IATA

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TUESDAY

# AIRLINE BUSINESS DAILY

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

Tom Gordon

Tom Gordon

## Meeting of minds

Malaysian prime minister Najib Razak (far left) and Singapore's minister mentor Lee Kuan Yew (left) both spoke yesterday at the IATA AGM. Najib disclosed that the Association of South East Asian Nations (ASEAN) is mulling a single aviation market like the EU while IATA presented Singapore's Lee with a Global Aviation Award for helping create Singapore Airlines and Changi Airport. Lee said: "I think it is only a matter of time" before ASEAN creates a single aviation market. ■

# IATA: ZERO CARBON GROWTH BY 2020

At the AGM, DG Giovanni Bisignani pledges 2020 as the target date for achieving carbon neutral growth

**BY VICTORIA MOORES & LEITHEN FRANCIS**

IATA director general Giovanni Bisignani has unveiled a target of carbon neutral growth for world commercial aviation by 2020, at the same time lambasting governments, the energy sector and other industries for their comparative inaction.

During his flagship address, Bisignani said: "Improved fuel efficiency is not enough. Our emissions must stop growing. [On Sunday] our board took the landmark

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**WILLIE WALSH, BRITISH AIRWAYS, CHIEF EXECUTIVE**

"I still rank it as my number one priority. BA is very focused on corporate responsibility. It is at the top of our agenda and will continue to be so. Consumers respect companies that are corporately responsible in difficult times. We've got to address the environment for the long-term."

## INSIDE THIS ISSUE

Tom Gordon



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Bisignani voices industry bugbears as he repeats his ‘Basta!’ charge against overchargers

**BY MARK PILLING**

In his state of the industry speech IATA director general Giovanni Bisignani ranged over topics from finances and monopoly suppliers to liberalisation.

## BIGGER LOSSES

As expected Bisignani revised IATA’s financial forecast for 2009 to a global loss of $9 billion. This is nearly double the $4.7 billion loss it predicted just three months ago and reflects rapidly deteriorating revenues.

Overall the industry will lose $80 billion in revenues this year. “That is the total revenue that will disappear with falling demand, collapsing yields, broken consumer confidence, and pandemic fears,” says Bisignani.

## LISTEN UP GDSs

The biggest round of applause during Bisignani’s speech came when he blasted Global Distribution System (GDS) prices: “We cannot accept that those [GDSs} in the West charge $4 per transaction when China TravelSky does the same job for 50c. This must change.”

His message to labour, travel agents and GDSs alike is that “resizing and reshaping is not just a problem for airlines. Our partners live on our revenues and they must follow the same approach.”

With some carriers facing demands from staff for wage increases, Bisignani had a stern warning. “For labour we cannot reshape without flexibility. This is not the time for salary increases. To protect jobs we must modernise work practices and we must all do more with less.


Tom Gordon

# The big takeaway

## WALL OF SHAME

No Bisignani speech goes by without a swipe at monopoly suppliers and this year was no exception. “For the worst contributors to this increase we have a special place on the IATA ‘wall of shame’,” he says.

Several were named and shamed during the speech and splashed in ornate gold frames up on the large conference screens:

- BAA and the UK’s CAA for London Heathrow’s 86% increase
- Delhi and Mumbai airports for their 207% increase
- Quiport in Ecuador for its 79% increase
- ATNS (South Africa) for proposing a 44% increase
- The Eurocontrol states of Denmark, the Netherlands and Poland for proposing charge increases of between 27% and 32%.

“What can I say? BASTA! There is no room for this nonsense in our future. When demand drops, suppliers cannot divide the same costs among fewer customers.

“The bill that you paid to happy monopoly suppliers grew by $1.5 billion last year. In the first six months of 2009, as the industry crisis worsened, it grew by another $1.5 billion.”

**24m jobs**

**Could be created by key route liberalisation**

Added Alan Joyce, chief executive of Qantas, speaking from the floor: “We find that the monopoly suppliers in particular are something the industry needs to focus in on. In Australia and our region there have been significant increases in charges.”

## JOB CREATION

“Liberalising key routes today would create 24 million jobs and $490 billion in economic activity,” says Bisignani, as he pleaded for air transport to be given the “basic commercial freedoms to run our businesses”.

He added: “Let me be clear. We don’t want bail-outs. All we want is access to global capital, but old rules stand in the way of a healthier industry. If we cannot pay the bills, saving the flag on the tail will not save jobs.

“What is the opportunity for our future? Progressive liberalisation. It would be a cheap and effective stimulus.

“For our industry, with $48 billion in losses since 2001, the time for change is now. Governments must understand that the survival of the industry is at risk. They must deliver normal commercial freedoms urgently and effectively.” ■

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decision that by 2020 the airline industry will achieve carbon neutral growth. Demand continues to increase, but any expansion of our carbon footprint will be compensated for."

Two years ago, at the 2007 IATA AGM in Vancouver, Bisignani set out a vision for carbon neutral growth. He has now put a timeframe in place. From 2020 onwards, IATA says aviation emissions will not grow, even as demand increases. "Even in a recession the environment is at the top of our agenda; no other industry is as ambitious," insists Bisignani. "No other industry is as united."

IATA's carbon neutral growth strategy encompasses three goals. It is aiming for: 1.5% fuel efficiency gains each year from 2009 to 2020; carbon-neutral growth from 2020; and a 50% reduction in carbon emissions by 2050. The gains will be made through improved technology, effective operations, efficient infrastructure and positive economic measures.

Bisignani adds: "No other industry has achieved so much. Seven per cent: that is how much our emissions have fallen this year." Capacity cuts have driven 5% of these savings, while he attributes the remaining 2% to IATA's four-pillar environmental strategy.

The IATA chief lashes out at other stakeholders for not doing their bit. Governments, he says, are paying out "trillions" in stimulus funds, but investing "nothing" in biofuels. "Governments are not providing the right incentives," he argues.

Governments also came under fire for environmental surcharges which are absorbed into the national economy. In a critical attack, directed at the UK, Bisignani says: "It is unacceptable that money collected from a responsible industry in the name of the environment should be used by irresponsible governments to bail out banks, and pay inflated MP's expenses."

> **"It was one of the things [carbon neutral target] the board elaborated on... the question was is it too aggressive or not aggressive enough? I think the outcome is very realistic more than anything else."**
>
> **KHALID AL-MOLHIM**
> Director general,
> Saudi Arabian Airlines

He contrasts this with both IATA's target for 20% alternative fuel use by 2017 and recent high-profile industry-backed biofuel trials. He also attacks the energy industry, arguing: "Oil companies are not moving fast enough. Their investment in alternative fuels is also peanuts."

The IATA chief also called on ICAO to set binding emissions standards on new aircraft, for governments to drive forward green projects such as the Single European Sky and for a legal and fiscal framework to support the availability of sustainable biofuels.

He concludes: "We can be proud of going further and faster than any other industry. We are showing the way for carbon neutral growth. Our industry is a role model to follow. The challenge will be for governments to catch up."

## BE PROACTIVE

"We need to be more environmentally proactive if we want to avoid more punitive measures from governments around the globe," says the chairman of IATA's board of governors, Samer Majali.

He says the industry has set three ambitious targets: carbon neutral growth by 2020; increase fuel efficiency by 1.5% on average per annum; and halve emissions of carbon dioxide by 2050 compared with 2005."

"We all must take the lead in talking to our environment ministers about the good story the aviation industry has to tell and brief them well before [the UN Climate Conference in] Copenhagen in December, he adds.

Majali also says the Board encourages airlines to join IATA's carbon offset programme.

"It links into the airlines' online sales system and offers high quality carbon offset credits in a single transaction."

IATA launched the programme last week – with TAP the first carrier – and the association plans to extend the programme to cover air tickets sold by travel agents.

He says industry partners must invest in R&D and improve traffic management, as well as establish a legal and successful framework so biofuels can be a commercially successful business. ■

## ENVIRONMENT TOPS IATA'S AGENDA

Tom Gordon

Tuesday's major AGM discussion topic – the environment – is also the issue on the top of the agenda for Cathay Pacific chief exectutive and IATA's incoming board of governors' chairman, Tony Tyler who has more than a sideways glance focused on December's UN climate conference in Copenhagen.

He points out that the airline industry must also be prepared for the next round of talks over the Kyoto protocol, referring to the UN's framework on climate change, especially now that President Obama is moving environmental issues up the political agenda in the USA.

Tyler points out that Cathay was one of the first carriers in the world to implement a carbon offset programme and it has also introduced aircraft that are more fuel-efficient, adding that "it is very important that airframe manufacturers and engine makers play their part in product development."

Cathay Pacific knows only too well how concerns over the environment can affect consumer behaviour. With air pollution being a major issue in Hong Kong, in recent years Cathay Pacific has introduced major public relations campaigns and environmental programmes in a joint effort to overcome consumer misperceptions about the airline industry's role in environmental damage – a mere 2% of the world's total causes of pollution. ■

## ONEWORLD MULLS COST SAVINGS

As oneworld's members post their first collective net loss, totalling $1.7 billion, the alliance is intensifying its cost savings efforts.

Speaking during a oneworld breakfast briefing at the IATA AGM, managing partner John McCulloch said: "Oneworld is ramping up its cost reduction activity. Like other alliances we have focused more on joint revenue than cutting costs and our ambition is to do much more on that." He adds that there are "great opportunities" for cost savings, especially while the economy is in recession. Oneworld says it has already achieved $310 million in cost reduction through joint procurement, but it says it is working with its executives further to reduce costs without compromising services.

**Arpey: Focus on quality**

### ALLIANCE EXPANSION

Oneworld is widening its membership with the planned addition of Russian carrier S7 in 2010 and Mexicana later this year. American Airlines' chief executive and oneworld chairman Gerard Arpey says: "Our focus on quality has paid dividends. We have been, and will remain, very selective about the airlines we consider as future recruits."

He says oneworld has always favoured quality over quantity, adding, "there are few strategic regions in the world where oneworld would benefit from new members. There is little opportunity without diluting the value and quality [of the alliance]."

But the alliance is "paying attention to developments" in both South America and mainland China. "I think we have the very best partner in LAN Chile, but that's not to say that other countries might not provide opportunities." He similarly praises Cathay Pacific, but says there could be more development in mainland China.

### ANTI-TRUST

Oneworld is waiting on European and US clearance for its anti-trust immunity application, covering American Airlines, BA, Finnair, Iberia and Royal Jordanian.

Gerard Arpey says the approval will help unlock even more of the alliance's potential.

"The circumstances today are dramatically different to last time we applied for immunity. If facts matter, we are very optimistic that we will receive approval on both sides of the Atlantic." He adds that the application has received 3,500 letters of support and "only a handful" have opposed the application.

US authorities are expected to take their decision by October, while European clearance is anticipated by the end of the year. BA chief executive Willie Walsh says: "We have advised the European Commission that we would like them to go forward and present their statement of objections as quickly as possible, preferably by July. We will respond quickly."

Iberia chief executive Fernando Conte adds: "This is about having a level playing field between all of us. It's a must, not only for us, but for our customers." ■

# Flying like Eagles

Tom Gordon

Tom Gordon

Malaysia Airports won 'best airport' at IATA's prestigious Eagle Awards because of its efforts to reduce landing fees and charges, thus assisting airlines during the current economic downturn.

Its managing director Bashir Ahmad (above) received the award from ex-ICAO head Assad Kotaite and Giovanni Bisignani. IATA noted that the airport group has implemented the five key projects under IATA's 'simplifying the business programme' and that it has been investing heavily in infrastructure and security.

The Civil Aviation Authority of Singapore also won an Eagle Award for 'best air navigation service provider' because "it is internationally recognised as a world leader in delivering air navigation procedures and technologies". CAAS chief Kim Choon Lim (above) was on hand yesterday to receive the Eagle.

"It also plays a key role regional and leadership role and has contributed to safety", adds IATA. ■

# Awards mark IOSA roll-out

IATA presented awards yesterday to mark the successful roll-out of its IOSA programme. The association's operational safety audit programme checks airlines performance and Gulf-based Qatar Airways' CEO Akbar Al Baker received his award due to the airline becoming the first carrier to complete the programme.

One airline from each major region of the world also received an award to symbolise the successful roll-out.

The chairman of IATA's board of governors, Samer Majali, said before the award ceremony that 21 airlines had left the association because of issues relating to their failure to qualify for IOSA.

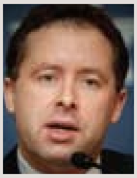
He says IATA is continuing to work with those carriers to help them achieve IOSA standards. ■


Tom Gordon

**All 226 IATA member airlines are now IOSA certified**

## AUSTRALIA

### QANTAS MULLS 787 DELAYS


Alan Joyce

Qantas Group is negotiating with airframer Boeing about delaying deliveries of some of its 65 Boeing 787 Dreamliners.

Low-cost carrier Jetstar is slated to be the first airline in the Qantas Group to receive Boeing's much-delayed 787s, with the first due in May 2010. But Qantas CEO, Alan Joyce, says the Group has instigated negotiations with Boeing in an effort to delay the first deliveries.

"We don't feel next year is the right time," Joyce told *Airline Business Daily* on the sidelines of the IATA AGM in Kuala Lumpur. Qantas Group has 65 787s on firm order with 30 earmarked for Jetstar. Joyce says of all the airlines in the Group, Jetstar has been the mostly adversely affected by the swine 'flu outbreak. "It has had a severe impact on Jetstar's services to Japan and has led the low-cost carrier to slash 30% of its capacity to the country," he explains.

Qantas' outbound international passenger traffic has also been adversely affected because Australians are delaying trips overseas due to schools in Australia imposing home quarantine for returning kids.

Despite the downturn leading Qantas to push for delays in its 787 deliveries, Joyce says there are early signs of recovery in the global aviation industry. In recent weeks Qantas has seen an increase in its cargo traffic out of China. "It's a good sign," he says, referring to the fact that international cargo traffic is frequently the first indicator of a global economic recovery. ■

# Financial storm: The price

**BY LEITHEN FRANCIS**

Over the past 18 months, an unprecedented 50 airlines and a similar number of banks have failed, the secretary of IATA's financial committee Tom Murphy told delegates at the association's AGM. He also says since December, 16 carriers have been suspended from IATA's clearing house – tantamount to going out of business.

"We are seeing more defaults" but the bad debt ratio in 2008 was 0.035% – a good result under the circumstances, he adds.

A group of 15 banks handle 84% of the funds IATA manages but the association is "establishing contingency accounts with alternative banks in case a bank fails", he says, adding that IATA is steering clear of using banks that are rated less than 'A'.

Murphy also says travel agents "are under the same pressure at airlines," namely falling revenues. ■

# Why is aviation so topsy-turvy?

"What other industries are there out there where everybody up and down the food chain makes money except the business at the end?" ACE Aviation Holdings CEO Robert Milton asked rhetorically at the IATA AGM yesterday, before painting a bleak financial picture of the airline industry.

"The leasing company makes money, the OEMs make money and everybody makes money except the airlines," says Milton, who describes airlines as "one lousy business".

He says after the creation of ACE Aviation Holdings, Air Canada's related businesses were spun off and those operations have since thrived and achieved higher market capitalisations. "Airlines on the other hand make poor shareholder returnes, adding "this is an irrelevant industry in terms of market capitalisation."

Investing in airline stocks is "a cyclical play where people both lose and make a lot of money based on the volatility of the market."

He says: "The businesses we have spun out of Air Canada have the money to invest in an airline business but are too smart to do that."

These businesses were worse off under Air Canada because the problem with being part of the airline is that the airline is always constrained for cash, says Milton.

He cites as an example Air Canada's frequent flyer programme Aeroplan which was successfully spun off. Milton says Aeroplan was able to invest in information technology and buy other companies. Today Aeroplan gives more cash to Air Canada than it did before, he says.

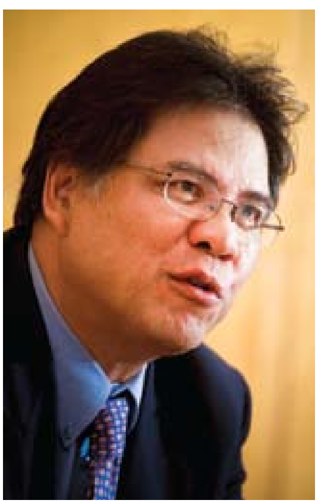
Air New Zealand CEO, Rob Fyfe, says airline overcapacity is the root cause of the airline industry's woes because it pushes load factors and yields lower.

Fyfe says airlines that cannot afford to purchase or add aircraft should be left to fend for themselves.

But instead government subsidies via export agencies, at the behest of aircraft makers, provide these carriers with easy finance, he says.

It just makes the situation worse, he says, adding that "it is like having a drug addict going to a clinic and just feeding him the drug intravenously." ■

# Consolidation will come post-crisis


Tom Gordon

Malaysia Airlines chief Idris Jala (*pictured*) is firmly pro-industry consolidation - but he believes that overcoming the immediate crisis must take priority.

Jala believes airlines should seize opportunities for "long and deep" formal consolidation, fundamentally cutting costs and changing business processes. "One plus one is three; the synergy value is key," he says, labelling a healthy balance between collaboration and competition as "the new mode" for the industry.

Under his vision, Jala sees airlines joining hands, adding: "You don't have to get rid of the other brand. You can have collaboration and competition at the same time. You need to understand each other's boundaries."

MAS may in future consider consolidation opportunities and alliance membership, increasing its market power. But for now Jala says: "We are so busy with our normal work, staying alive and fighting the crisis, that we are quite happy with non-alignment for now."

Jala says Malaysia's new prime minister and former finance minister Najib Razak is "very open" to privatisation in general and has already outlined plans to open up other industries. ■

## IATA IN BRIEF

**SWINE FLU HYPE**
American Airlines' chief Gerard Arpey thinks the impact of swine 'flu is diminishing as the "media hysteria" subsides. His Mexican traffic has been "devastated" by the virus, forcing the airline to slash its capacity by a third.

But he adds: "I think the hysteria has ebbed as people become more knowledgeable."

IATA director general Giovanni Bisignani urges the World Health Organisation (WHO) to find a way of differentiating between world-wide spread and actual risk. Malaysia Airlines' chief Idris Jala says: "You must take into account the element of severity and not just look at propagation. In reality as this virus moved out of its epicentre in Mexico, it became less virulent. [The impact] is very small, compared with deaths on the road and from common 'flu. People shouldn't panic."

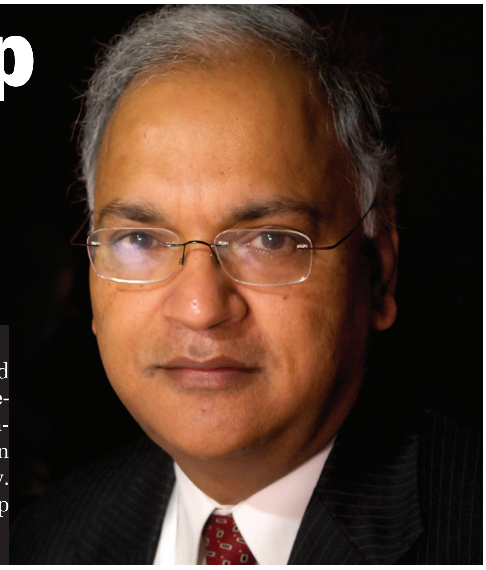
**GREEN SHOOTS?**
BA chief executive Willie Walsh believes "there is not much we can do to stimulate demand, particularly in the premium market that is not motivated by price." But Qantas chief executive Alan Joyce is more upbeat, noting: "The short-haul premium market has gone through difficult times in the past, but it does come back." Cargo, which is down 21%, is the generally accepted first indicator of recovery. IATA's Giovanni Bisignani says: "As soon as this returns to -15%, I would say we have started to see some blue skies."

**JOBS AT RISK**
IATA chief economist Brian Pearce estimates roughly "100,000 jobs are at risk in the industry at the moment, unless we see the situation improve."

# Global slump heightens Indian woes

**BY LEITHEN FRANCIS**

Indian carriers are caught in a spiral of high taxes and charges, mounting debts and falling passenger demand, despite the fact that just a few years ago the country's airline industry was thriving thanks largely to an injection of capital and a booming national economy. But since last year the global slump has led to a sharp drop in passenger traffic.


Tom Gordon

Air India's Arvind Jadhav : Carriers in a fix

In the first quarter of 2009, Indian domestic passenger traffic fell nearly 12% and last month the trend continued with a drop of 15% as airlines have been unable reduce costs fast enough to combat falling revenues. Airport charges and taxes on jet fuel remain persistently high because it is such a good money spinner for the exchequer, while government interference in airline management decisions is also an issue.

For instance, late last year privately-owned carrier Jet Airways wanted to cut 1,900 jobs in an effort to reduce its cost base but the national government stepped in. Instead the carrier has cut staff wages and in the last couple of months has quietly started to let a smaller number of staff go, although it is reluctant to acknowledge this publicly because of the politics involved.

Meanwhile, the airline announced in a statement last month that its unaudited net loss for the year ending 31 March had widened to Rs4 billion ($84m) compared to a net loss of Rs2.5bn ($54m) the year before. In the statement it warns that the upcoming lean season means "load factors and yields will continue to be under severe pressure."

While Jet has been unable to cut costs quickly enough to combat revenue slump, the airline subjected to the greatest level of government interference, Air India, is arguably the worst affected by the downturn. The airline (that merged last year with Indian Airlines) is reportedly set to announce a loss of Rs40bn ($852m) for the year ending 31 March. Despite this, Air India is still planning to add more aircraft this year.

### HIGHER COSTS

The country's civil aviation minister, Praful Patel, has already tried to put Air India's impending financial announcement into context by saying the national carrier's losses are generally higher than its rivals because "its cost structure has always been traditionally higher."

Costs, however, are only part of the problem as there is evidence that Air India is failing to win over consumers. The airline used to be market leader. But statistics from the ministry of civil aviation show that Kingfisher had the most domestic passengers in April, with 861,000, representing a market share of 26%, followed by Jet Airways/JetLite with 796,000 passengers and 24% market share. Air India/Indian Airlines came a poor third, with 583,000 passengers and a market share of just 18%.

Flamboyant Indian businessman Vijay Mallya has poured a great deal of his considerable fortune into Kingfisher by seeking to gain market share through quickly adding aircraft and buying a sizeable competitor Air Deccan, later rebranded Kingfisher Red. But this sudden expansion came at a heavy price. The airline has until the end of June to publicly disclose its fourth quarter and full-year financial results – but the results for first three quarters already paints a dismal picture.

For the nine months ending 31 December, Kingfisher had a net loss of Rs10.5bn ($224m) compared to a net loss of Rs6.2bn ($132m) for the corresponding period the year before. This year Kingfisher has been slashing capacity, although it has still had to pay rentals on aircraft it has parked. The beleaguered airline has also been delaying delivery of aircraft on order and looking to lease aircraft to other carriers. Its losses have also led Kingfisher to speak to the State Bank of India and other financial institutions about borrowing additional funds.

Overall, the poor financial state of India's airlines has led some, including advisors in the ministry of civil aviation, to call on the newly-elected Indian government to change the county's foreign ownership laws and allow foreign carriers to buy equity stakes in domestic airlines. An injection of fresh capital into the aviation sector will improve airline balance sheets and put the carriers on a stronger financial footing, they say. ■


### WORLD'S FIRST -400 JUMBO GETS THE CHOP

Air New Zealand's earliest Boeing 747-400 will soon make one final flight to a wrecker's yard (the only -400 to be scrapped so far) as further capacity cuts loom in the face of a continued fall in demand for global air travel.

Speaking in KL yesterday, the airline's CEO Rob Fyfe said: "It flew out just last weekend, off to New Mexico where it's about to be broken down into parts. I guess that it's a reflection of the industry; we sold two 747s last year for $30 million each – well, you're not going to do that now."

The 19-year-old jumbo, named *The Bay of Islands*, was grounded and put up for sale after completing Air New Zealand's historic biofuel test flight last December. The aircraft had a book value of about $5 million, just a fraction of the US$250m (NZ$410m) list price for a new 747-400. Air New Zealand will replace its -400 fleet with five Boeing 777-300ER long-haul jets from late next year.

**PLANE FACTS:** During its 19-year career the airline's first Boeing 747-400 (registration ZK-NBS): Carried 3.6 million passengers on 11,490 flights; flew 88,300 hours; spent more than half its life airborne; travelled 80 million kilometres, the equivalent of about 2,000 return trips from Auckland to London. ■

# Mercator pushes IATA's e-freight initiative

IATA's Aleksander Popovich with Mercator's Duncan Alexander

Last week Mercator held its first-ever dedicated cargo forum in Dubai when more than 90 delegates representing around 30 airlines from all continents debated the benefits of IATA's e-Freight initiative. The emirate is currently the only e-freight compliant cargo hub in the Gulf region and the Middle East.

Speaking in KL, Mercator's VP Duncan Alexander said: "We were all surprised to see this excellent response to our call to join us for this forum, given the current economic climate. This clearly shows that there is a great deal of interest in IATA's e-Freight initiative, designed to take paper out of the cargo supply chain, make cargo processes more efficient and reduce costs."

Mercator's SkyChain product is currently live at Emirates SkyCargo and Swiss Cargo and is being implemented at Virgin, Sri Lankan and TACA. This new platform removes paper from all areas of cargo operations while enabling true visibility of cargo profits from shipments.

Steve Smith, IATA's director e-freight, joined Stan Wright from Dubai customs in a key panel debate highlighting the fact that e-Freight is "not just about being efficient but about being internationally competitive".

Today, freight can take up to six hours to pass through a hub due to the accompanying paperwork yet a passenger can do so in as little as 45 minutes. Dubai's paperless vision is to achieve such international competitiveness in the cargo supply chain. ■

From left to right: David Savy, Girma Wake and Steve Hdvar-Hazy

Tom Gordon

Turkish Airlines chief executive Temel Kotil shares a joke

IATA chairman Samer Majali (left) makes a point

Mark Dunkerley (left) chats with Chris Tarry

SIA's CS Chew (left) and SITA's Francesco Violante

Naresh Goyal, chairman of Jet Airways, holds court

# CATCHING UP

**BY LEITHEN FRANCIS**
**PICTURES BY TOM GORDON**

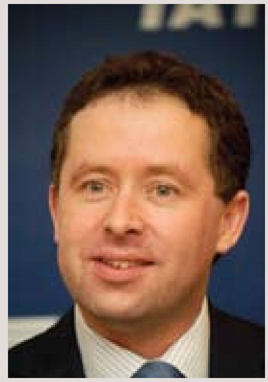
Airline CEOs and aerospace industry executives from around the world gathered on Sunday evening at the Airbus-sponsored IATA AGM cocktail party and dinner.

Airbus stalwart John Leahy (COO, customers) made the point that in recent years the airline industry has overcome several shocks…but that the current economic downturn is unprecedented. He was then quick to add that the airline industry's prospects remain strong, longer-term.

He also sought to put the airline industry's woes into context by comparing commercial aviation with the automotive industry. Vehicle manufacturers have experienced a sharper fall in sales revenue than airlines, says Leahy.

He says carriers need to be prepared for when the economy recovers and that the aviation industry's future prospects remain strong, illustrating this point by pointing out that every 15 years the world's fleet of commercial aircraft doubles. ■

## SOUND BITE

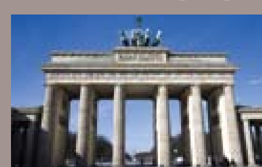


**ALAN JOYCE**
**QANTAS CHIEF EXECUTIVE**

"Like all airlines, we are not immune to the current climate. We are seeing the toughest period in certainly my time in aviation and as a consequence we have had to take some dramatic action."

"In the last eight years we've gone through a large number of shocks in our market place. If you're not flexible and capable of adapting, I don't think you will survive – we're very conscious of that. I learn from other peoples' experiences and I'm not sure anyone has the perfect position or all the answers."

## BERLIN 2010



Next year's IATA air transport summit and AGM will be held in the German capital city of Berlin. The event will be held in the early summer when the trees on the Unter den Linden should be at their best…

One plus one equals...

# MERGER?: China Eastern & Shanghai Airlines shares are suspended

Trading in China Eastern Airlines and Shanghai Airlines shares on the Hong Kong stock exchange were suspended on Monday amid reports of a merger between the two Chinese carriers.

The airlines have received government permission to merge and an announcement is imminent, according to the *South China Morning Post*. Officials from both airlines were not available for comment.

"We received instructions from the government on Saturday about the consolidation," Shanghai Airlines' vice-president Feng Xin was quoted by the newspaper as saying from the IATA AGM in Kuala Lumpur.

China Eastern had said in April that it had not made any progress concerning the merger, which the Chinese government has been pushing. Both carriers have received bail-out money to reduce their debt from the government, which is keen to see some consolidation in the sector amid rising costs and increasing losses. ■

# Firefly serves more cities from Singapore

Firefly, Malaysia Airlines' turboprop operation, has confirmed plans to expand its services out of Singapore to another four Malaysian cities in 2009 and two more in 2010.

The airline will begin operations between the two neighbours on 1 July using its ATR 72-500 aircraft on these routes.

"There has been a lot of interest in passengers for flights to cities such as Kuala Lumpur-Subang, Ipoh, Kuala Terengganu and Kuantan, and we believe that these will be very popular routes," the airline says, "along with flights to the north Malaysian cities of Kota Bahru and Alor Star starting in 2010."

Malaysia and Singapore had a highly restrictive air services agreement until early last year, when low-cost airlines were given limited rights to operate between Singapore and Kuala Lumpur. Later in the year, low-cost airlines also won rights to start operating between Singapore and points in East Malaysia. Soon after that, all restrictions were lifted on services between Singapore and Kuala Lumpur.

Earlier this year, the two neighbours have signed a new air services agreement opening new routes and allowing more carriers to operate between the two countries. ■

# American Airlines proving flight leaves this week


When American Airlines Flight 63, using a Boeing 767-300, leaves Paris for Miami at 10am local time on Thursday this week, it will embark on a journey aiming to prove that trans-Atlantic flights can be operated in a way that's both a bit greener…and a bit leaner.

Through 'Atlantic Interoperability Initiative to Reduce Emissions' (AIRE), American will be the first US carrier to test next-generation technology and procedures designed significantly to reduce carbon emissions and save fuel on trans-Atlantic routes. The testing will be conducted during a normally scheduled flight so the airline can obtain real-time benefits.

AIRE, a joint initiative between the FAA, the European Commission (EC) and several airlines, is designed to speed up application of new technologies and operational procedures having a direct impact on reducing carbon emissions and noise pollution as well as conserving fuel.

"It is critical that the aviation industry works with our air traffic control partners to demonstrate the benefits of NextGen technology today. By implementing this technology as quickly as possible, we can make real and meaningful strides to reduce our impact on the environment, increase system capacity, and reduce air traffic delays," says Bob Reding, American's executive VP operations. "These efforts have already yielded fuel savings of more than 110 million gallons annually and reduced our carbon emissions by 2.3 billion pounds in 2008."

The flight will conduct several fuel conservation measures, including single-engine taxi on departure and arrival, continuous climb out and descent, optimised routing over water, and 'tailored arrival'."

Post-flight data analysis by the FAA, the EC and American will determine the carbon and fuel savings gained on the demonstration flight. The FAA and AA will then conduct a two-month trial in Miami to continue testing the next-generation technology and procedures.

■ Cabin crew on American Airlines' domestic flights in the USA, Canada and Hawaii are no longer accepting cash for snacks, meals, headsets and other on-board services. Domestic flight attendants – like their international counterparts – are now only accepting major credit or debit cards, instead of paper money and coins. Cabin crews will use onboard electronic register machines to take payment and issue receipts on demand. However, American Eagle and AmericanConnection services will still accept only cash. ■