu", literally translated as "stone water" means ice. "Campur" means mixed. It is sweet-tasting and is primarily ice served with sweet flavoured syrup and jelly. The word "Kacang" is a Malay word for bean, and the word "ais" is a transliteration of the English term "ice". Ice kacang generally comes in bright colours, and with different fruit cocktails and dressings. Evaporated milk is drizzled over the mountain of ice.

Kuih ketayap Kuih ketayap is a cylindrical shaped kuih with caramelised grated coconut flesh inside and a green pancake skin wrapping it.

Kuih seri muka A two-layered dessert with steamed glutinous rice forming the bottom half and a green custard layer made with

pandan juice (hence the green colour). Coconut milk is a key ingredient in making this kuih. It is used as a substitute for water when cooking the glutinous rice and making the custard layer.

Onde onde The traditional onde-onde is round and green in colour with gula Melaka (brown sugar) filling.

Pisang goreng (Fried banana) The banana is battered and then deep fried.

Keropok lekor (Fish sausage) It is made from fish paste, sago and salt in the shape of sausage which is then deep fried.

Roti canai A form of puffed bread served hot with curry or dhal.

Murtabak A wrapped roti canai filled with minced meat curry with eggs and onion.

Nasi lemak With roots in Malay culture, its name is a Malay word that literally means "rice in cream". The name is derived from the cooking process whereby rice



is soaked in coconut cream and then the mixture steamed. Traditionally, this comes as a platter of food wrapped in banana leaf, with cucumber slices, small dried anchovies "ikan bilis", roasted peanuts, hard boiled egg, and hot spicy sauce "sambal" at its core.

Char kway teow The dish is made from flat rice noodles, stir fried over very high heat with light and dark soy sauce, chilli, prawns,



Ree Features

cockles, egg, bean sprouts and Chinese chives.

Nasi daun pisang (Banana leaf rice) Rice with dishes of your choice (Curry, fried squid, veggies) on banana leaf.

Satay Popular dish made from small pieces of meat (chicken, beef, lamb) grilled on a skewer and served with a peanut sauce and rice cubes.

Asam laksa/Laksa Penang The main ingredients for asam laksa include shredded fish, normally kembung fish or mackerel, and finely sliced vegetables including



cucumber, onions, red chillis, pineapple, lettuce, common mint, "daun kesum" (Vietnamese mint or laksa mint) and pink bunga kantan (ginger buds). Asam laksa is normally served with either thick rice noodles or thin rice noodles (vermicelli).

Local fruits Durian, mangosteen,

rambutan, starfruit.

POPULAR STALLS

Nasi lemak antarabangsa
www.nasilemakantarabangsa.com

Jalan Alor, KL For dinner and late supper www.malaysiasite.nl/jalanalorng

Mamak restaurant Open 24/7
www.pelita.com.my

Kopitiam restaurant For tea/coffee, toasted bread with butter and pandan jam www.oldtown.com.my

FOOD BLOGS

Malaysia Airlines has been working closely with some food bloggers. For more in depth reviews or recommendations, its best if you check out their blogs too:

- www.kampungboycitygal.com
- www.vkeong.com
- babeinthecitykl.blogspot.com



For top tips on things to do out and about in Kuala Lumpur:
flightglobal.com/IATA09thingstodo