



Thomas Windmuller,  
Senior Vice President



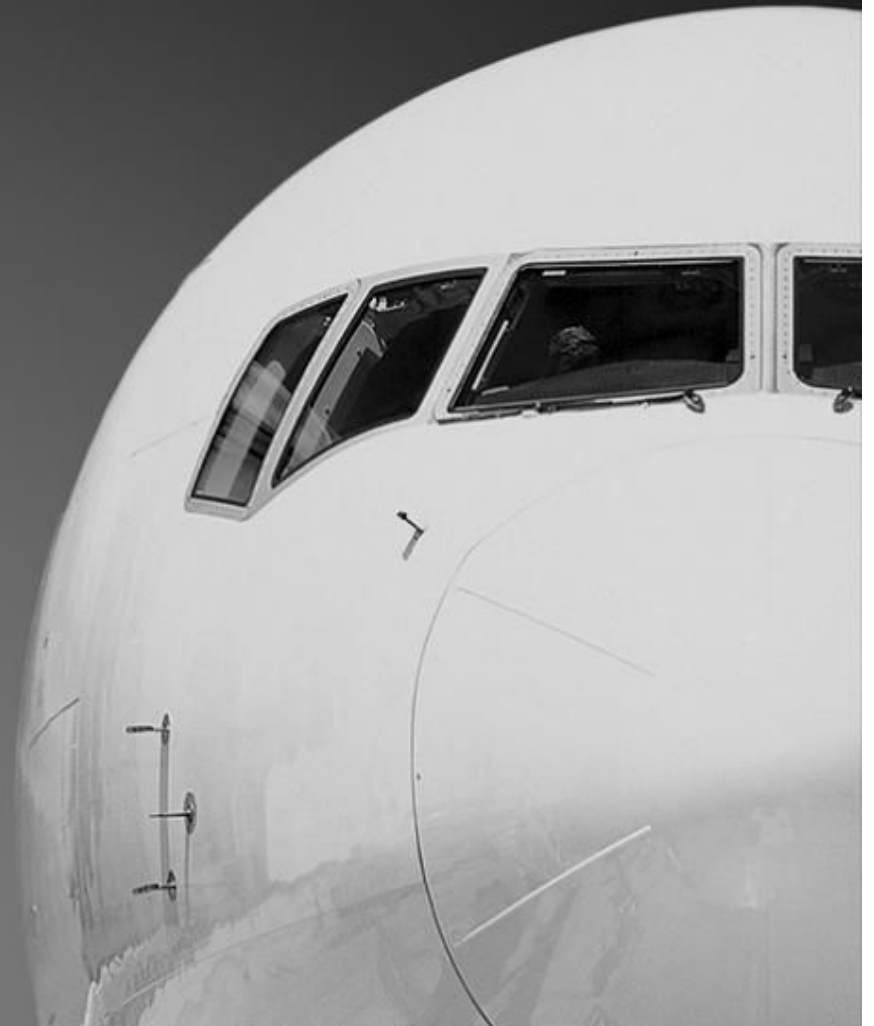








**The industry is in crisis**



**Not to be underestimated**





...the industry as a whole



2.2 billion poeple fly every year





32 million jobs



Shipping 35% of the value of  
goods traded



US\$3.5 trillion of business





Not all of us will survive







...But the industry as a whole  
must survive...

A viable structure and  
network in place



In the last 60 years



US\$11 trillion in  
revenues





Net profits of only  
US\$32 billion



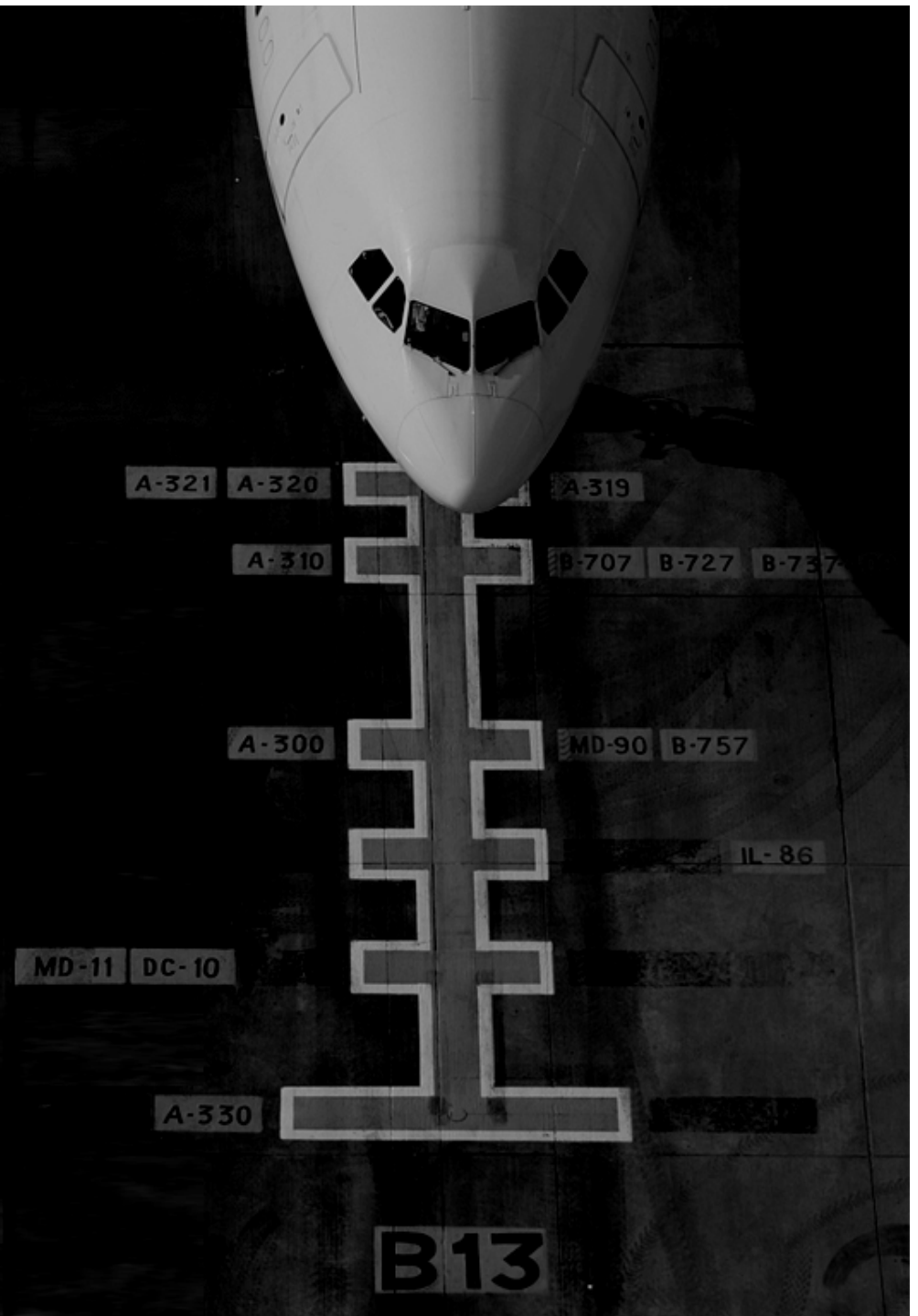
Average profit  
margin of 0.3%



The last 7 years have  
been particularly  
damaging



# 9/11 SARS and war





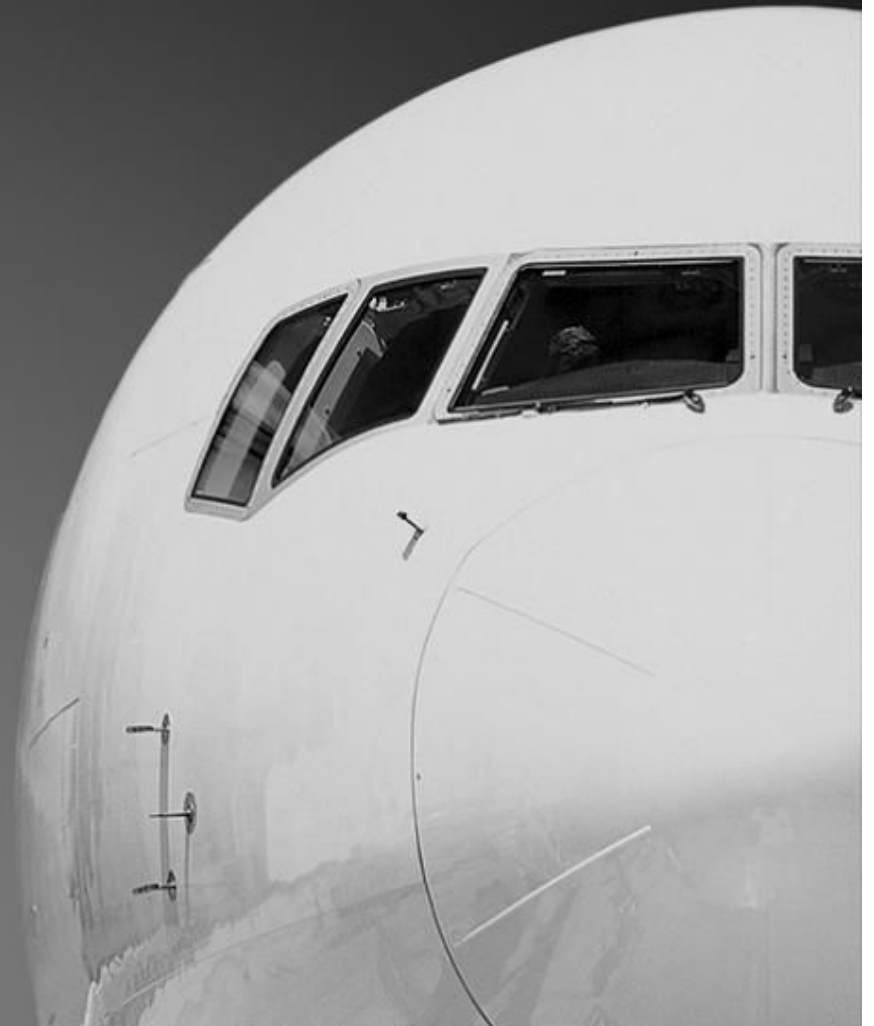


Profit in 2007  
US\$5.6 Billion

Impressive given the average  
oil price of US\$ 73/barrel



Now those gains have been  
wiped out



Oil prices around US\$145 in  
July





Continue at over US\$100 per barrel



A close-up, low-angle shot of a red metal fuel barrel. The barrel is the central focus, with its curved surface and horizontal ridges clearly visible. The lighting is bright, creating highlights and shadows that emphasize its metallic texture. The text is centered on the barrel's body.

This years fuel bill  
US\$186 billion

A large, three-dimensional red bar, likely representing a data point in a chart. The bar is curved and has a glossy finish, casting a soft shadow on the white background. The text is centered on the bar.

US\$50 billion more than last  
year

A close-up, low-angle shot of a red fuel nozzle, likely for a gas station. The nozzle is a vibrant red color with a glossy finish, showing highlights and shadows that emphasize its curved shape. It is positioned diagonally across the frame. Overlaid on the nozzle in white, sans-serif font is the text: "And more than 4 times the entire fuel bill in 2003".

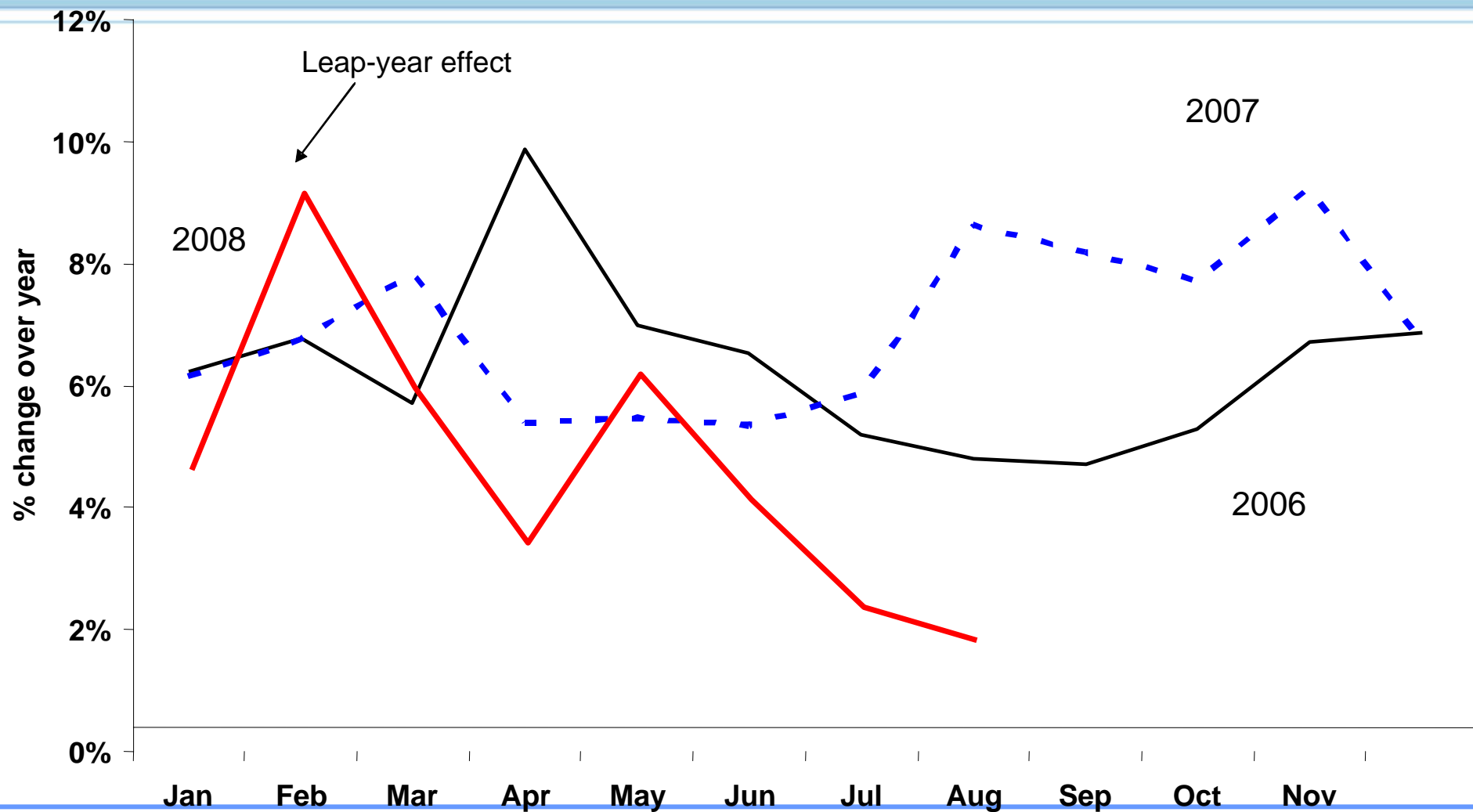
And more than 4 times the  
entire  
fuel bill in 2003





## Demand (RPKs) growth on international markets

Source: IATA



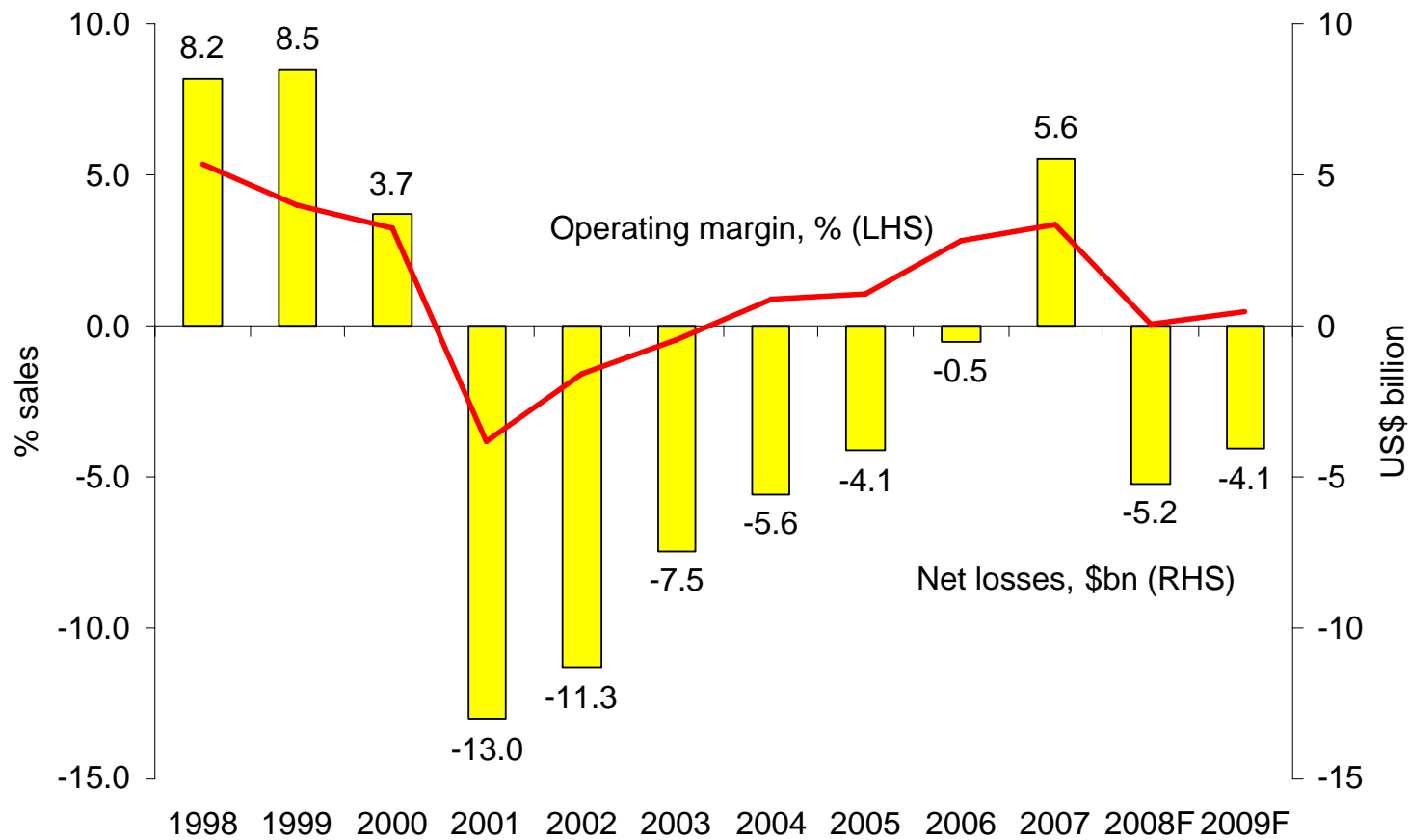


## Aircraft Retirements and Deliveries

Source: Ascend



Source: ICAO data for operating profit to 2007, IATA estimate for 2006-07 net profits and 2008-09 forecasts



...it is another perfect storm

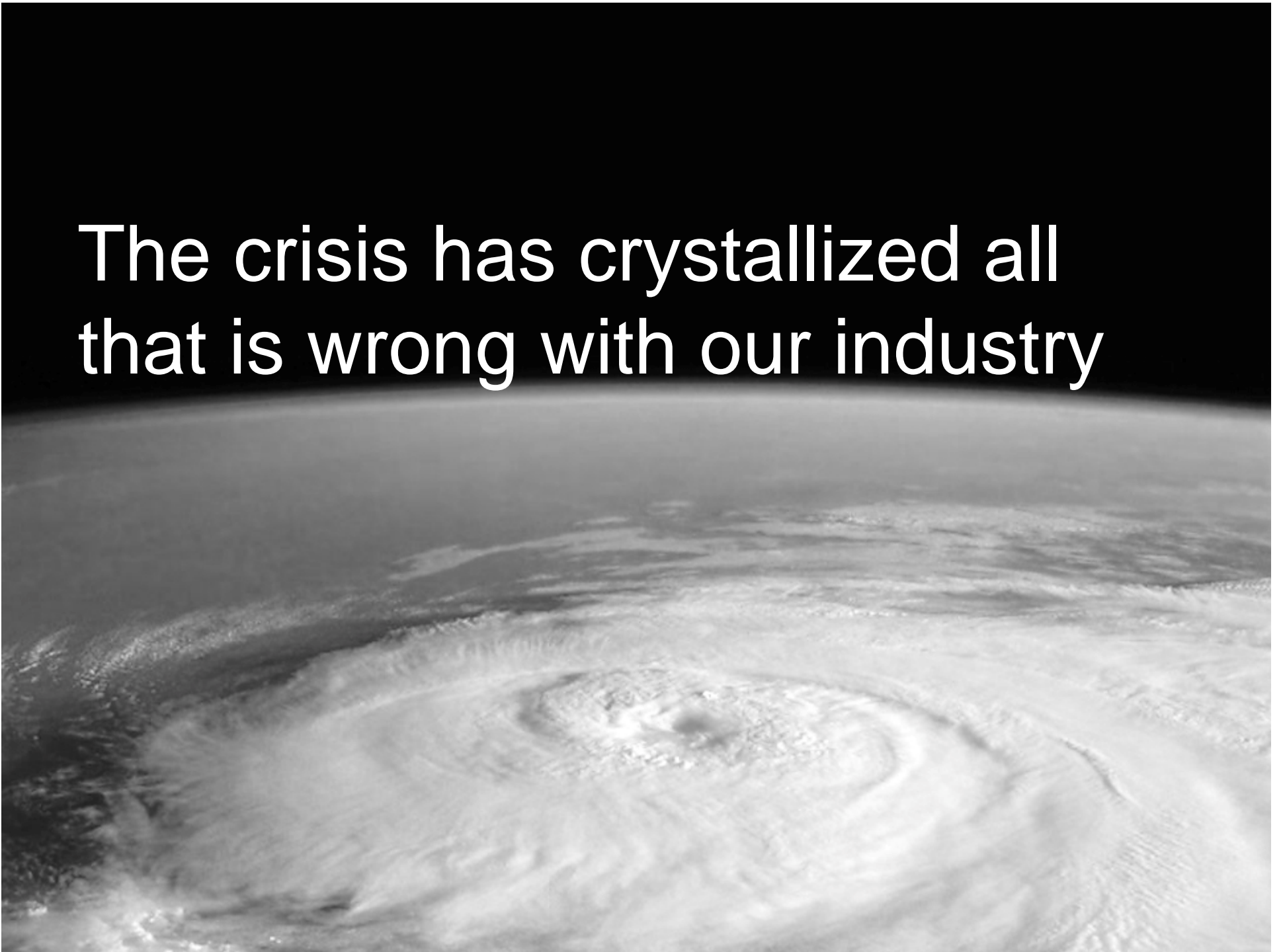




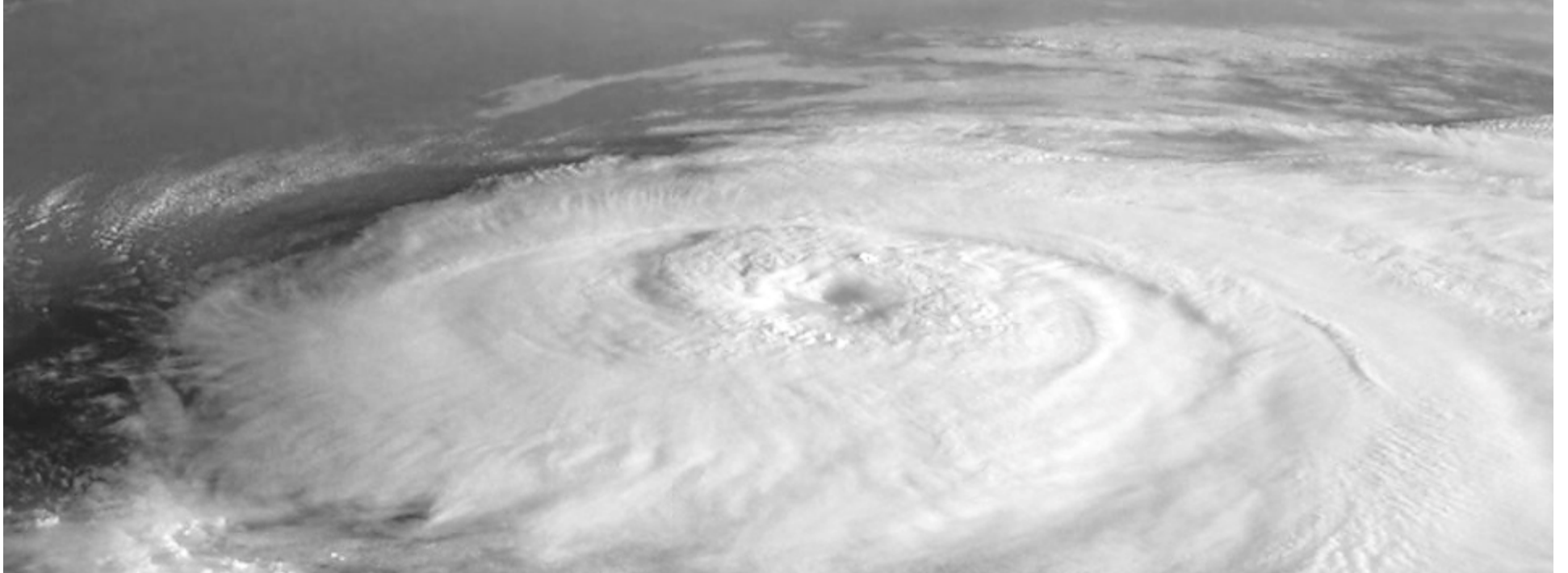
.....over the last year we had to  
suspend 25 airlines from our  
financial systems



The crisis has crystallized all  
that is wrong with our industry



Too many airlines, too few  
passengers, losing too much  
money...



After 60 years of financial  
futility



dramatic change  
is needed  
for  
a stable,  
sustainable  
industry



It sets the agenda for short  
term action... to weather this  
perfect storm



...and long term strategies



# Istanbul Declaration



# **Istanbul Declaration**

**Crisis plan**

**Cut costs**

**Protect revenues**







**Fuel is top of the list**

**Fuel bill is  
US\$186 billion**



...every drop is critical  
to our financial survival

and our  
environmental  
performance





Our fuel campaign is delivering  
results





10 million tonnes of  
CO<sub>2</sub> and USD 3 billion savings  
in fuel



By shortening routes  
improving operational  
procedures  
and Green Teams





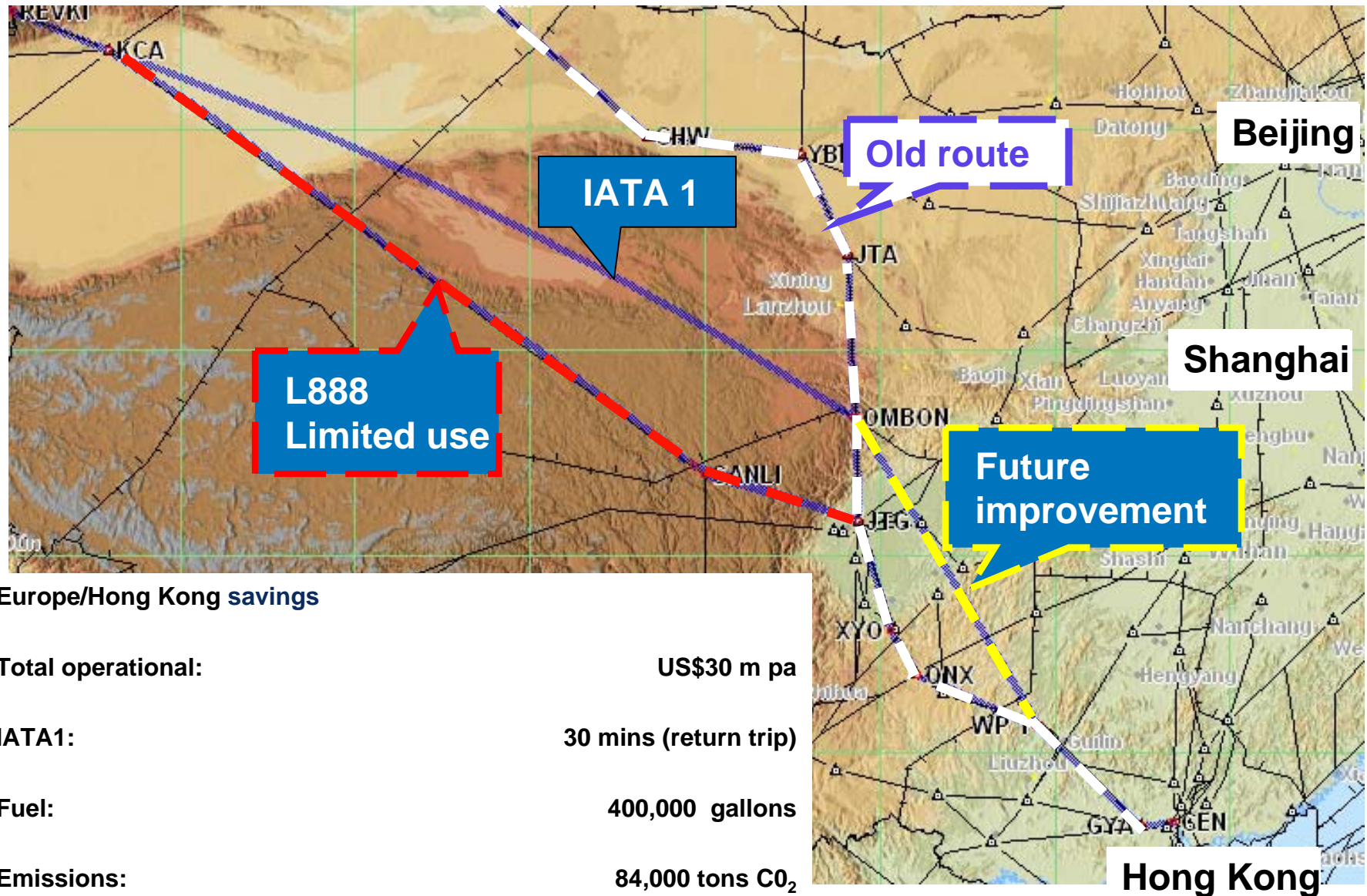
Since 2005 the fuel campaign  
has saved

US\$12 billion

57 million tonnes of  
 $\text{CO}_2$



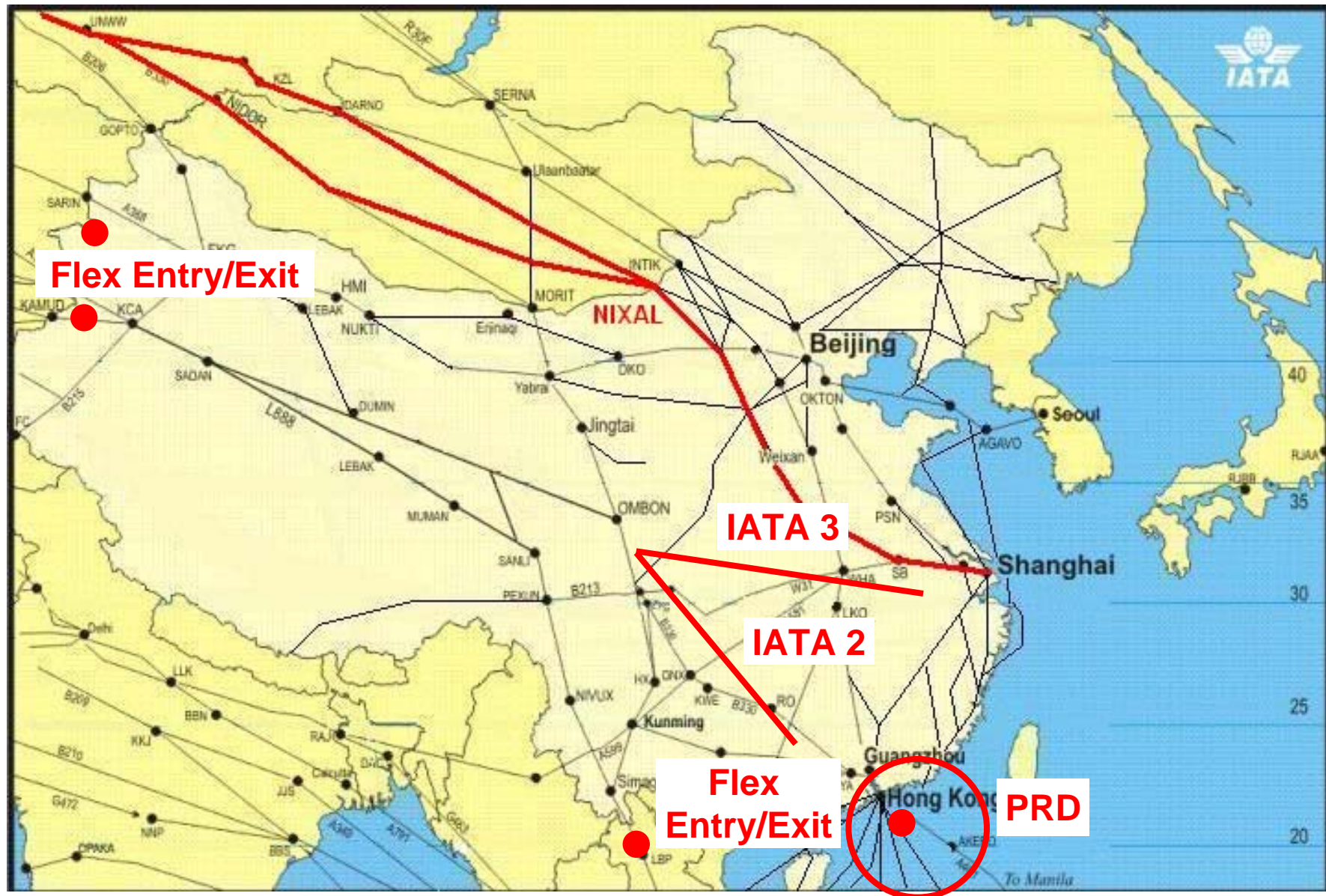
# Europe – Hong Kong





# Olympic Bypass

\$19 million  
83K tonnes CO<sub>2</sub>



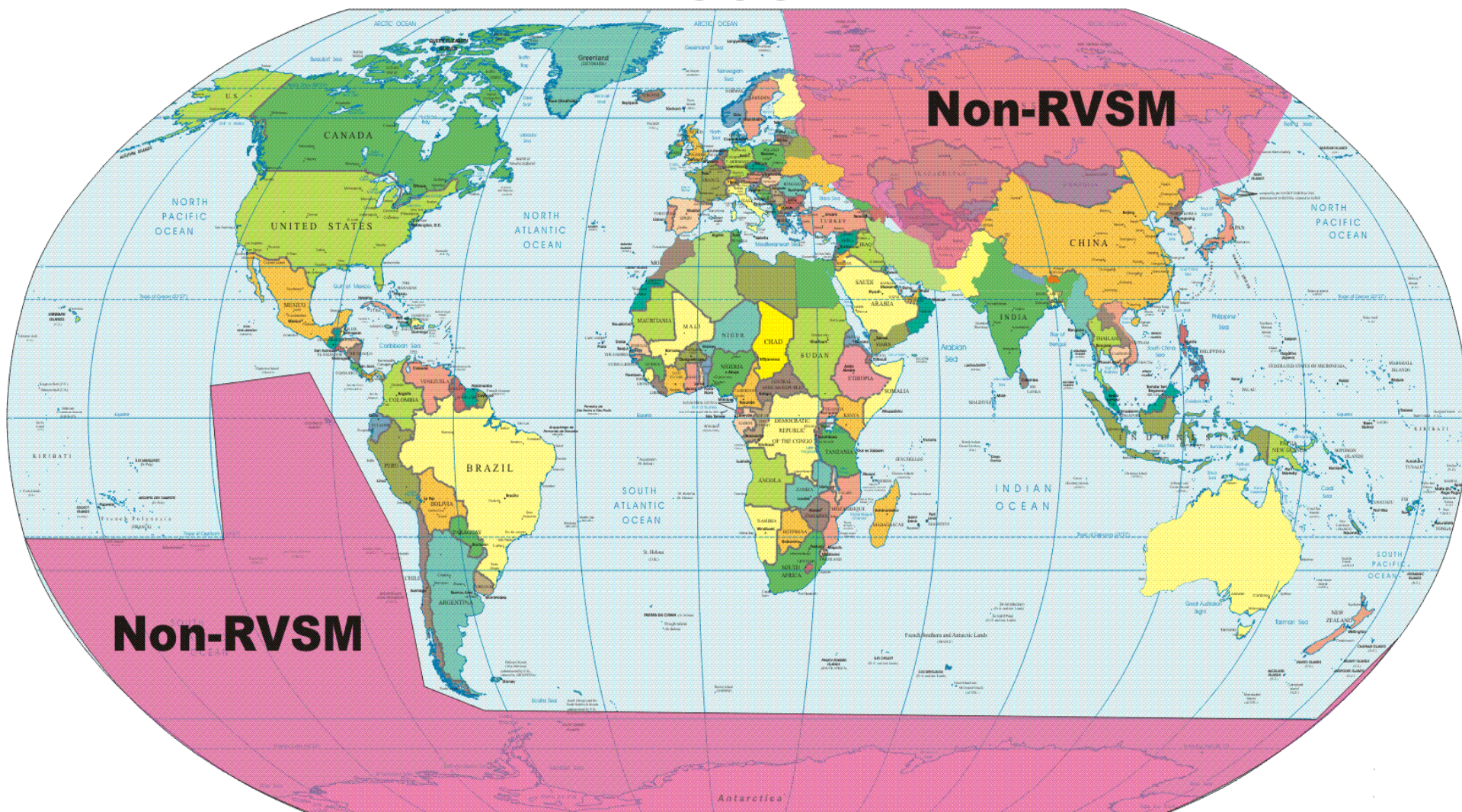






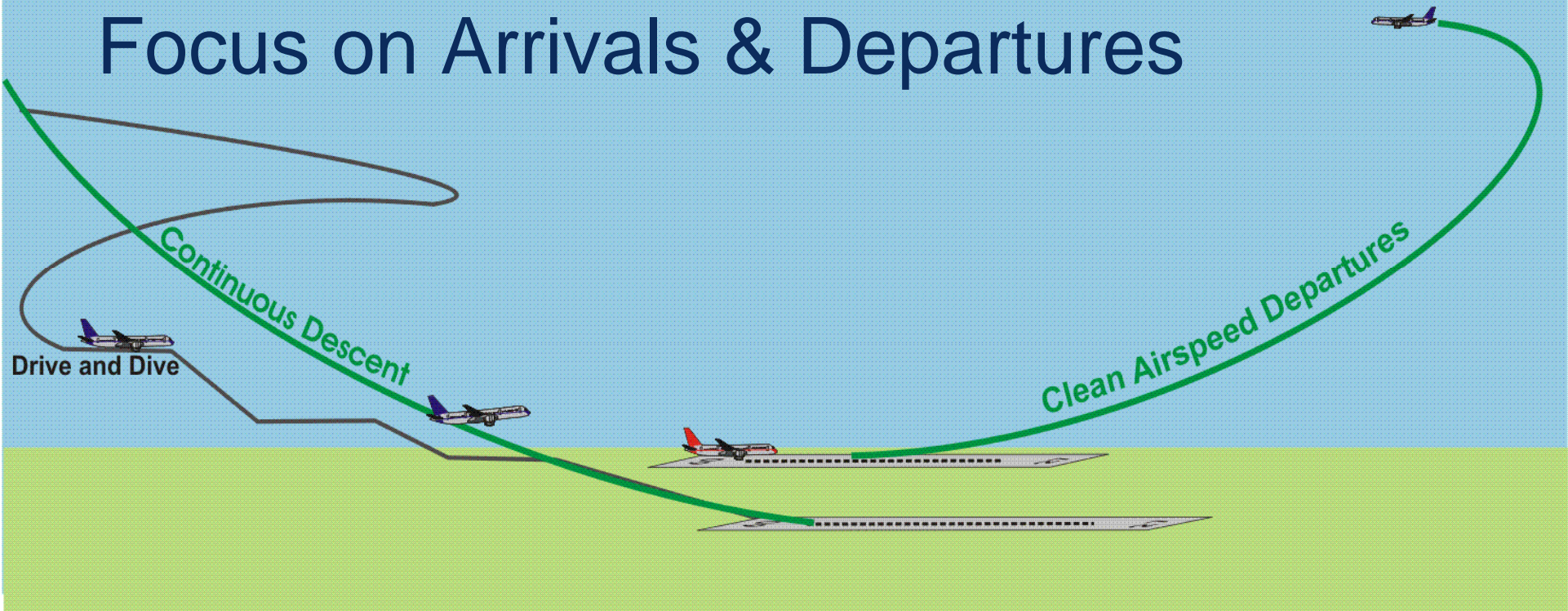


**2008**





# Focus on Arrivals & Departures



Airports and ANSP's cost the airlines US\$43.5 billion every year



11% revenues





Some good partners worked to  
deliver with us US\$3.7 billion in  
cost savings



# Jaw dropping profits for

Auckland 69%

Atlanta 63%

Beijing 51.4%

Johannesburg 49.5%  
and BAA group 45.2%

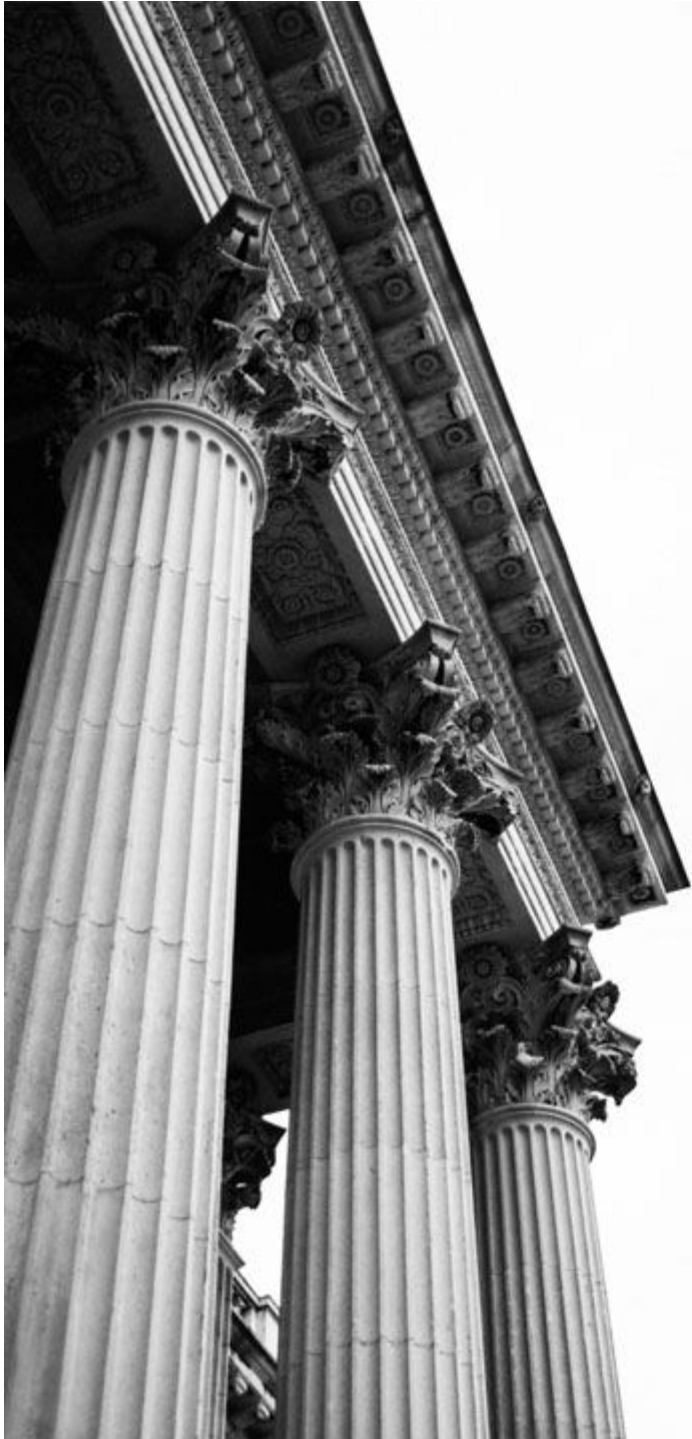
Microsoft : 37%





WELCOME TO HAPPY MONOPOLY AIRPORT





Liberalisation



Regulatory  
constraints



# Hundreds of Open Skies agreements

But too many markets  
are cut off...



# Agenda for Freedom Summit





25 – 26 October



# Commercial freedom



Ensure long term financial health and sustainability





**BOMBARDIER**



Airports, ANSPs are largely monopolies

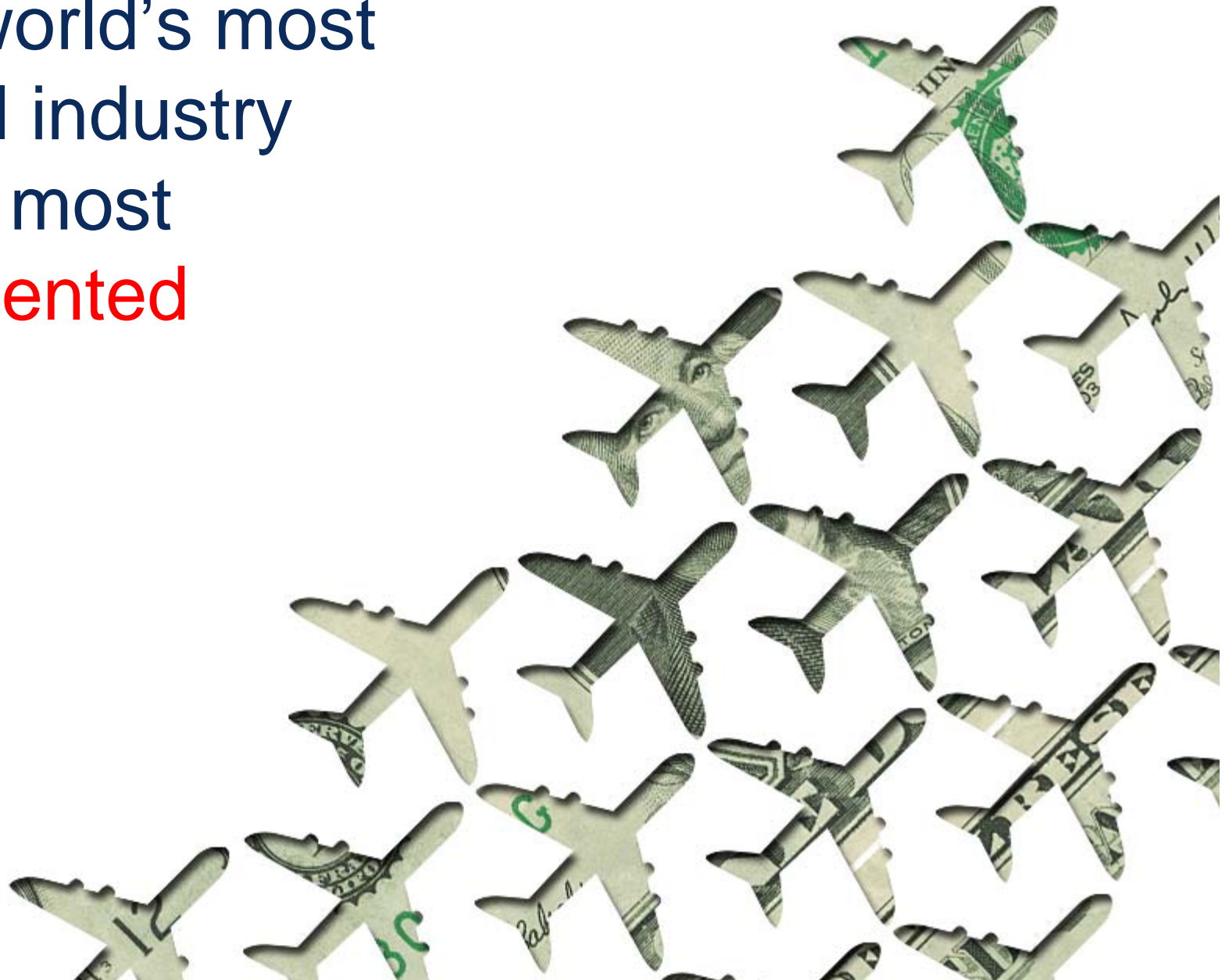




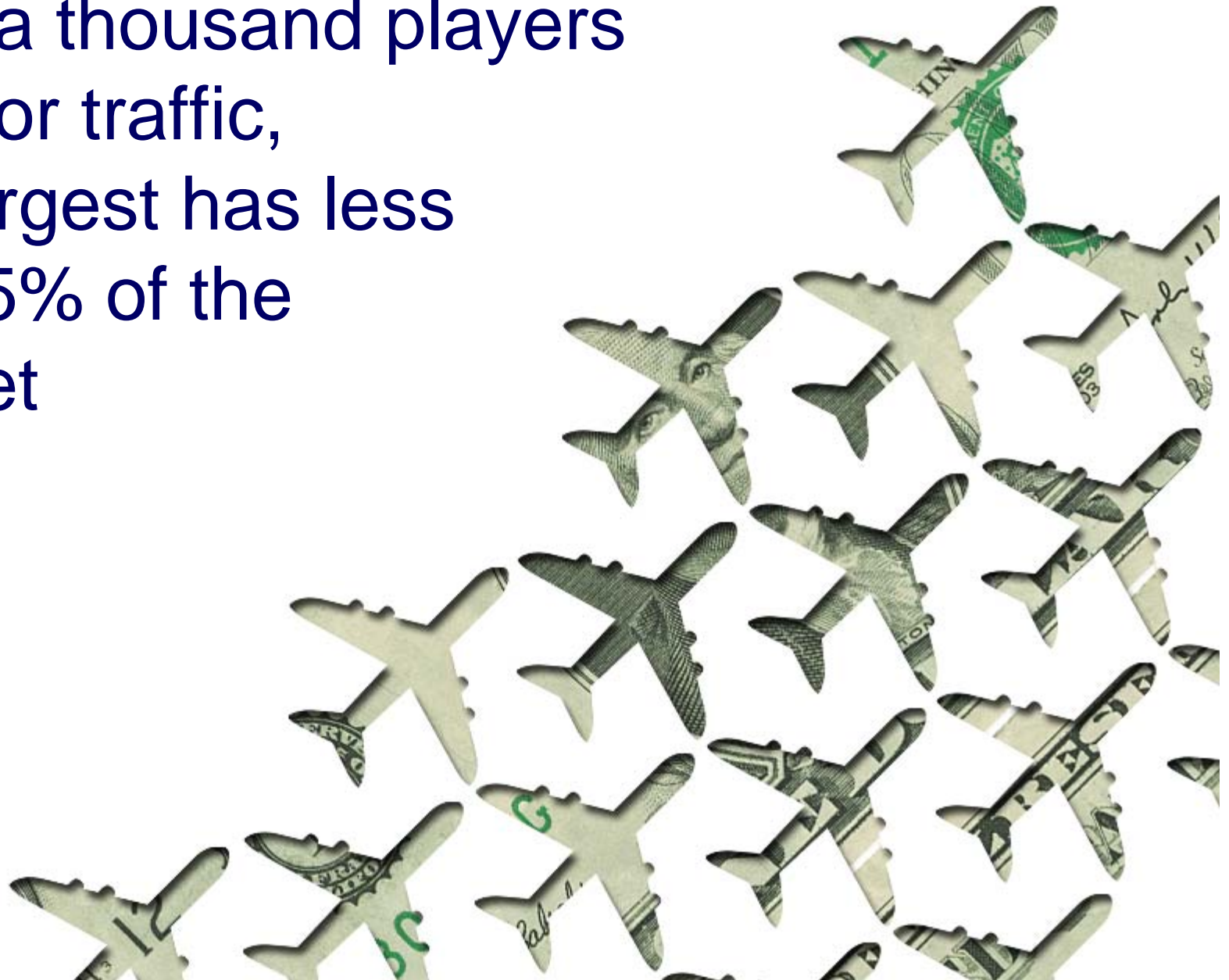
On the supplier side our costs are high



The world's most  
global industry  
is the most  
**fragmented**



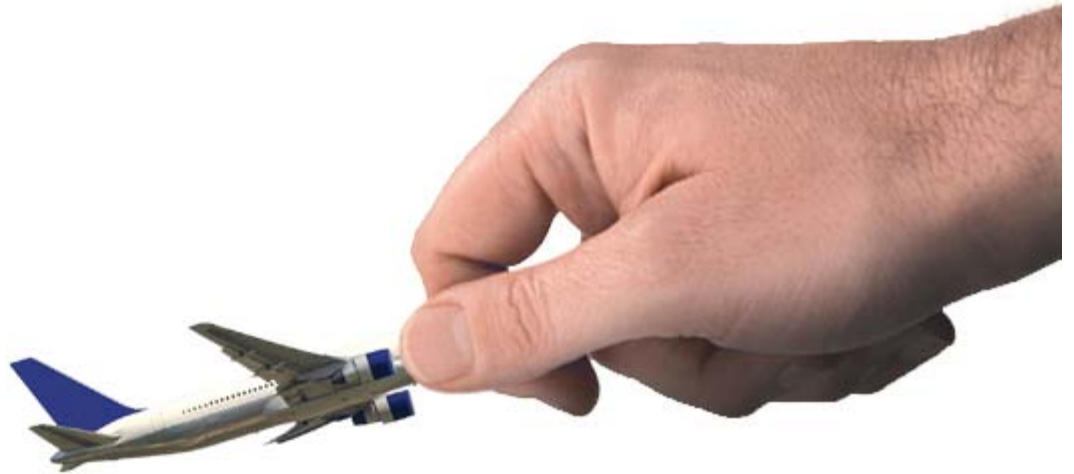
Over a thousand players  
fight for traffic,  
the largest has less  
than 5% of the  
market



# Press governments for freedom







Airlines cannot merge or consolidate  
across national borders  
because of foreign ownership rules



**Lufthansa**

**SWISS**



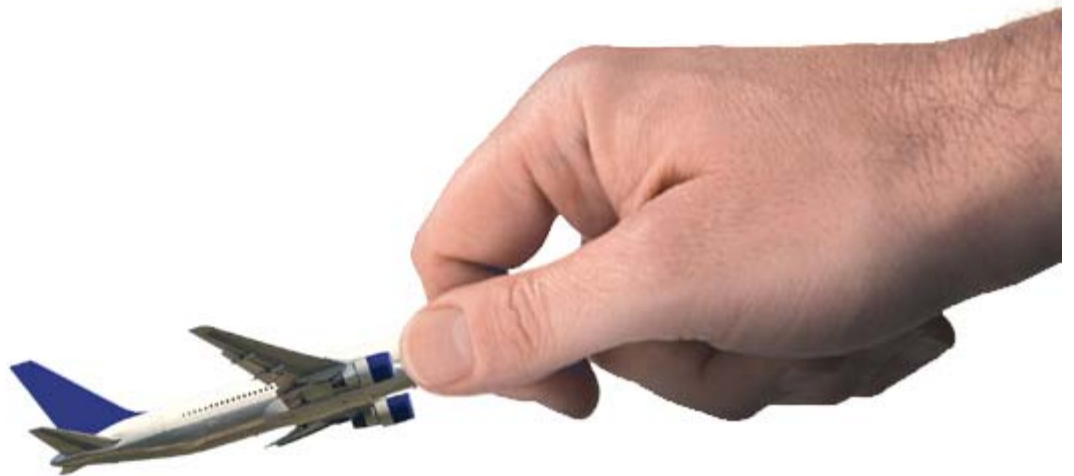
Swiss  
International  
Air Lines

**AIR FRANCE KLM**

# Rumblings in the EU and the US

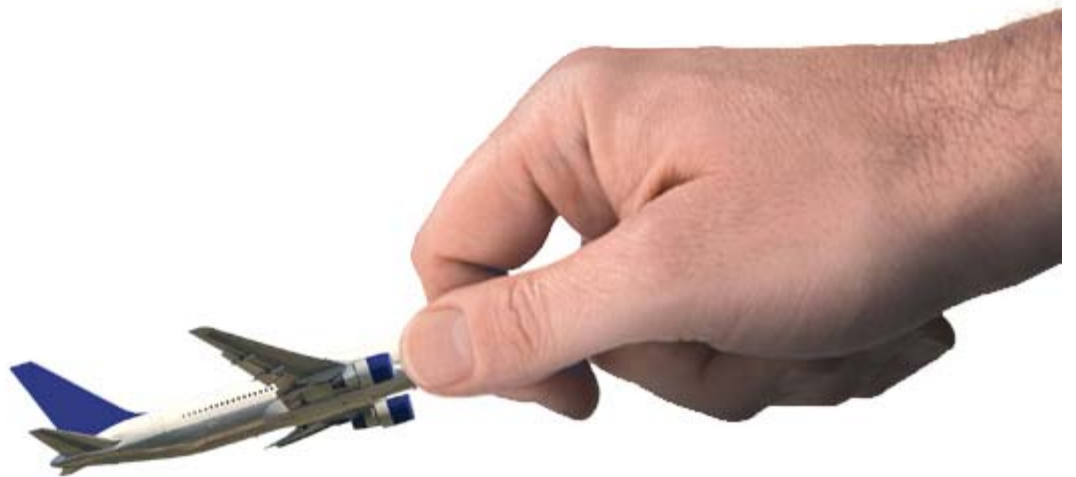


The barriers are too high





Progress too slow



ASEAN is liberalising but in stages



US and EU updated their agreement  
last year

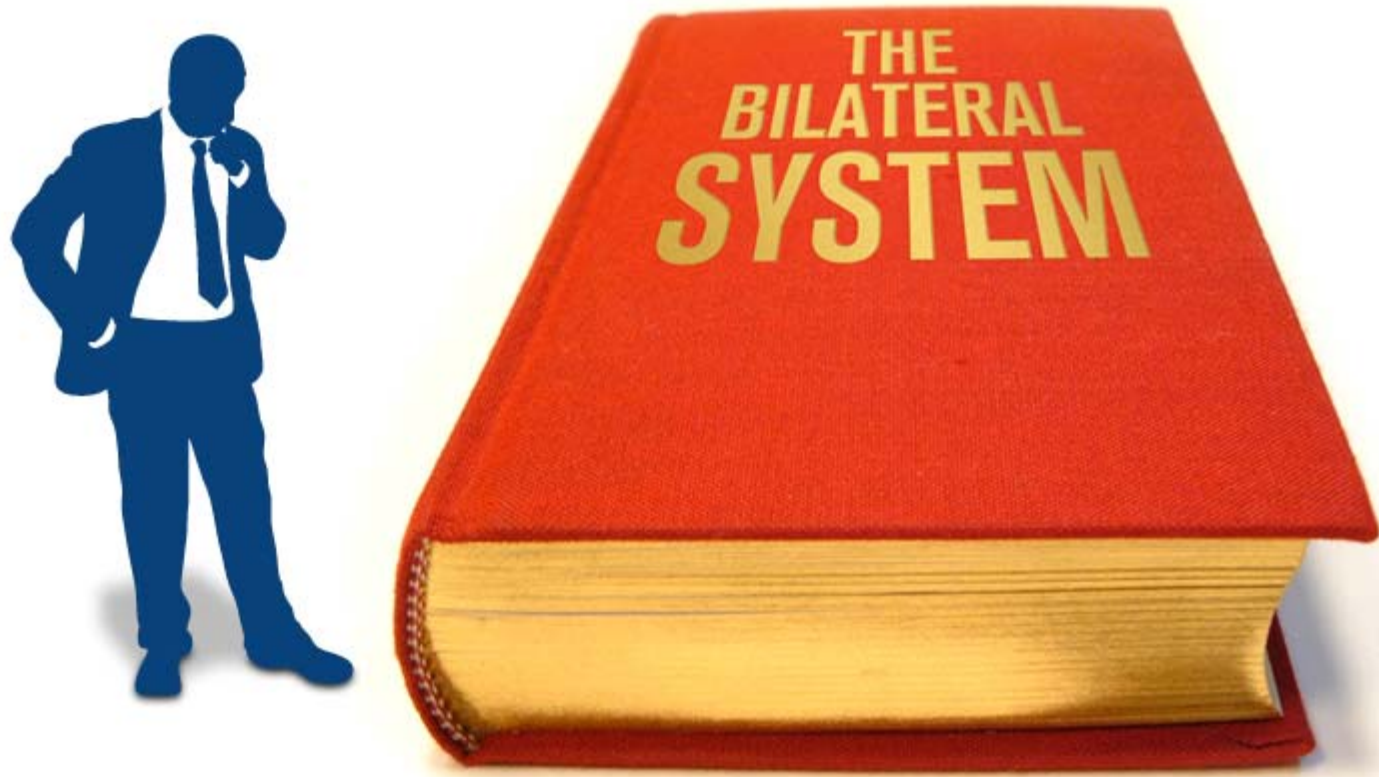


But did not address ownership

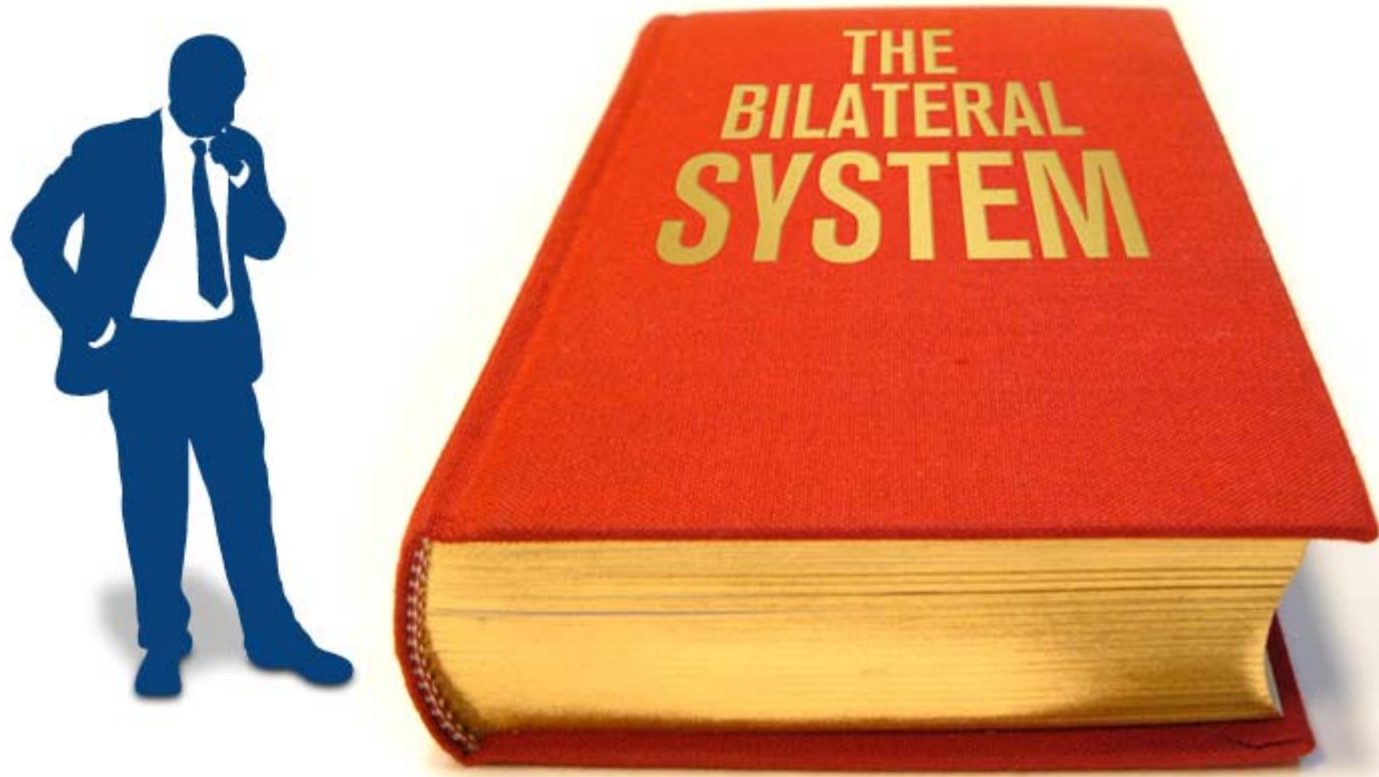




Governments must act boldly



Changing 3,500 agreements overnight  
maybe not be realistic



Governments  
a level playing field  
safety  
security  
environment



Airlines can enjoy the same freedoms  
every other business takes for granted





# Environment



Our vision  
carbon-neutral growth  
leading to a carbon-free future



# IATA's 4 pillar strategy





# IATA's 4 pillar strategy

## 01 Investing in technology





# IATA's 4 pillar strategy

02 **Operate  
planes  
effectively**



# IATA's 4 pillar strategy

03 **Build and use  
efficient  
infrastructure**





# IATA's 4 pillar strategy

**Implement  
positive  
economic  
measures**

04



Target

Improve fuel  
efficiency by 25%  
by 2020





IPCC estimates  
that there is 12%  
inefficiency in air  
traffic  
management



Costs

US\$22 billion/year



80 million tonnes  
of CO<sub>2</sub>





# Environment the revenue generator






# Emissions trading

...that is fair, voluntary and global



The background of the slide is the European Union flag, featuring a blue field with twelve yellow five-pointed stars arranged in a circle. The flag is shown with a slight wave, giving it a three-dimensional appearance.

...Europe unilaterally bringing  
aviation into its Emissions  
Trading scheme is illegal

The background of the slide is the flag of the European Union, featuring a blue field with twelve yellow five-pointed stars arranged in a circle. The flag is shown with a slight wave, giving it a three-dimensional appearance.

...Contravenes the Chicago  
Convention



The background of the slide is the European Union flag, featuring a blue field with twelve yellow five-pointed stars arranged in a circle. The flag is shown with a slight wave, giving it a three-dimensional appearance.

....and expensive  
costs starting at  
€3.5bn 2012





A Single European Sky could  
save up to 16 million tonnes  
 $\text{CO}_2$



And US\$ 5 billion each year

# Oil dependence



We face  
high costs  
and environmental concerns

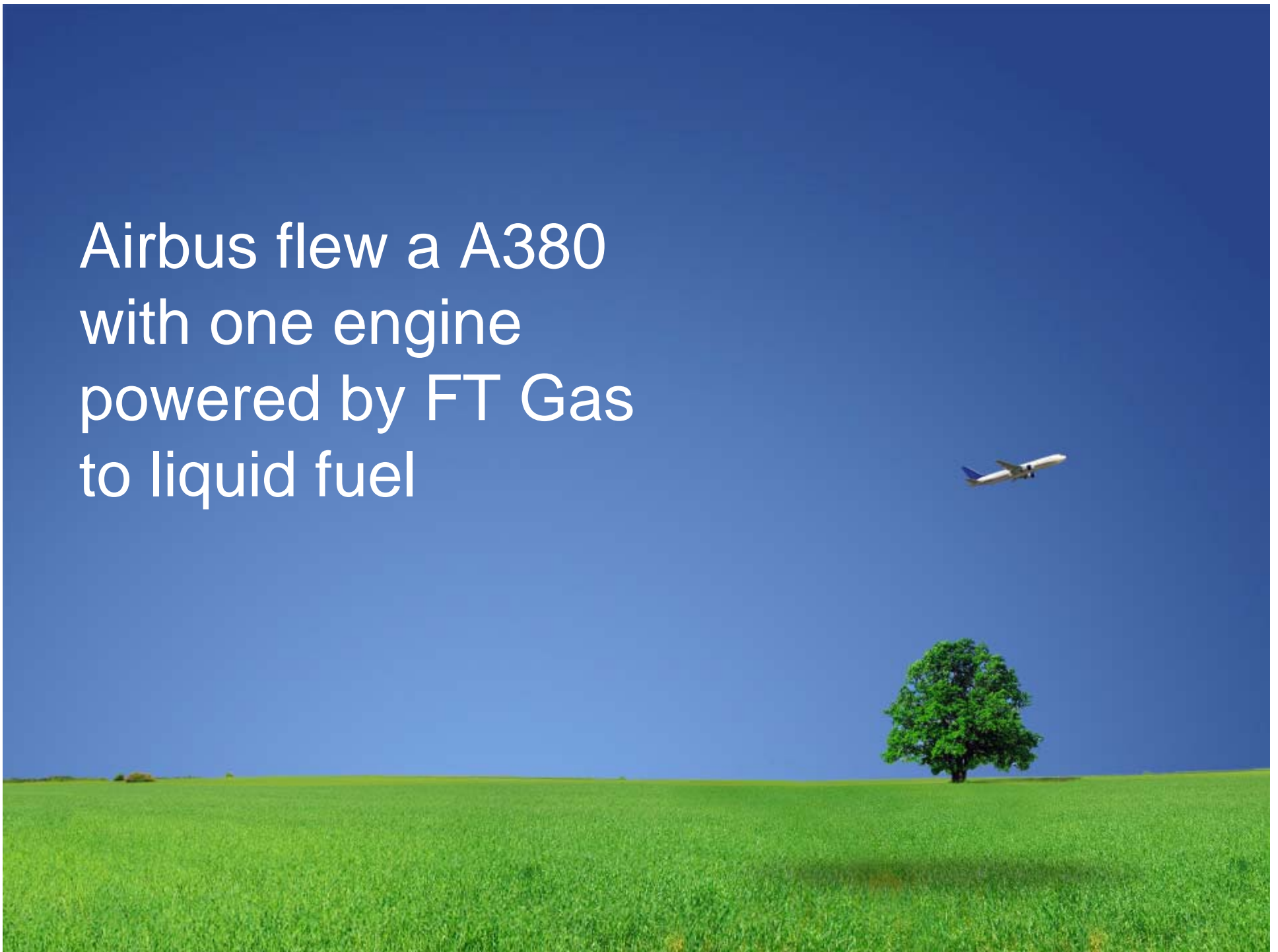




# Alternative fuels offer hope



Airbus flew a A380  
with one engine  
powered by FT Gas  
to liquid fuel



Virgin Atlantic flew a  
Boeing 747-400 with  
engine operating on a  
20% biofuel mix

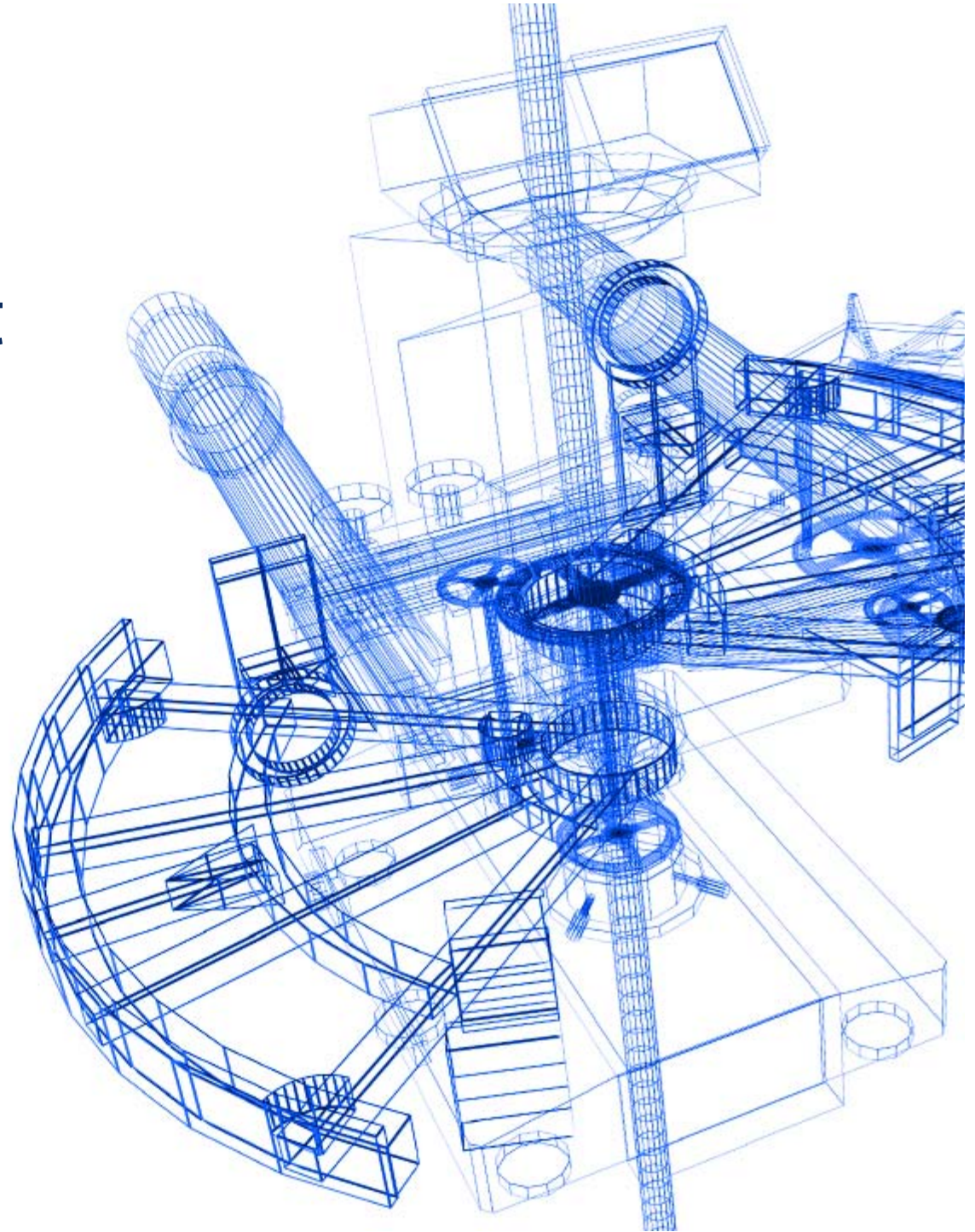


More in the works





Actively support  
research and  
development



Offer net carbon reductions over their  
life cycle



Do not compete with fresh water  
requirements and food production





Do not cause deforestation or other negative environmental impacts





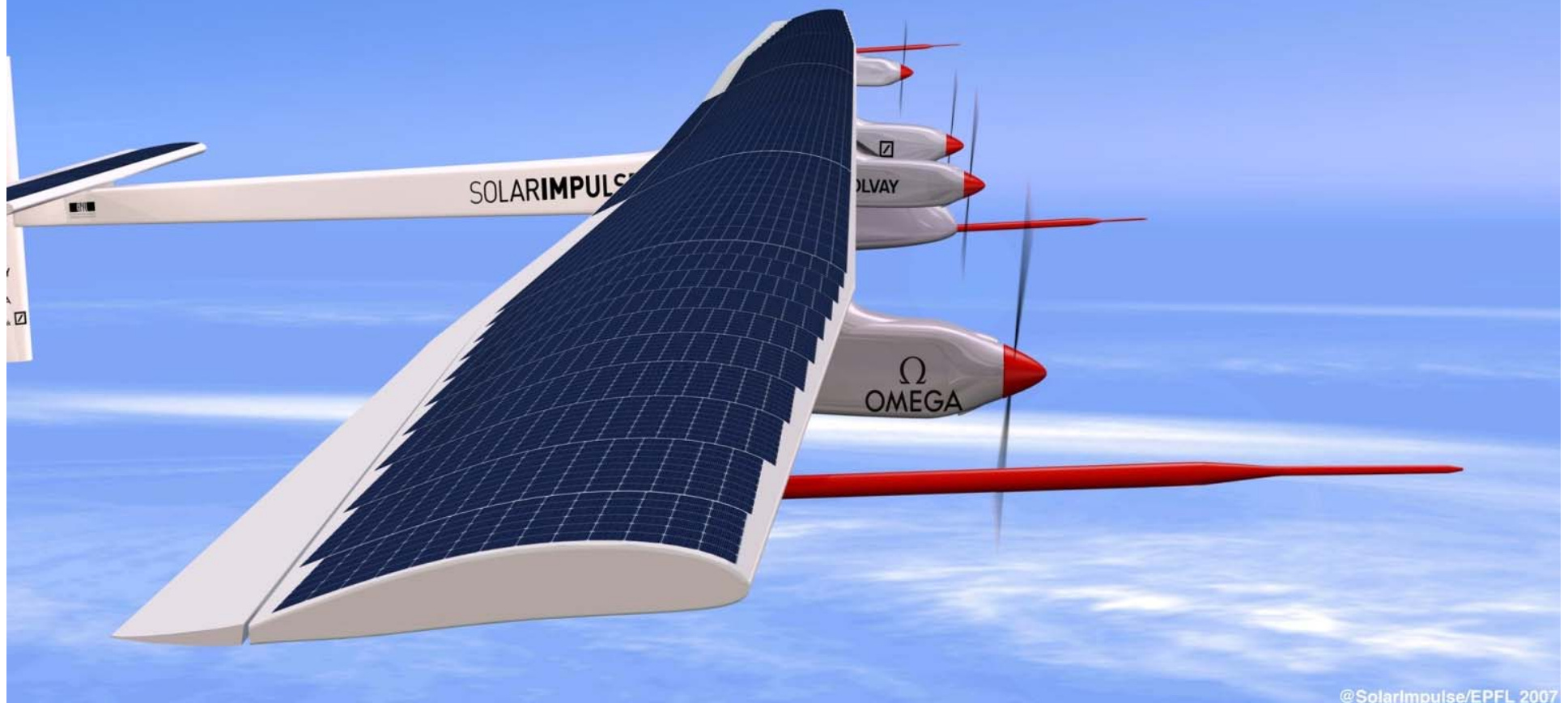
IATA is working with industry partners  
on standards and specifications



By 2017 we are targeting 10%  
alternative fuel



2057 emissions free aircraft



# IATA's Simplifying the Business Programme





100% ET



In 4 years we got rid of paper and  
saved the industry US\$3 billion





Bar Coded  
Boarding  
Passes  
US\$5 per  
passenger  
US\$500million  
worldwide



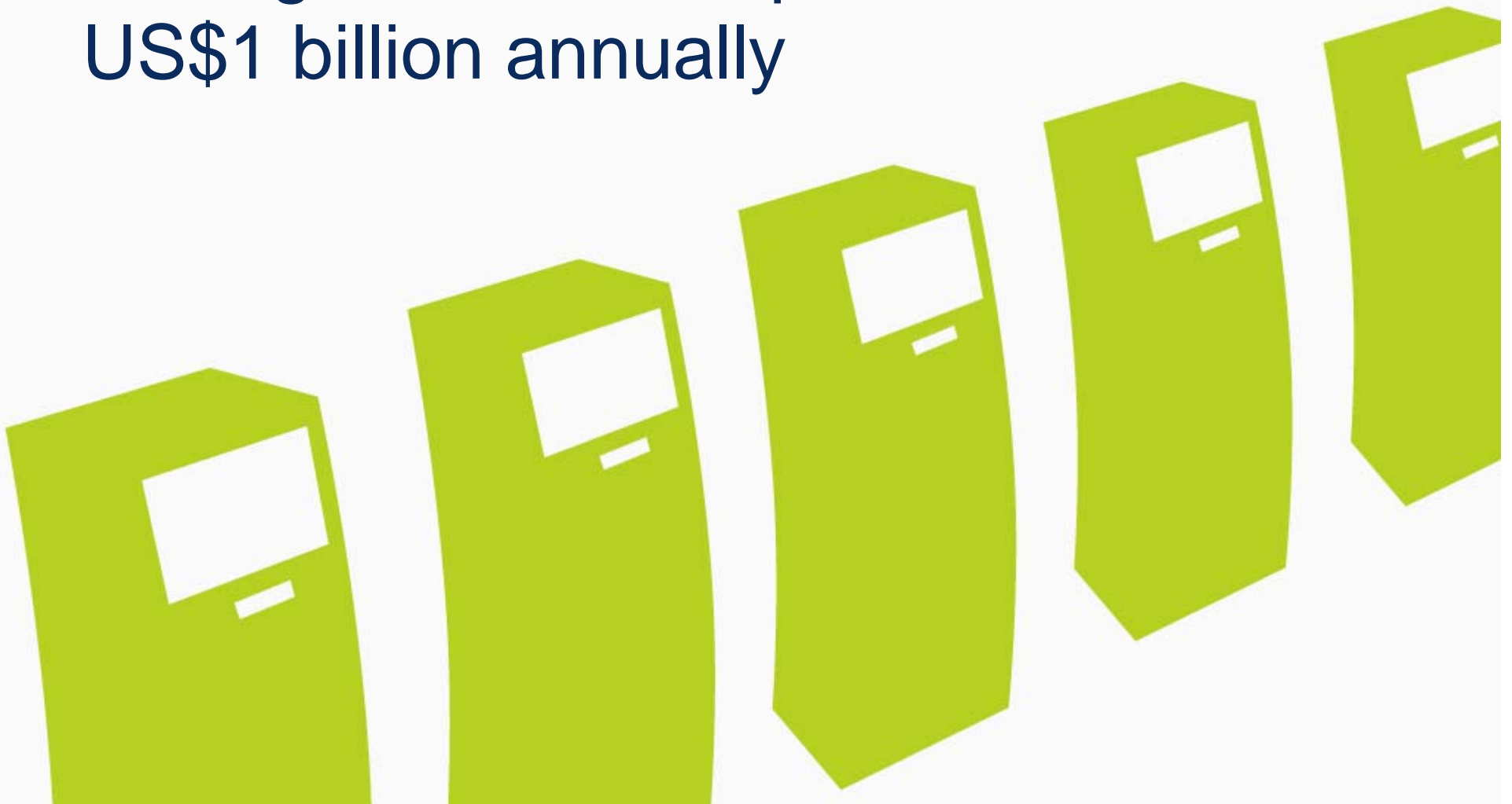
176 airlines  
use Bar Coded  
Boarding  
Passes



Millions of passengers  
use CUSS kiosks  
at 119 airports



Savings of US\$2.50 per check-in  
US\$1 billion annually





E-freight operates at 8 locations





14 by year end







14 by year end – with a goal to deliver  
where feasible by the end of 2010





To generate US\$1.2 billion in annual savings



Mishandled baggage cost the industry  
**US\$3.8 billion** every year



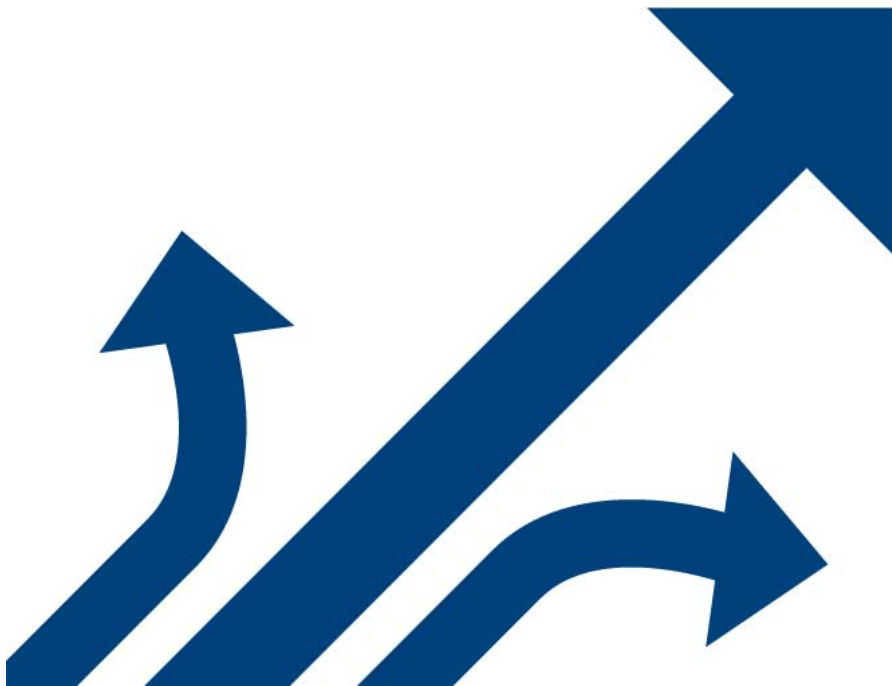
Our baggage improvement programme  
takes a holistic approach.....

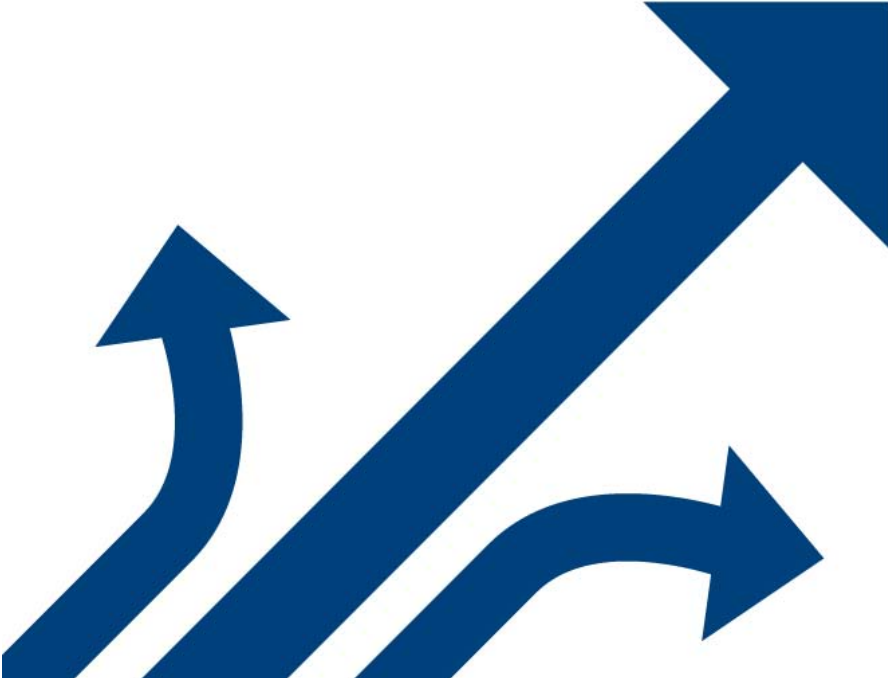




We are moving ahead  
with a new revolution  
Fast Travel

➤ To meet customer  
demand for more self-  
service options



- 
- ↗ to check-in
  - ↗ to self boarding
  - ↗ and baggage tracing

The image features a dramatic, high-contrast landscape. The foreground is dominated by a dark, turbulent sea with deep, churning waves. In the background, a range of mountains is visible, their peaks softened by a thick layer of mist or low clouds. The sky above is a deep, moody blue, filled with large, dark, billowing clouds. A single commercial airplane is seen in flight in the upper right quadrant, its white body and blue tail standing out against the dark sky. The overall atmosphere is one of crisis and uncertainty.

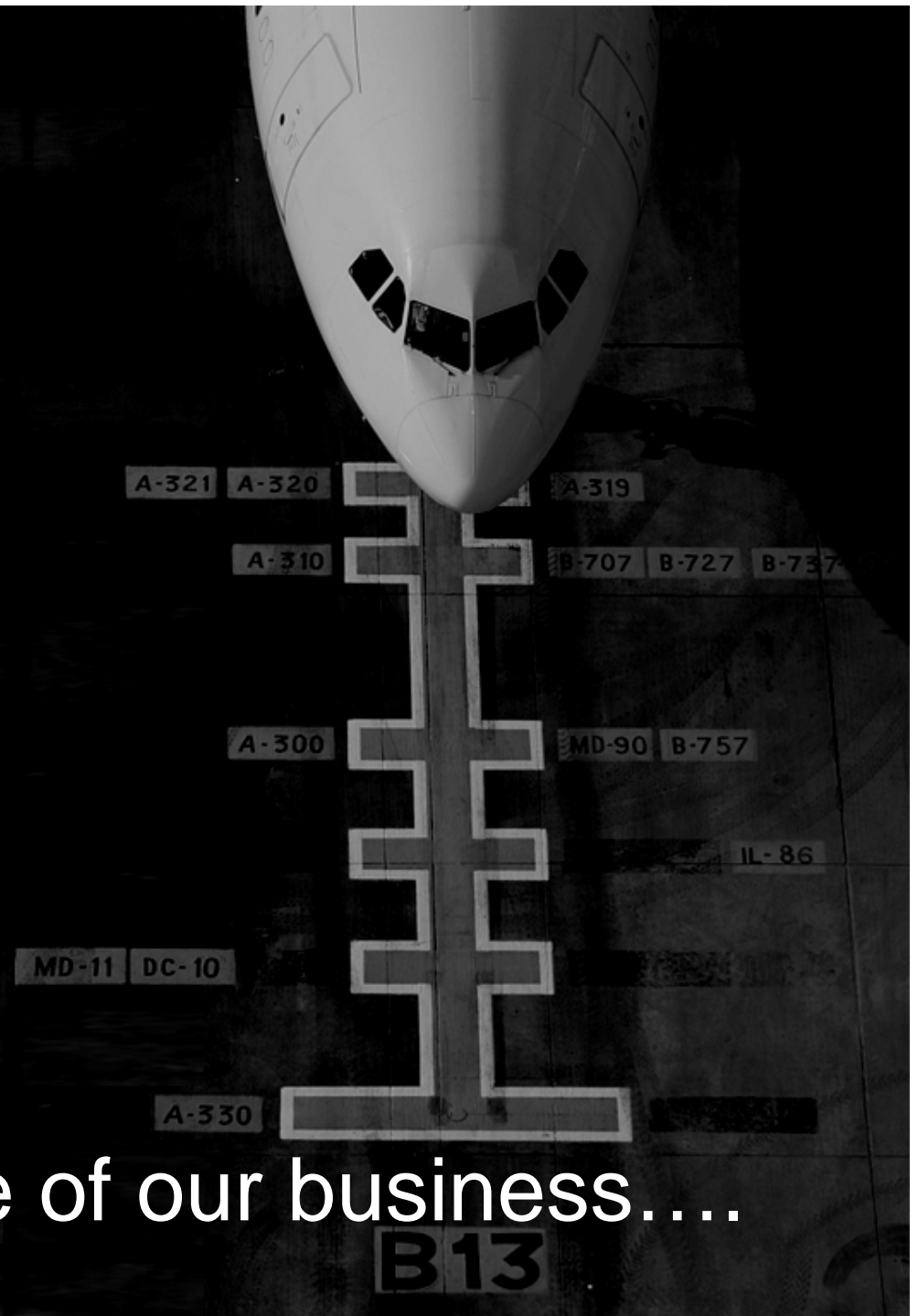
Today our industry is in crisis

We must drive change  
or be run over by it

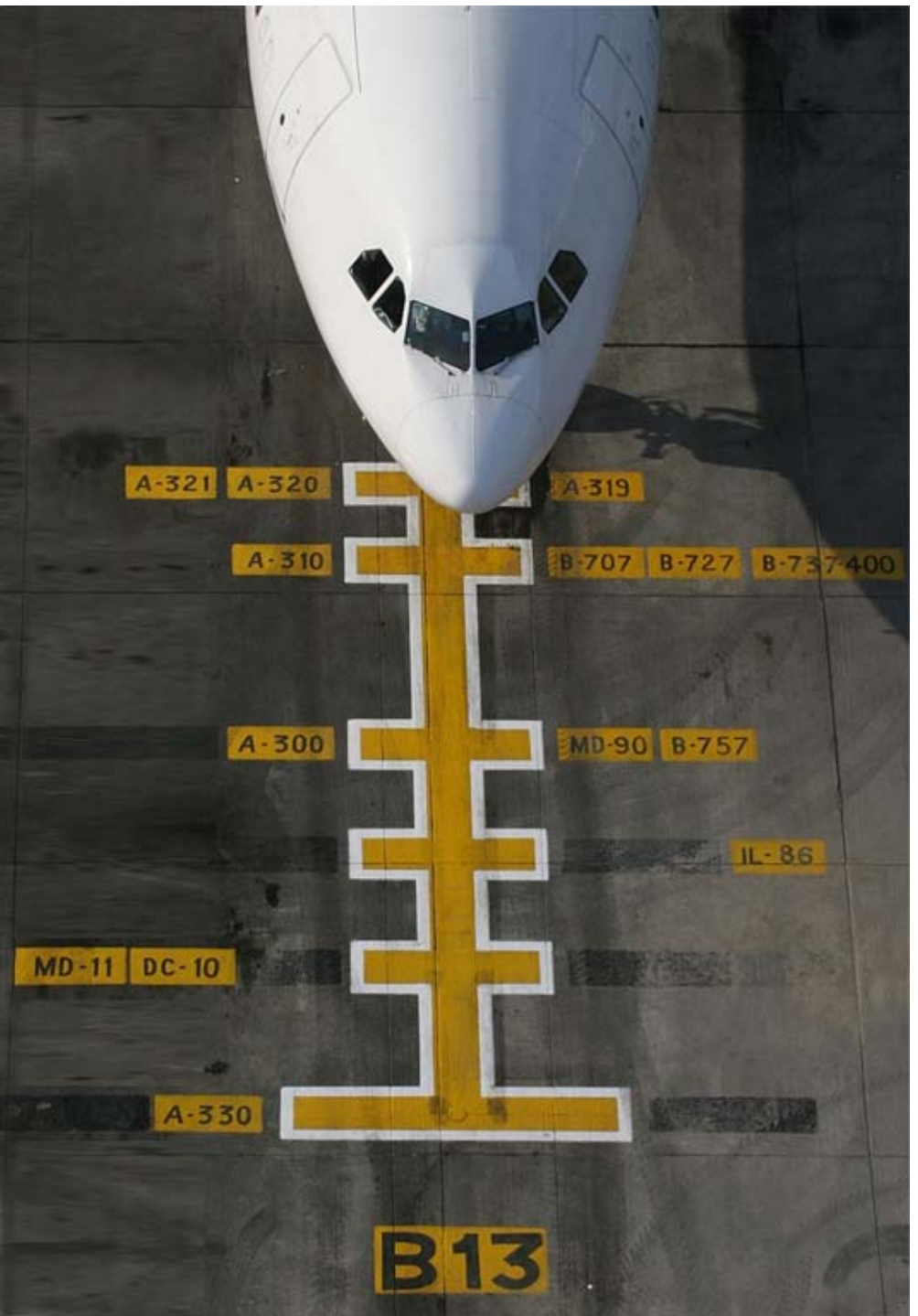




Fragmentation  
high costs,  
and the cyclic nature of our business....



Regulatory  
constraints  
oil  
threaten  
financial health  
and sustainability



...clear vision and strategy





# Industry – government cooperation







.. Passengers, shippers,  
employees and communities





Thank you

