



Thomas Windmuller,
Senior Vice President

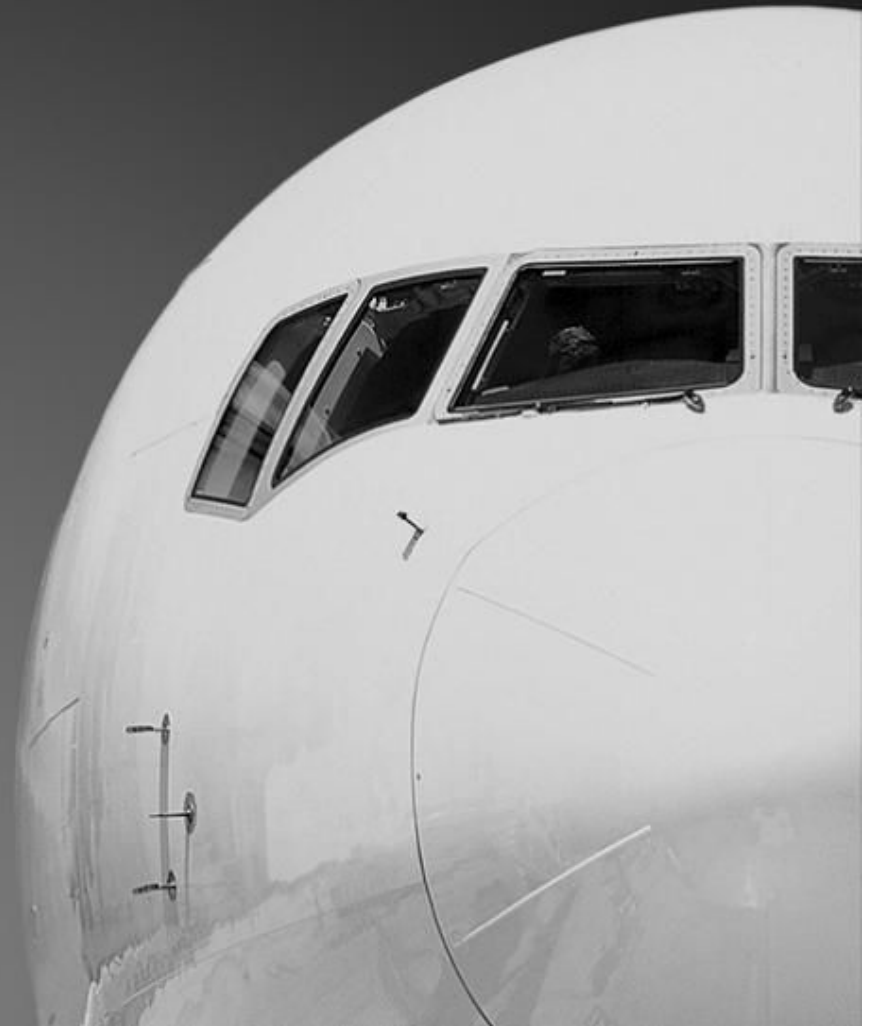




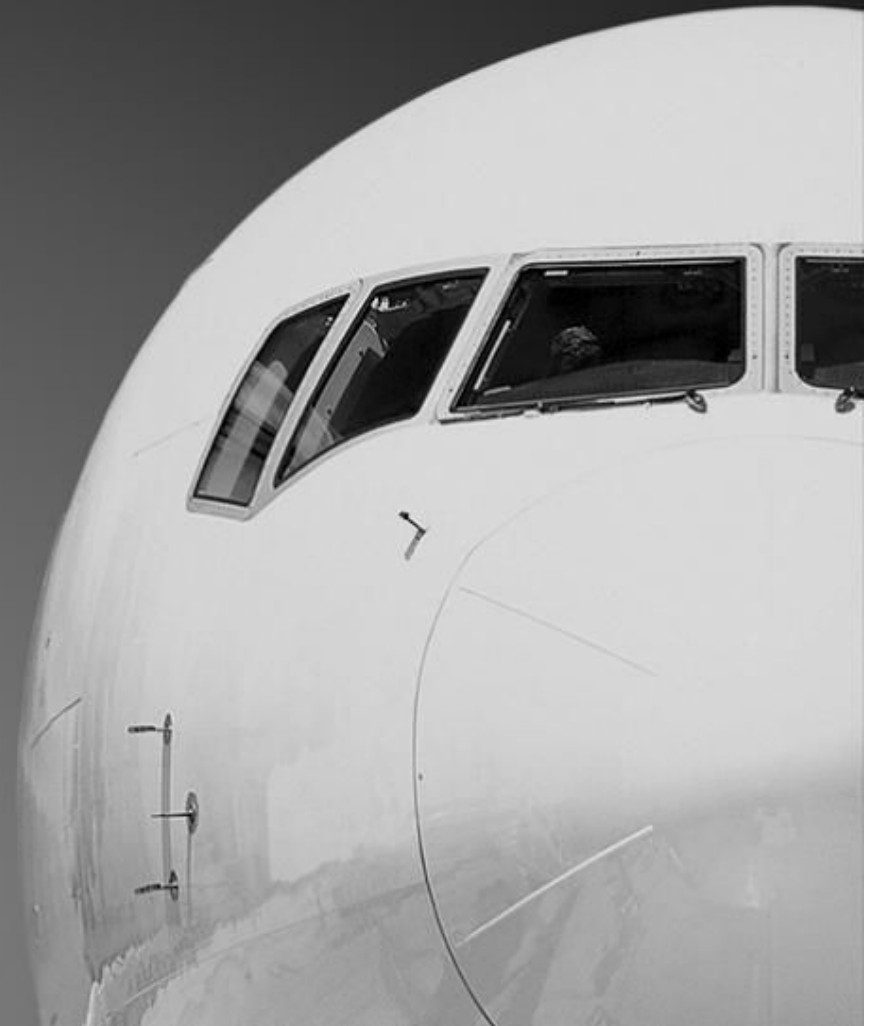




The industry is in crisis



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



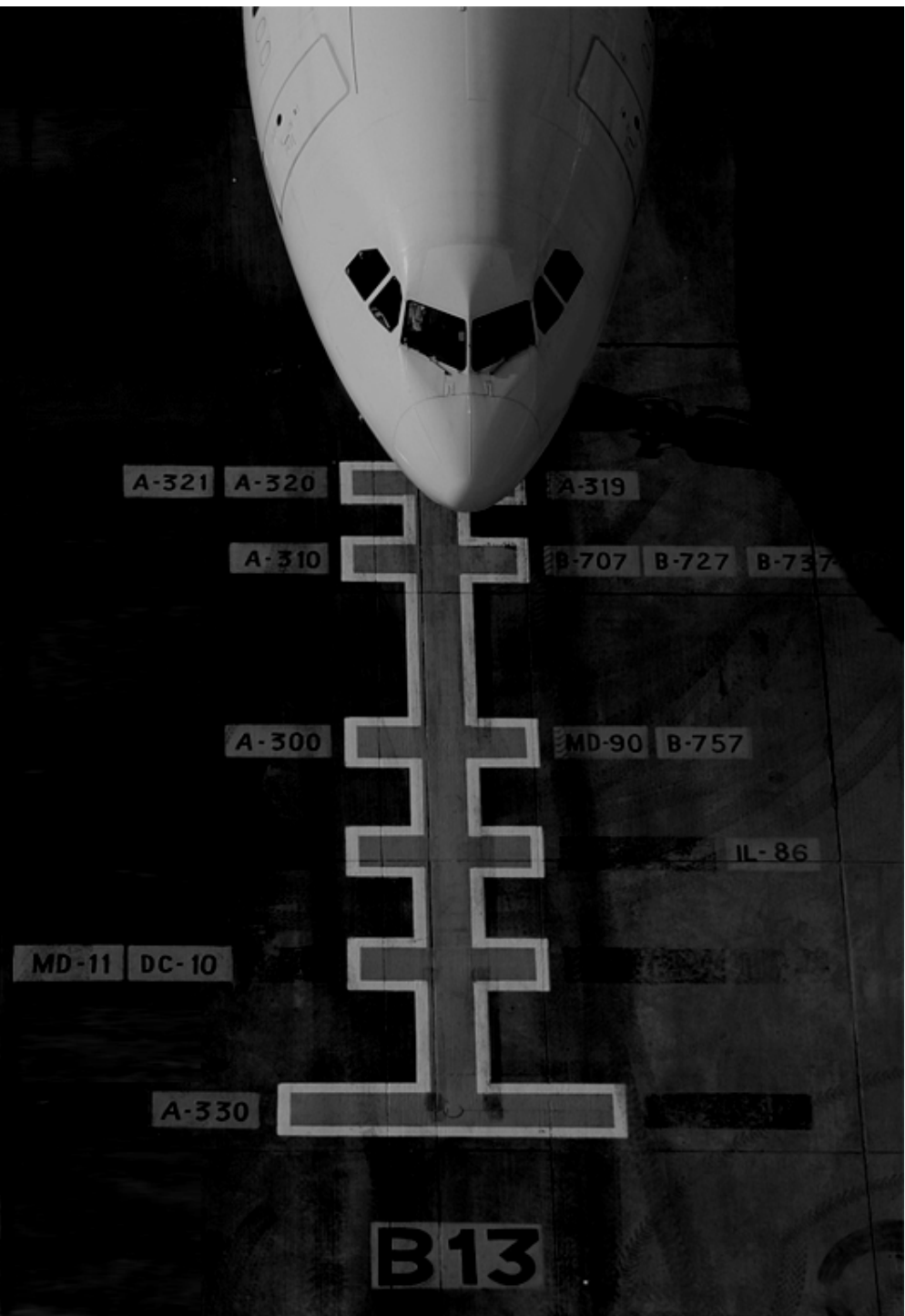
Average profit
margin of 0.3%



The last 7 years have
been particularly
damaging



9/11
SARS and war



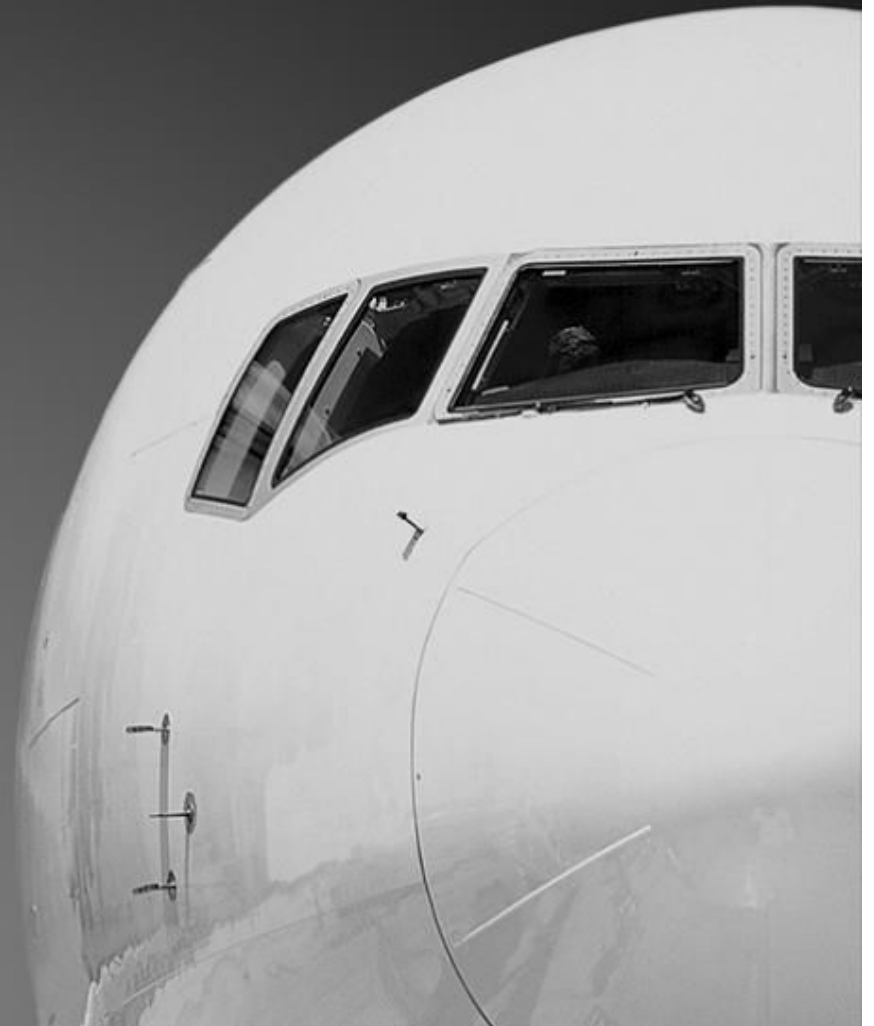


Profit in 2007
US\$5.6 Billion

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 3D-rendered red fuel barrel is shown from a slightly low angle, casting a soft shadow on the white surface below. The barrel has a metallic sheen and a dark red color. Centered on the barrel's side is white text.

This years fuel bill
US\$186 billion

A large, three-dimensional red number '5' is centered on a white background. The number has a glossy, metallic texture with highlights and shadows that give it depth. Overlaid on the center of the number is the text 'US\$50 billion more than last year' in a clean, white, sans-serif font. The text is arranged in two lines: 'US\$50 billion more than last' on the top line and 'year' on the bottom line.

US\$50 billion more than last
year

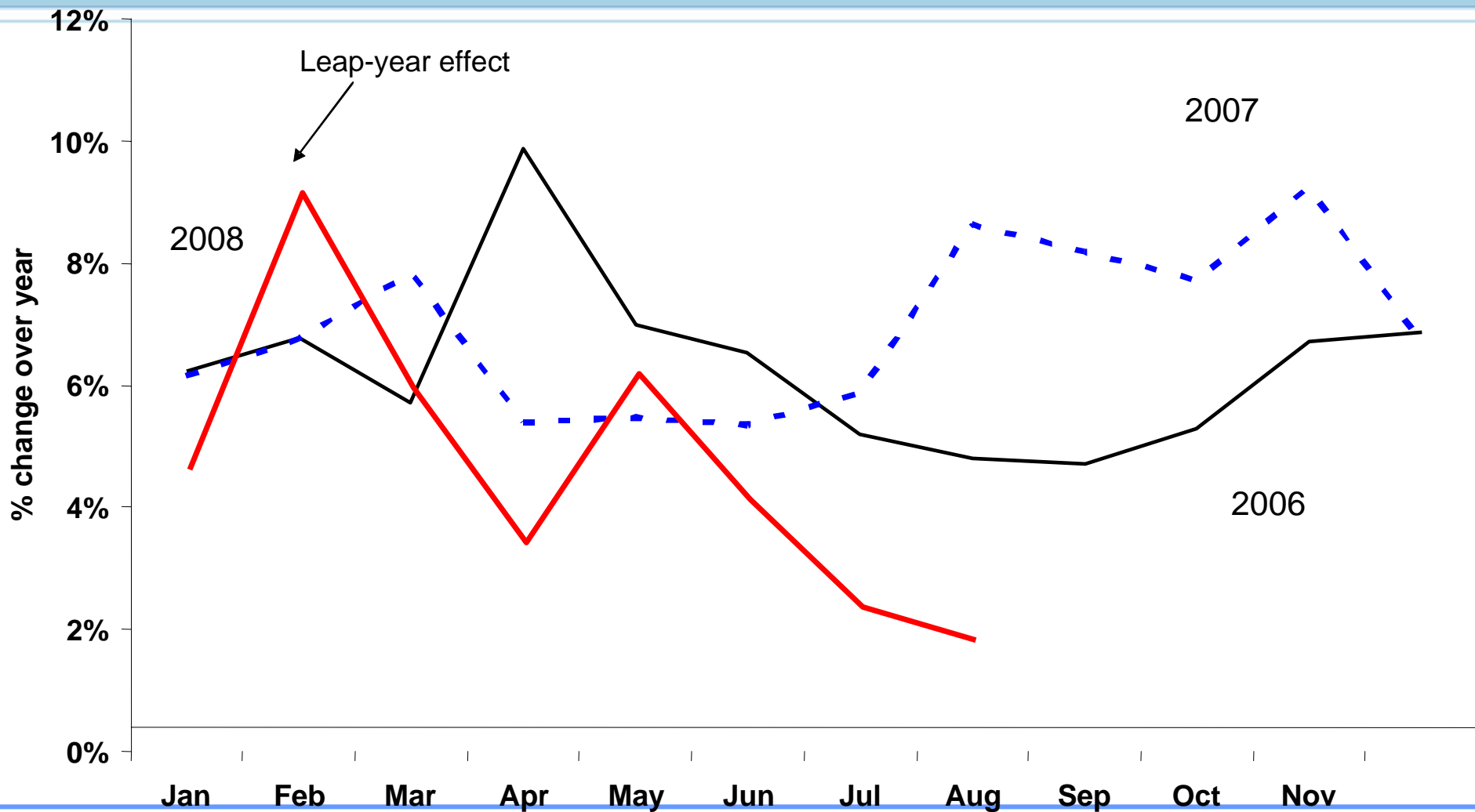
A close-up, slightly angled view of a red fuel nozzle. The nozzle is a vibrant red color with a glossy finish, showing highlights and shadows that give it a three-dimensional appearance. It is set against a plain white background. The text is centered on the nozzle's body.

And more than 4 times the
entire
fuel bill in 2003



Demand (RPKs) growth on international markets

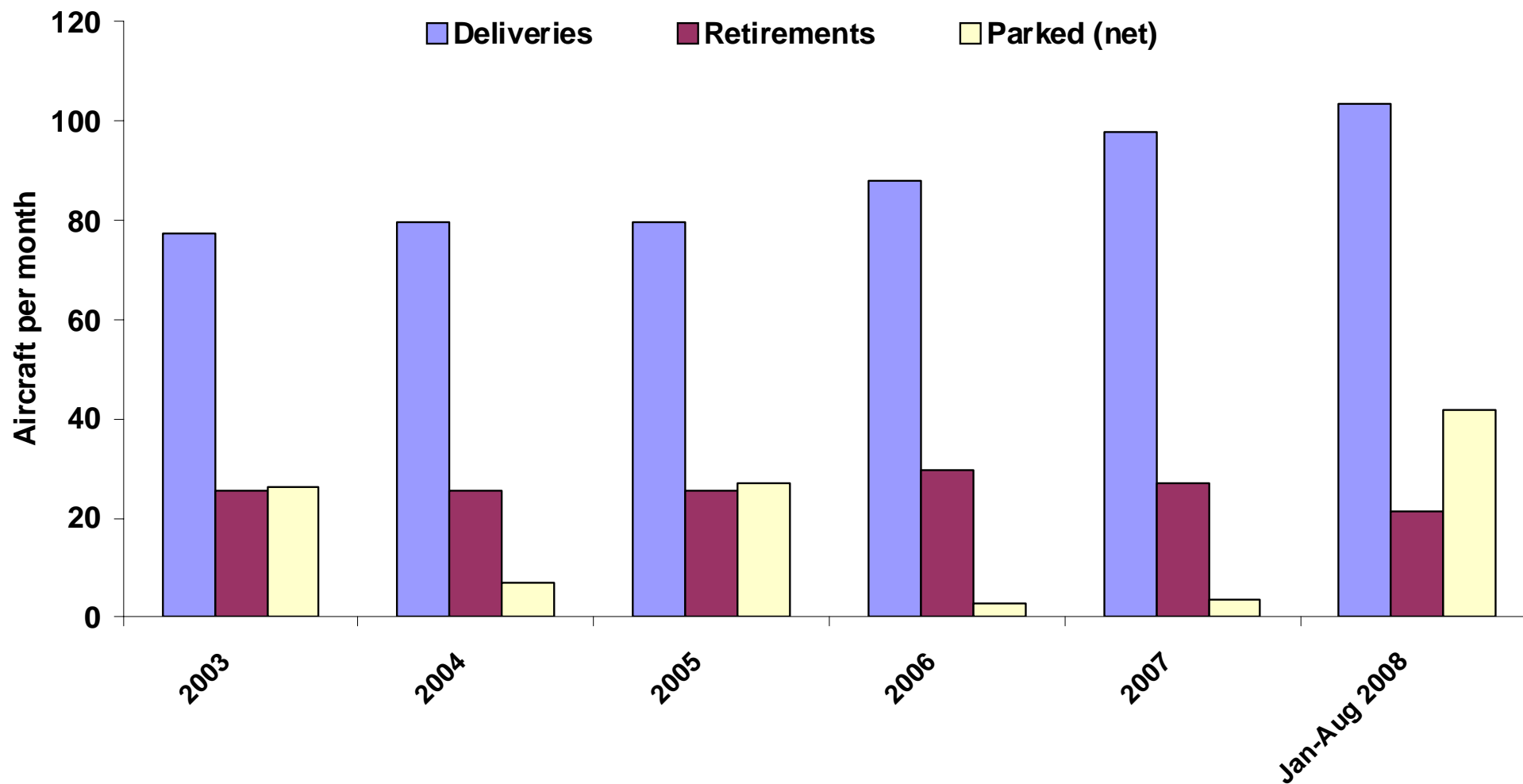
Source: IATA



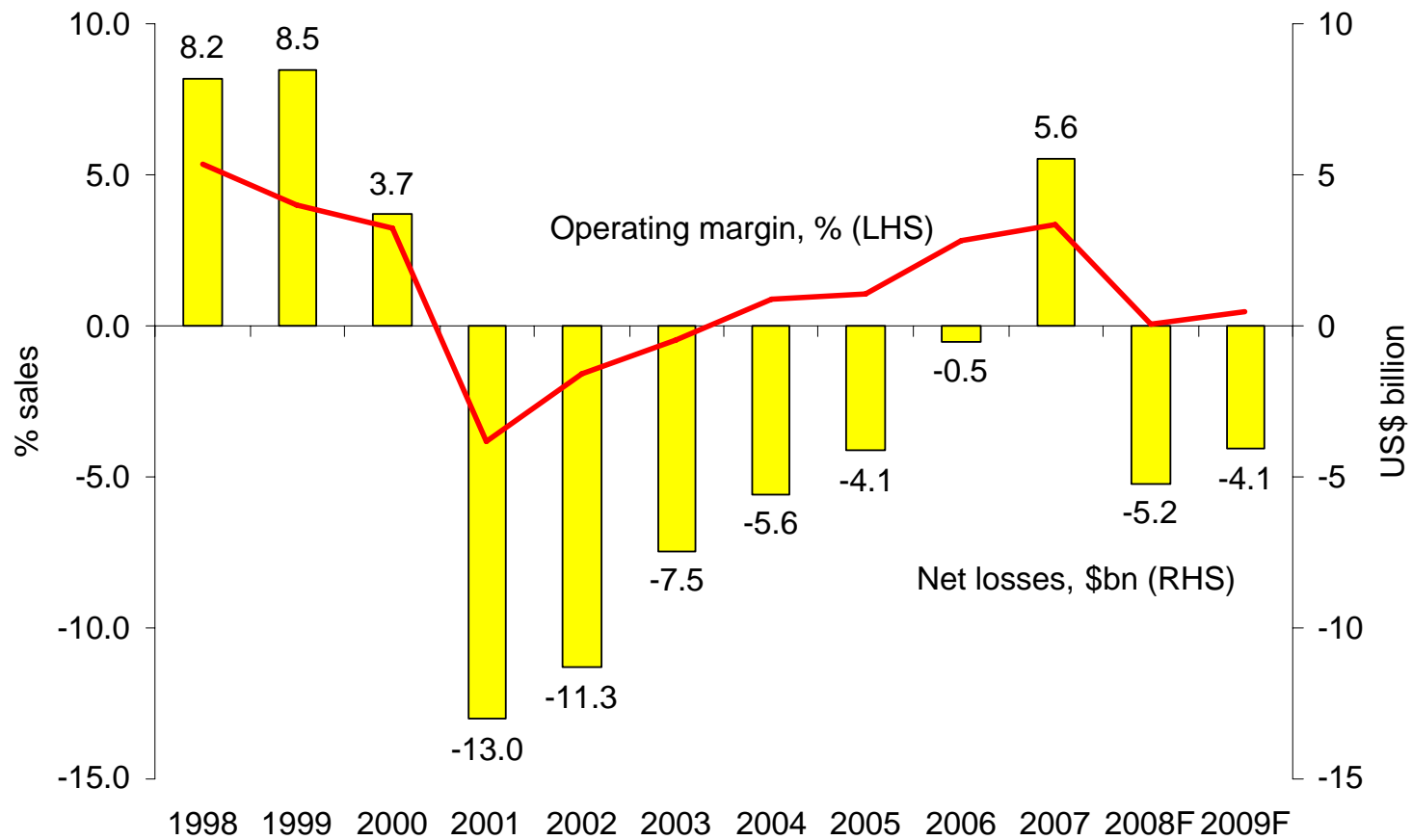


Aircraft Retirements and Deliveries

Source: Ascend



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



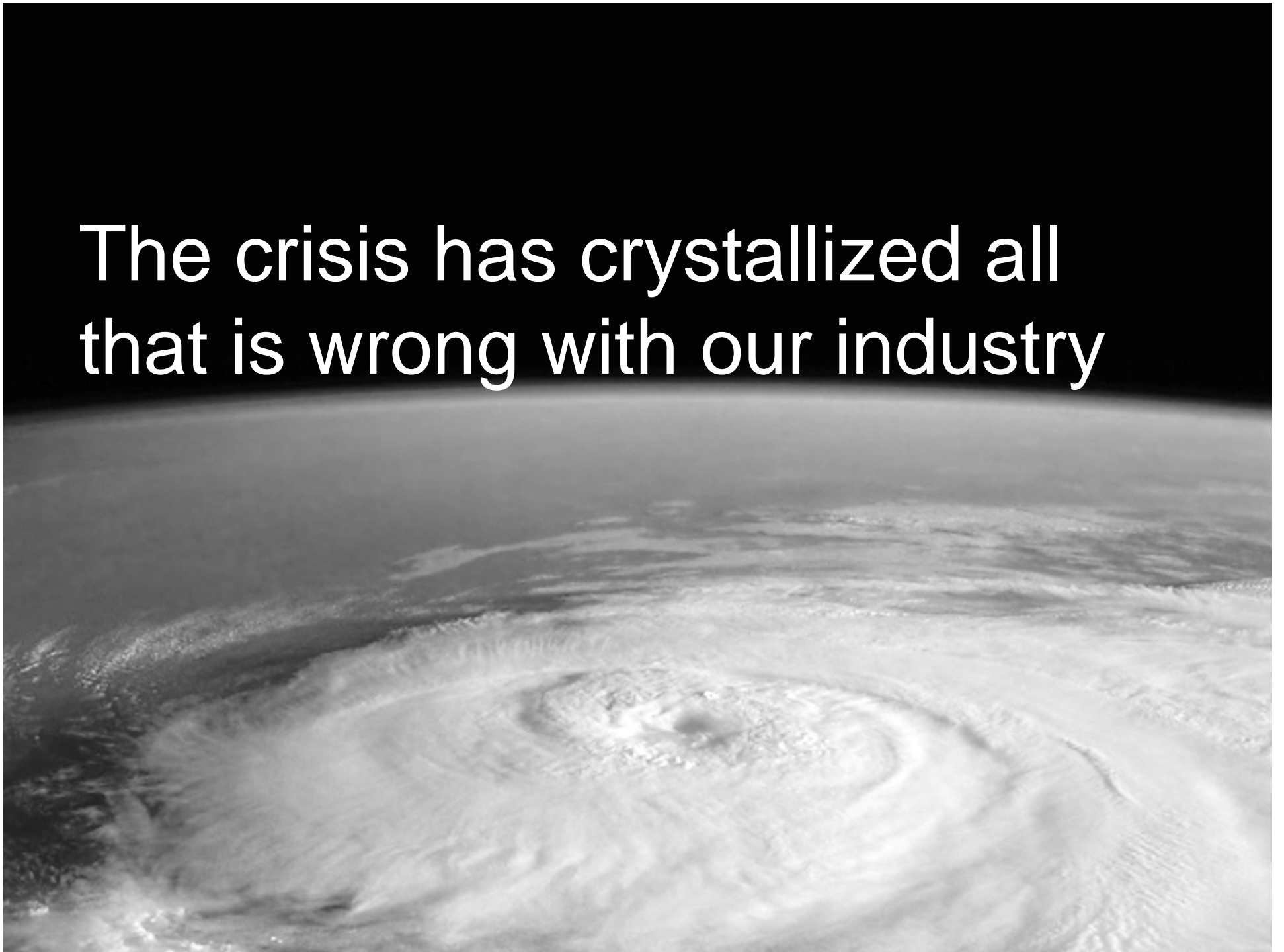
...it is another perfect storm



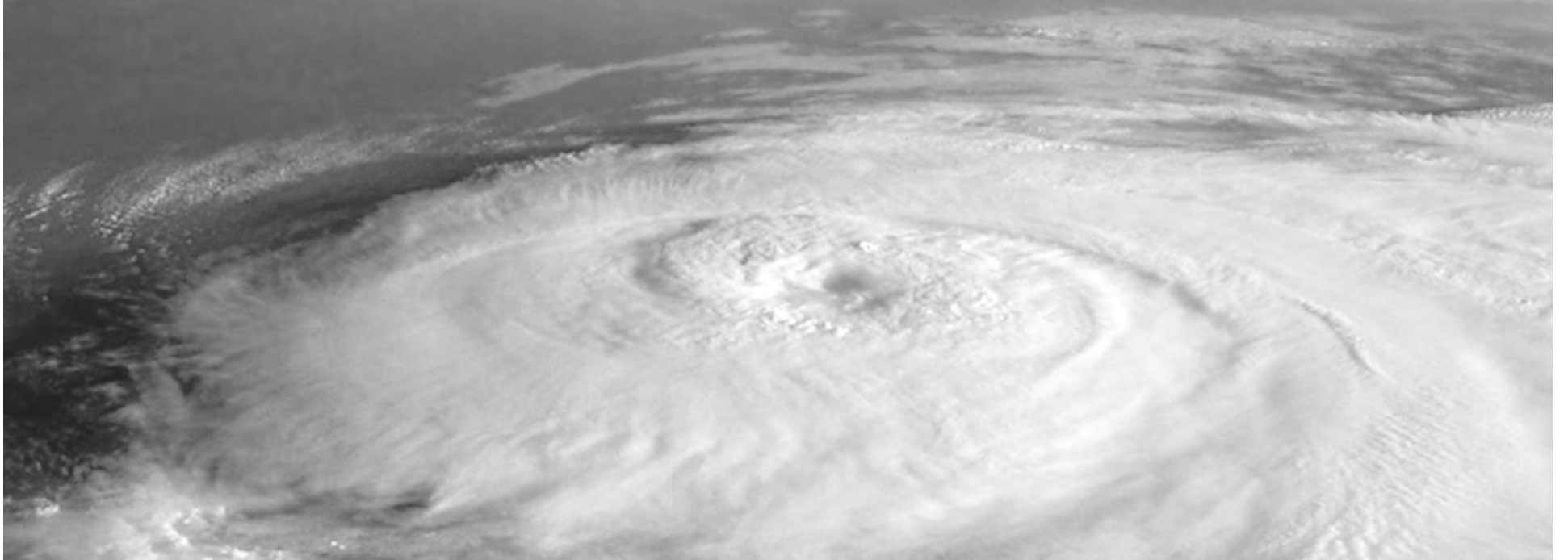
.....over the last year we had to
suspend 25 airlines from our
financial systems



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
CO₂ and USD 3 billion savings
in fuel





By shortening routes
improving operational
procedures
and Green Teams



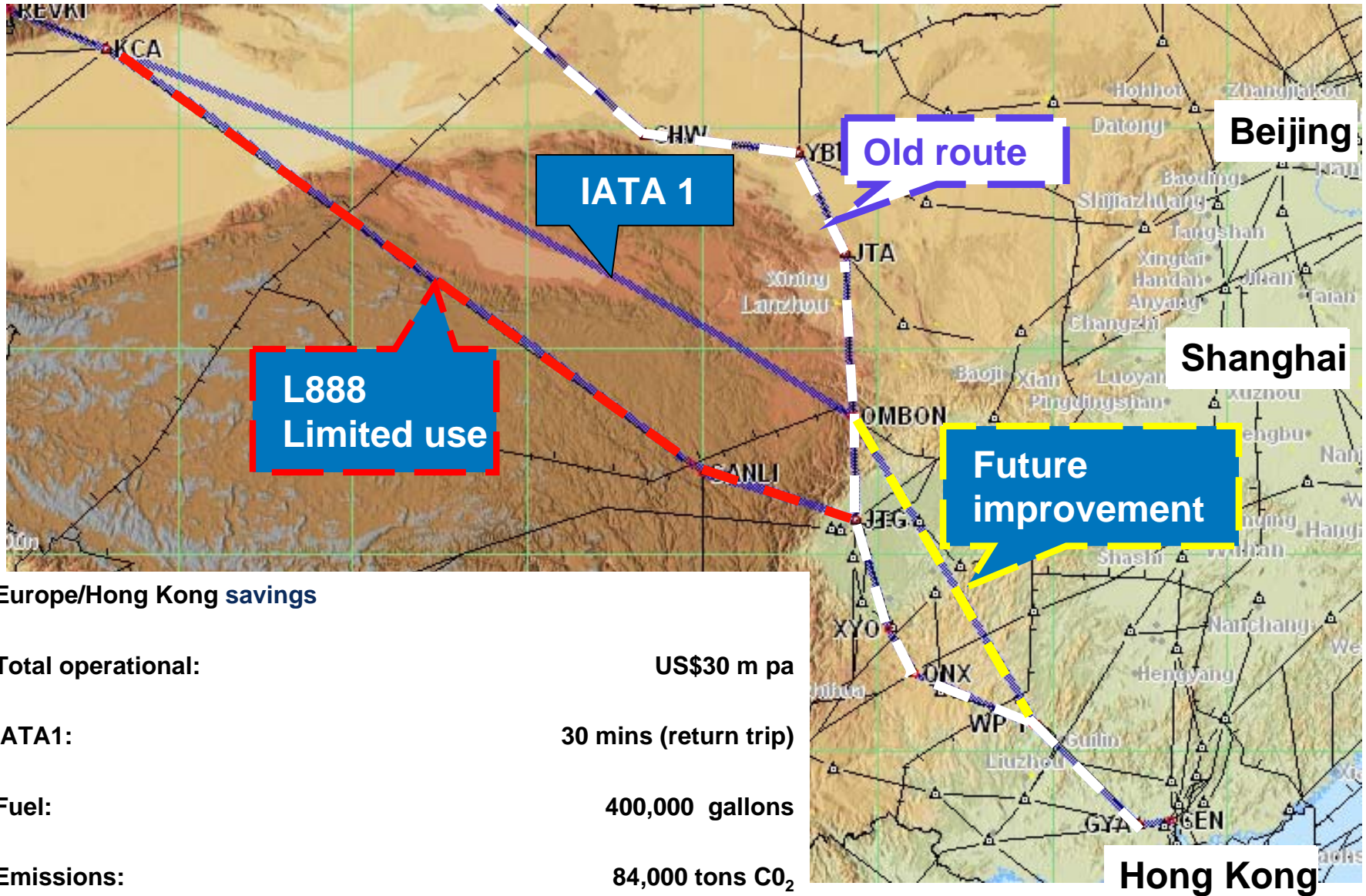
Since 2005 the fuel campaign
has saved

US\$12 billion

57 million tonnes of
CO₂

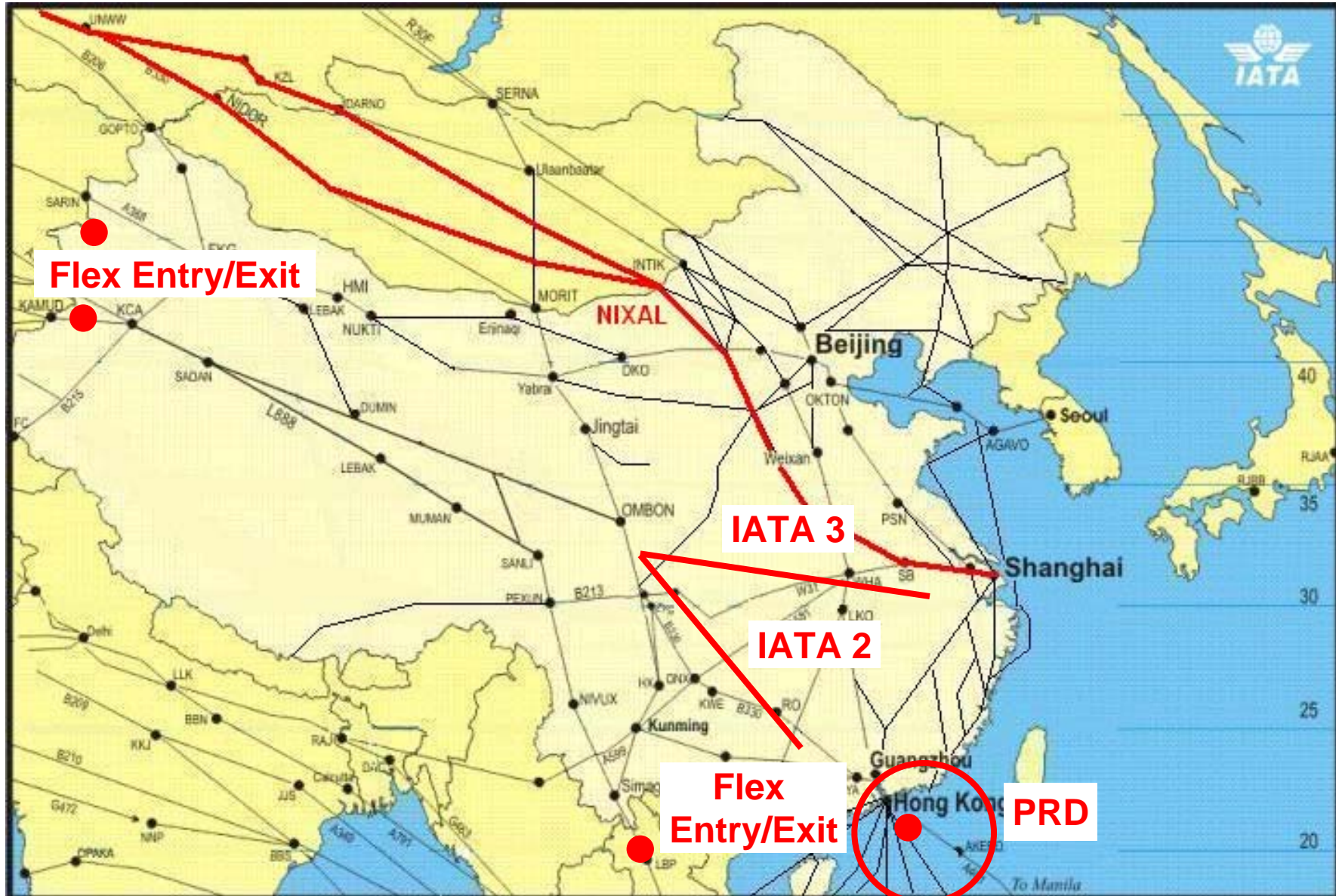


Europe – Hong Kong



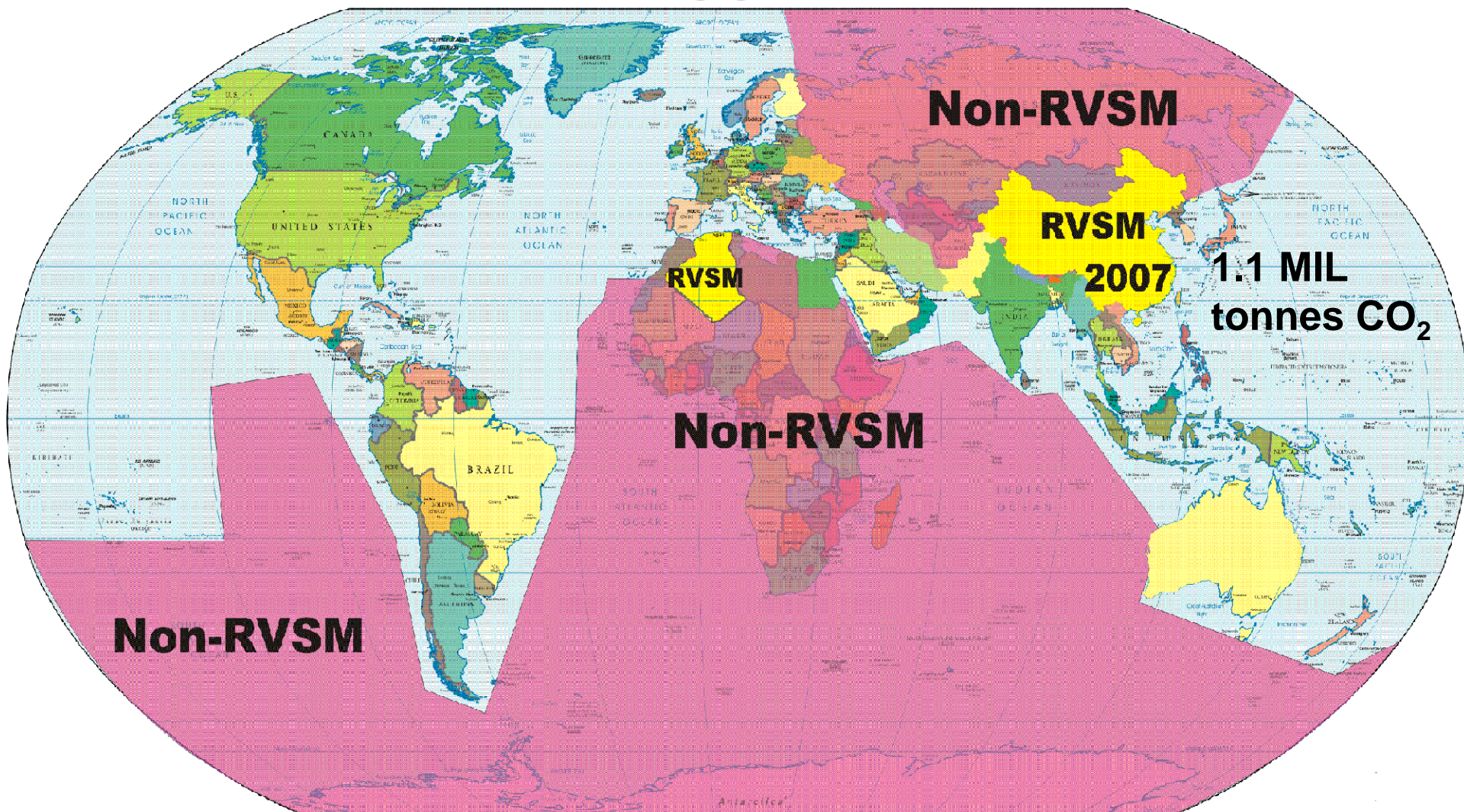
Olympic Bypass

\$19 million
83K tonnes CO₂



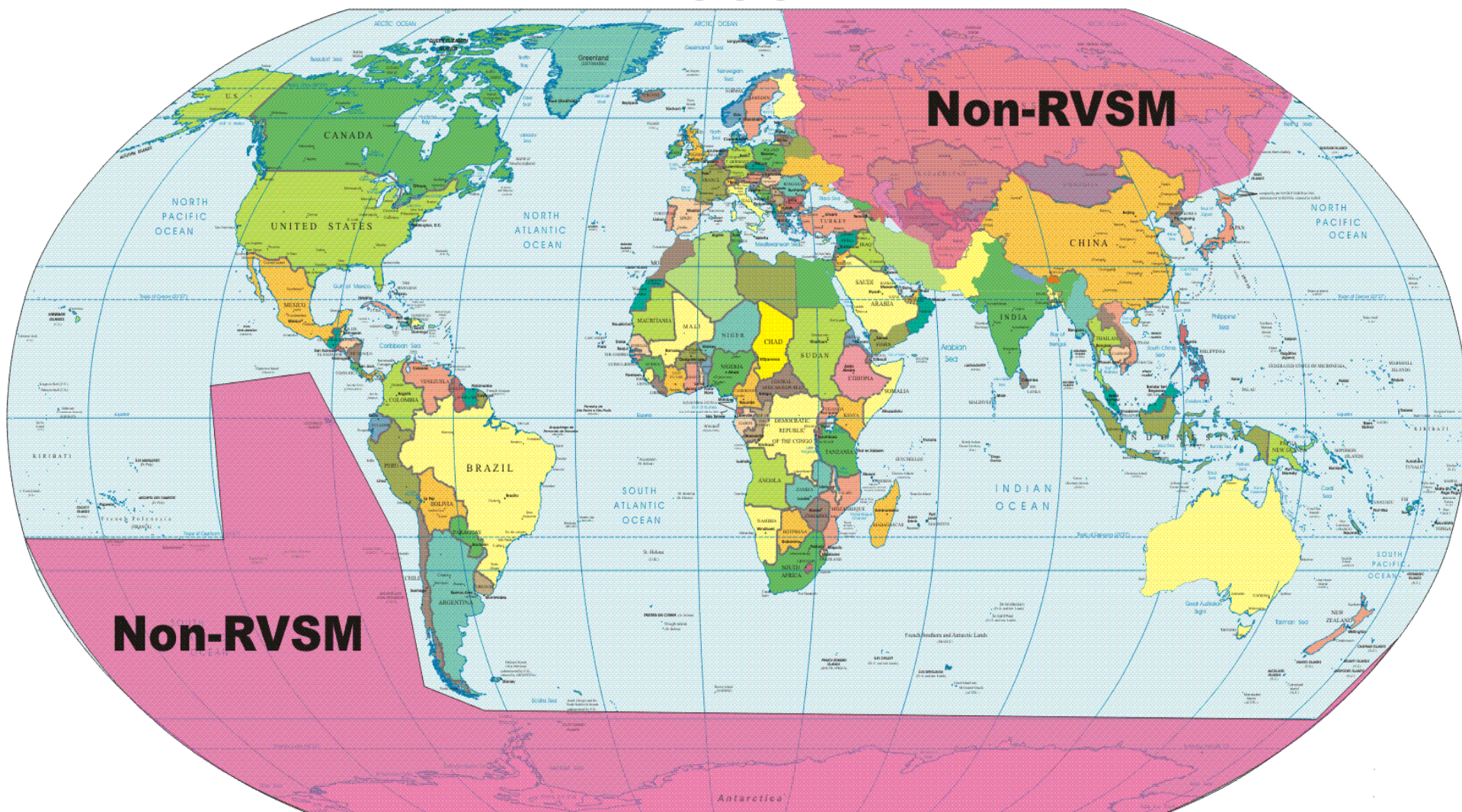


2007





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



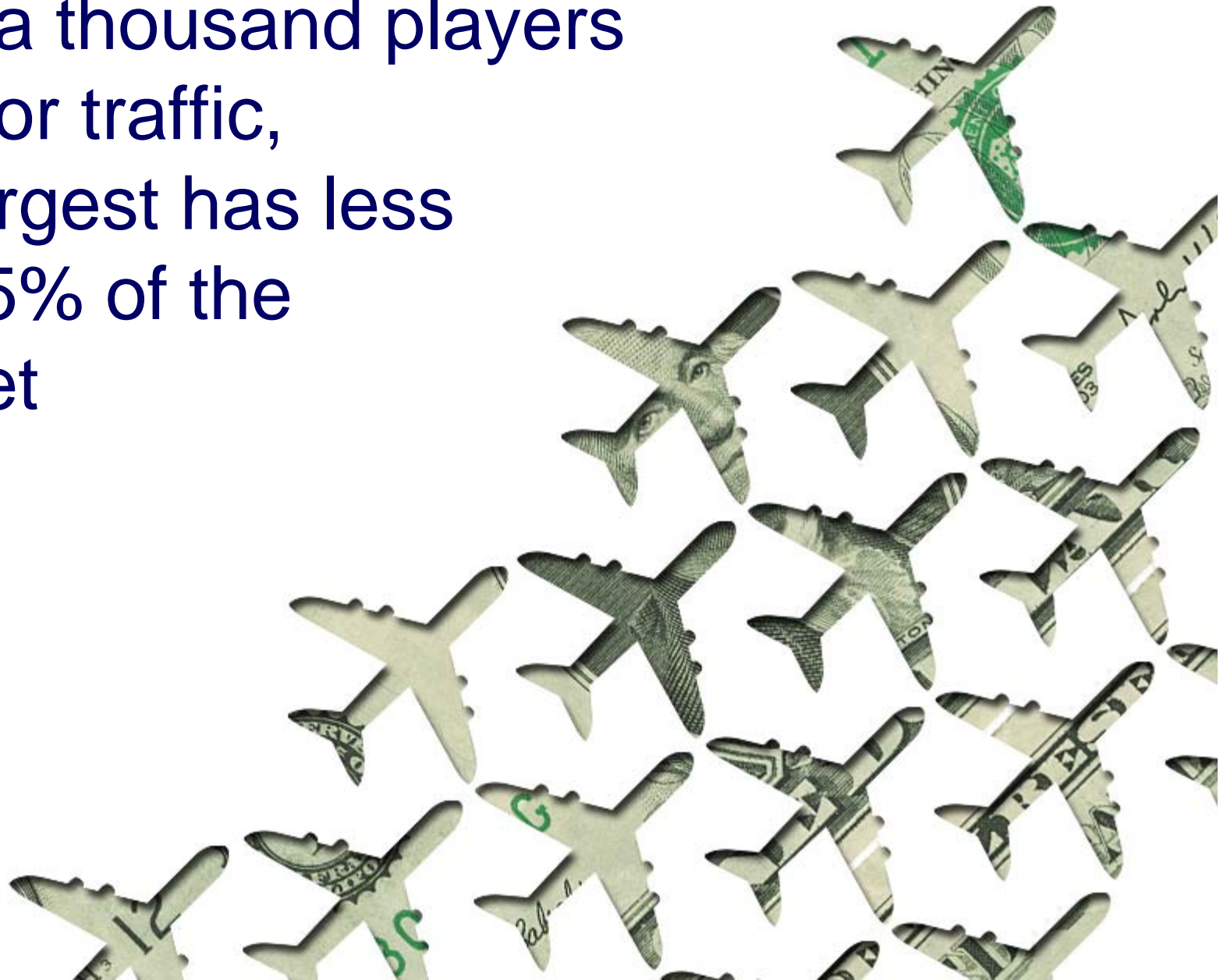
On the supplier side our costs are high



The world's most
global industry
is the most
fragmented

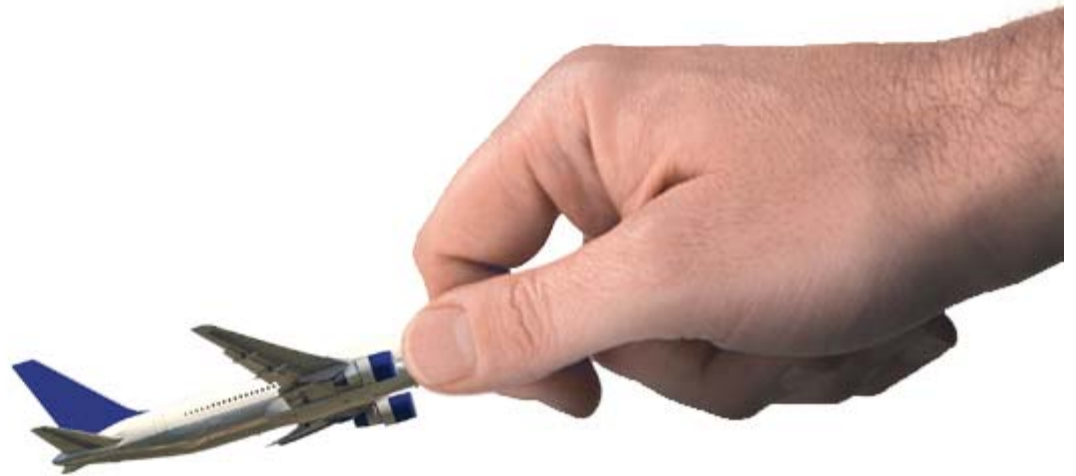


Over a thousand players
fight for traffic,
the largest has less
than 5% of the
market



Press governments for freedom





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



Lufthansa

SWISS



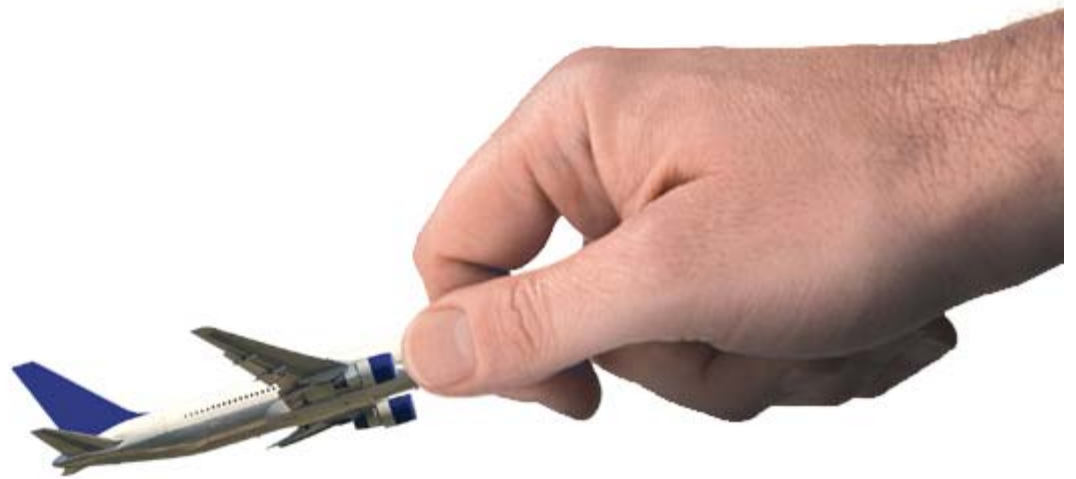
Swiss
International
Air Lines

AIR FRANCE KLM

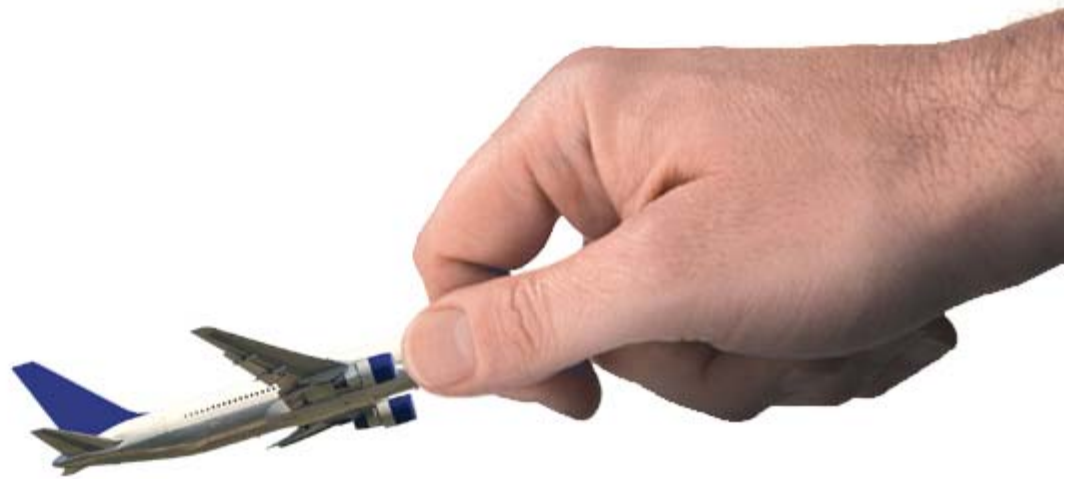
Rumblings in the EU and the US



The barriers are too high



Progress too slow



ASEAN is liberalising but in stages



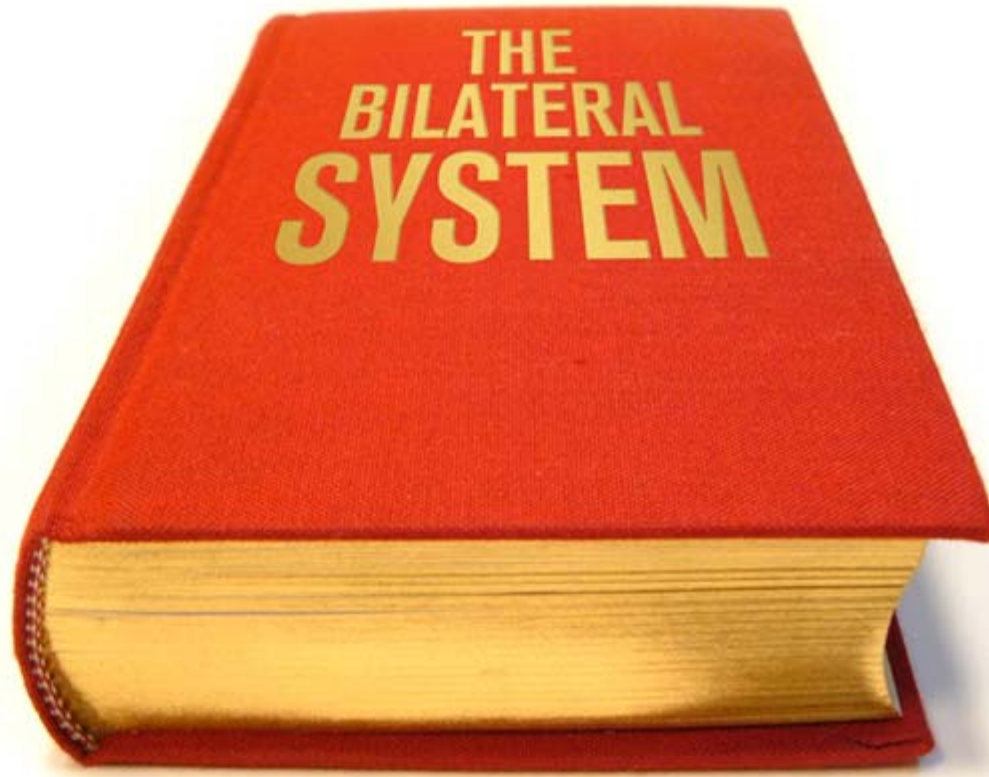
US and EU updated their agreement
last year



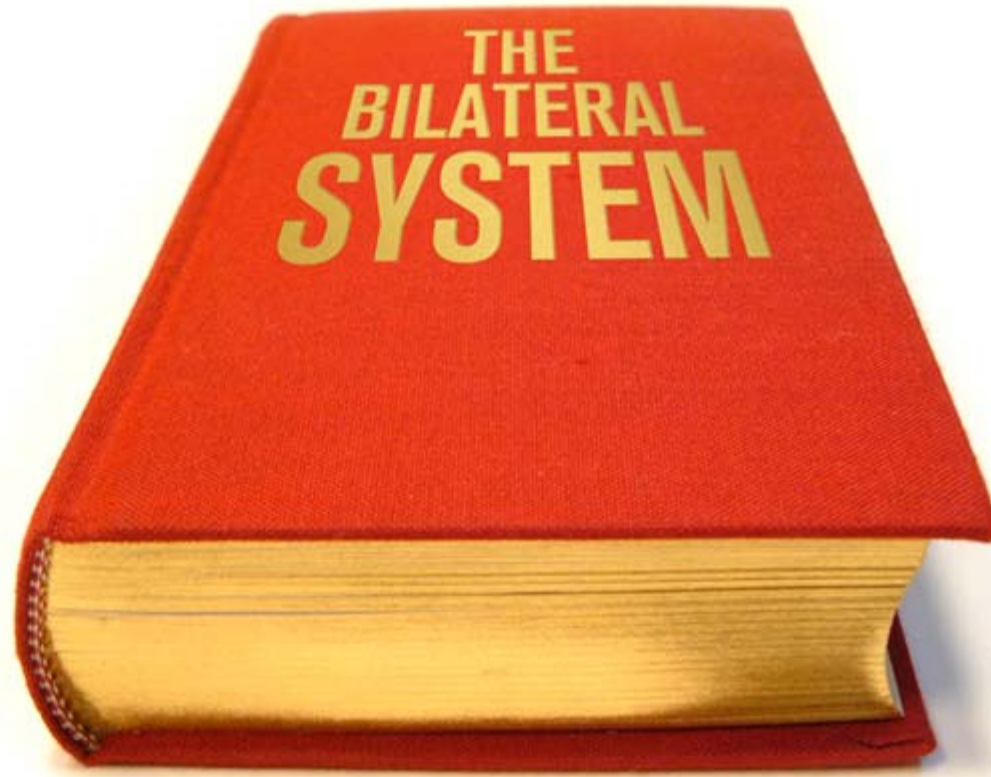
But did not address ownership



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 CO₂




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 wavy texture, suggesting it is a physical fabric.

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



...Contravenes the Chicago
Convention

The background of the slide is the European Union flag, featuring a blue field with twelve five-pointed yellow stars arranged in a circle. The flag is shown with a slight ripple, 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
CO₂





And US\$ 5 billion each year

Oil dependence



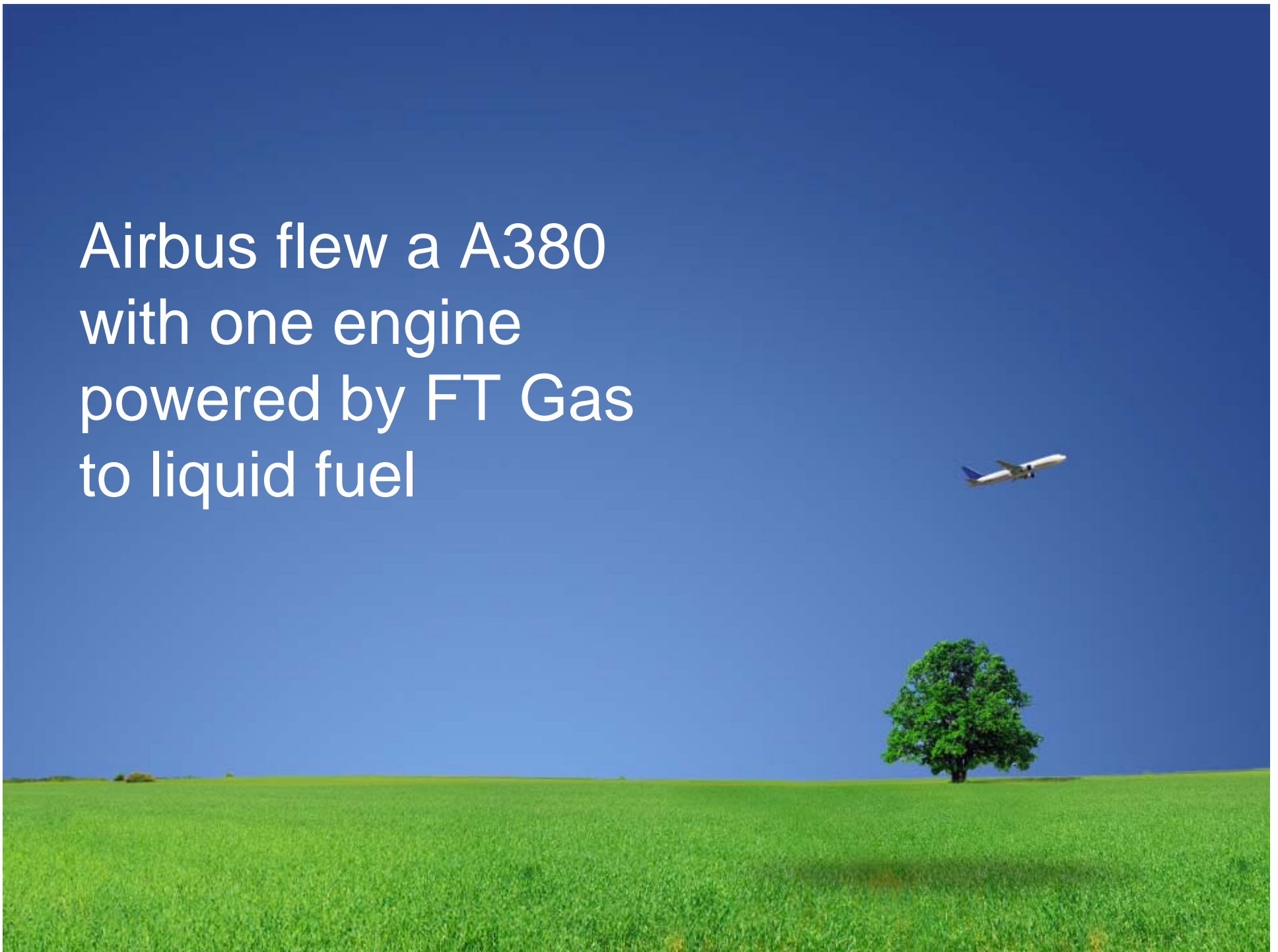
We face
high costs
and environmental concerns



Alternative fuels offer hope



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



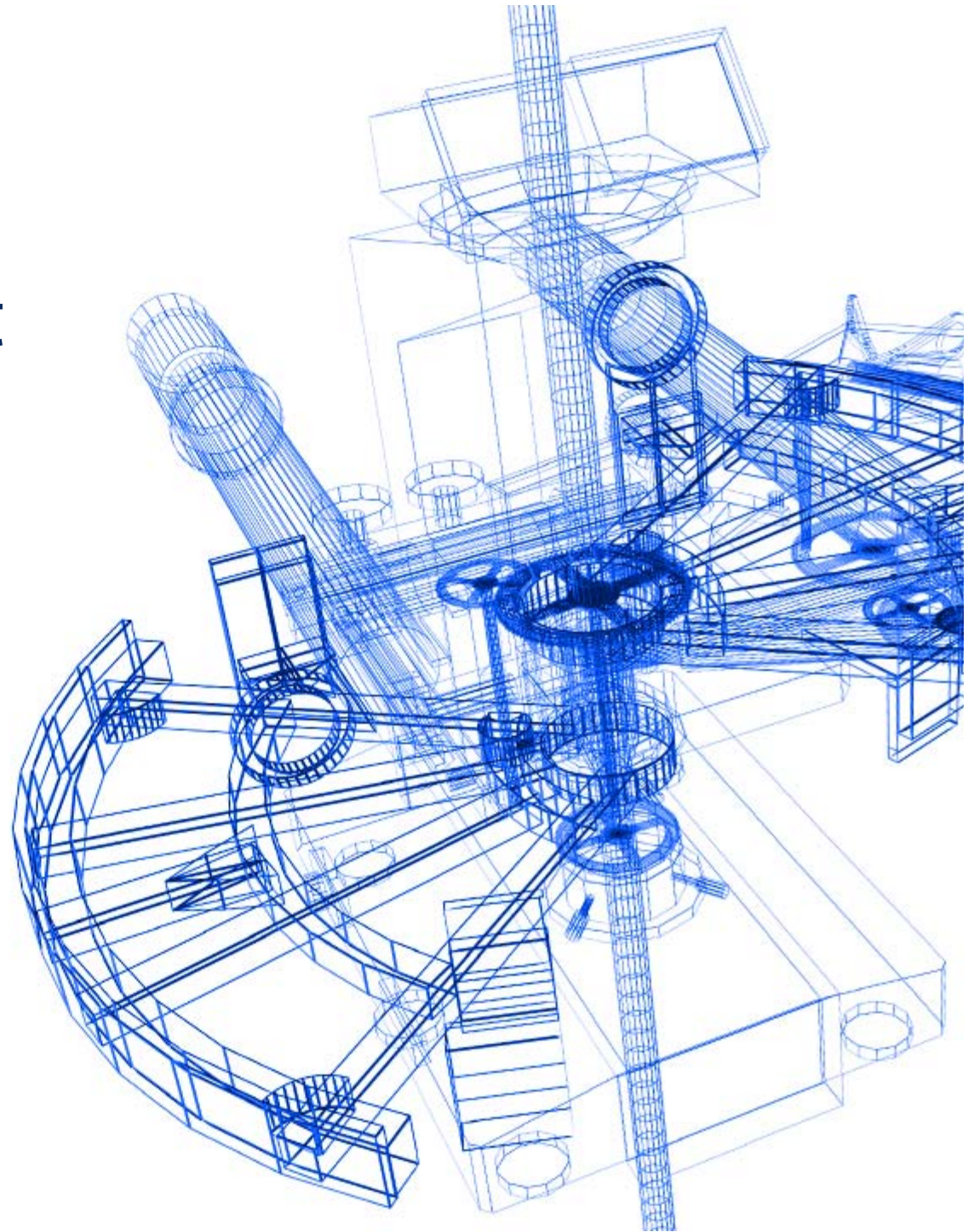
Virgin Atlantic flew a
Boeing 747-400 with
engine operating on a
20% biofuel mix



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



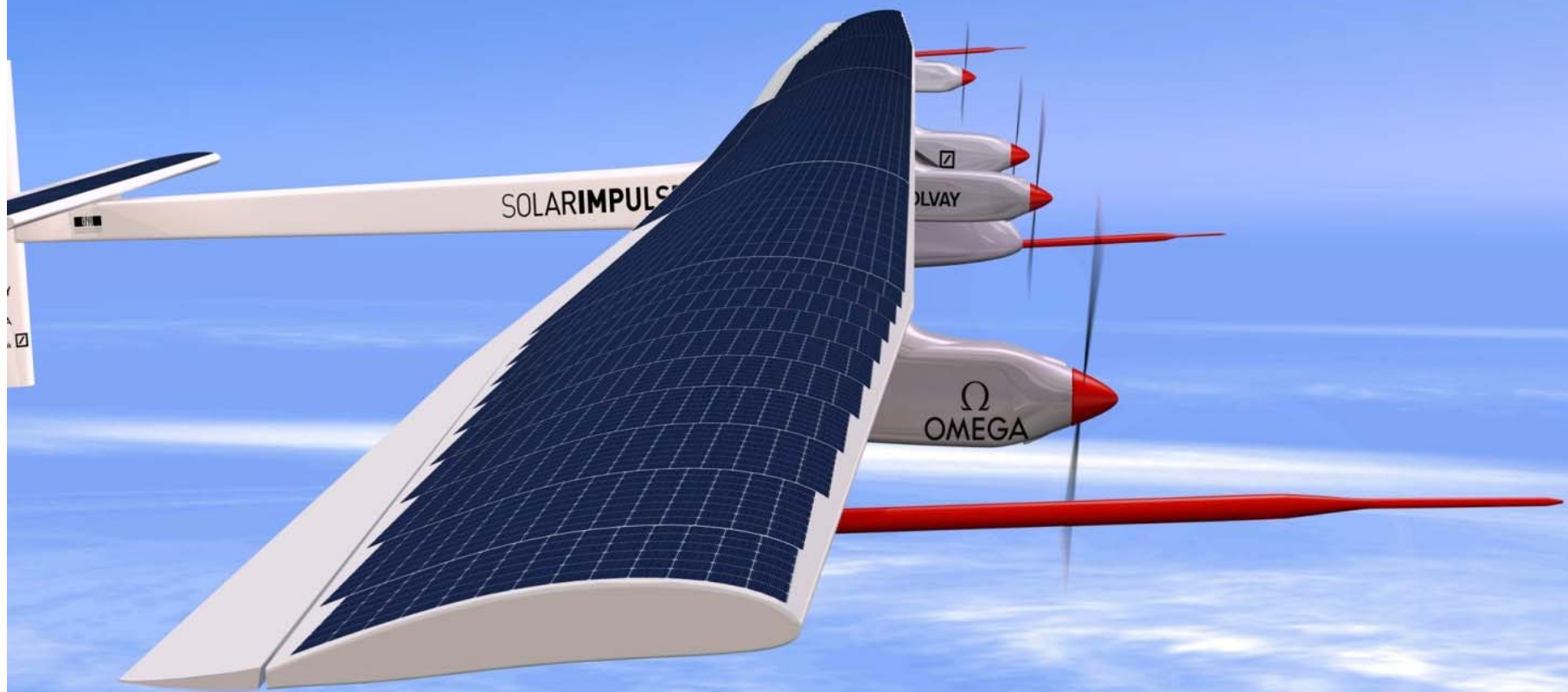
IATA is working with industry partners
on standards and specifications



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

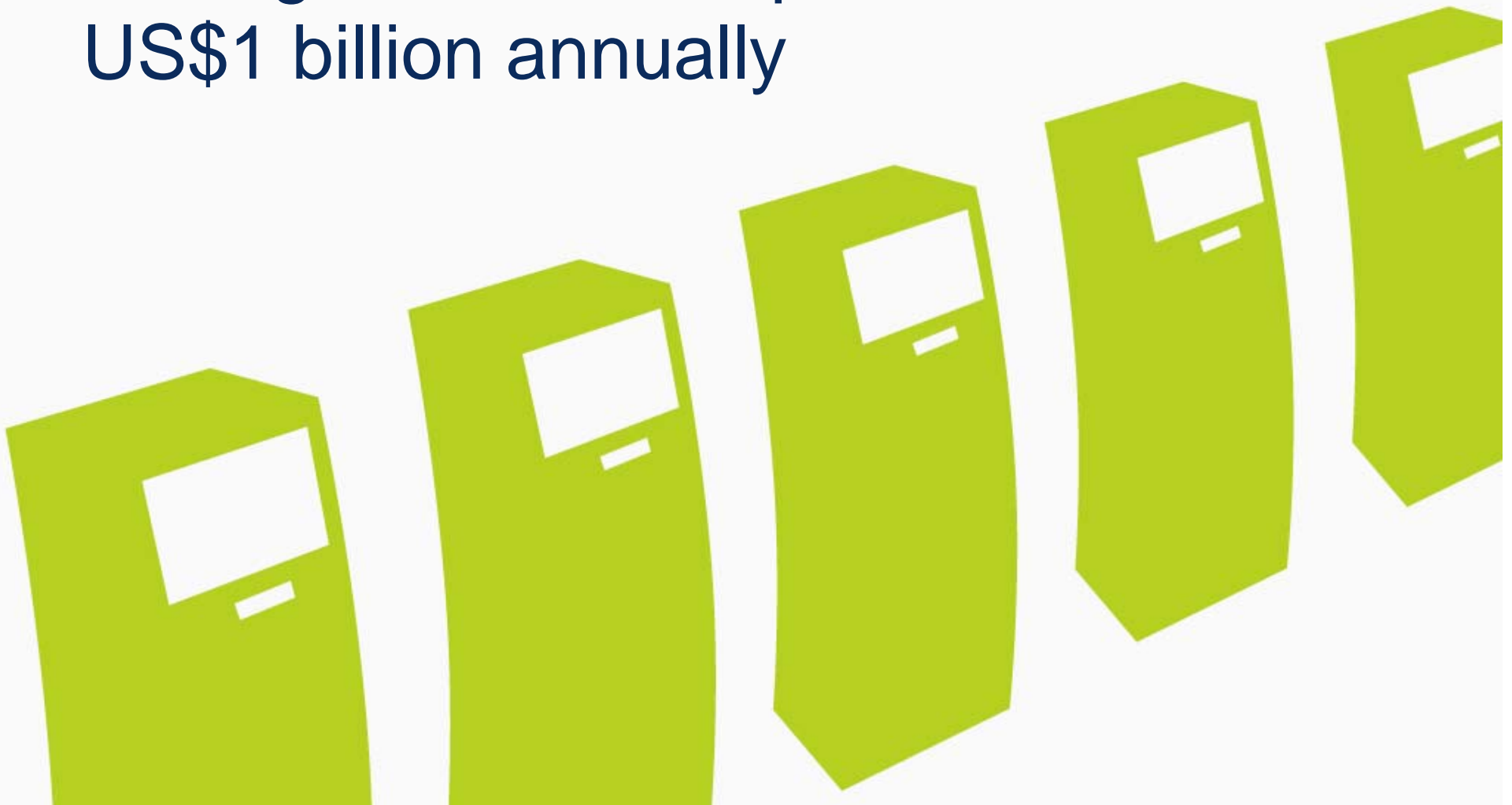


176 airlines
use Bar Coded
Boarding
Passes

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

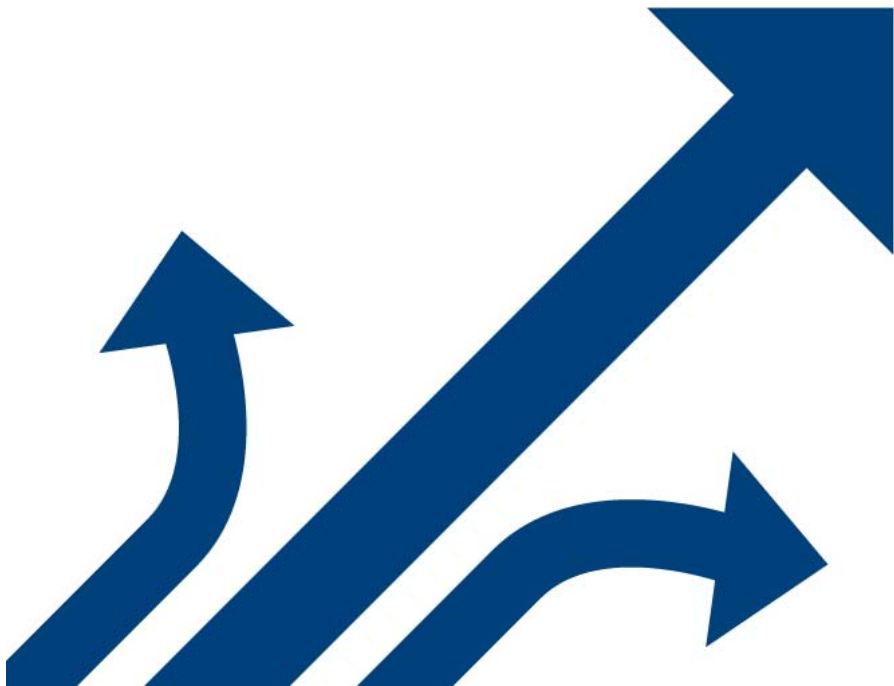


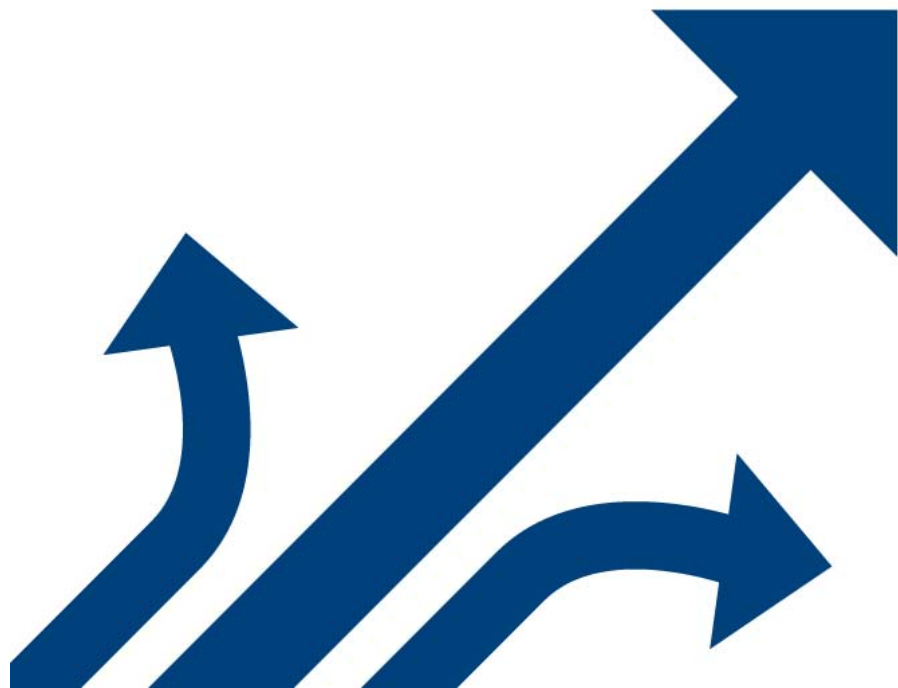
Our baggage improvement programme
takes a holistic approach.....



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

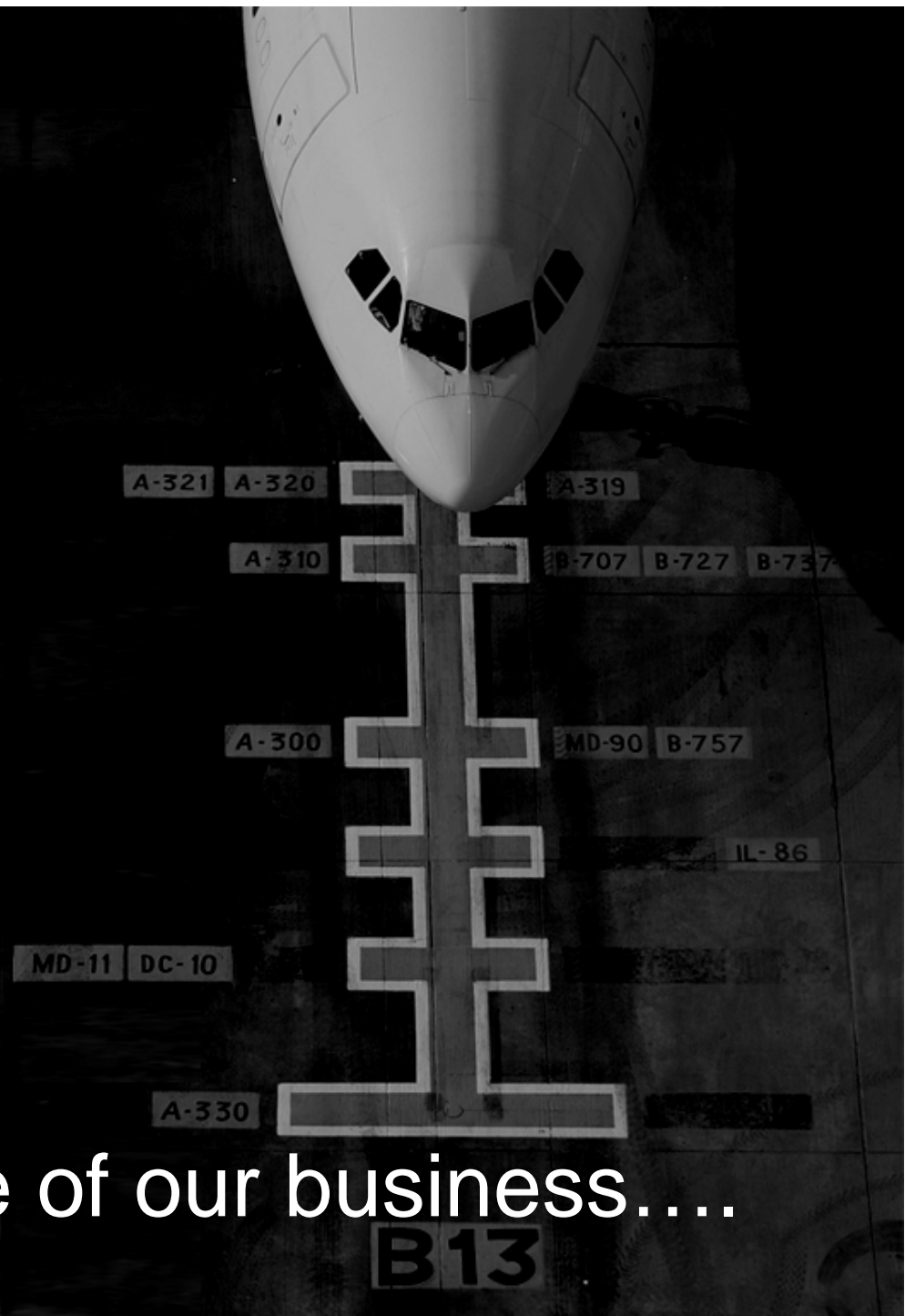


Today our industry is in crisis

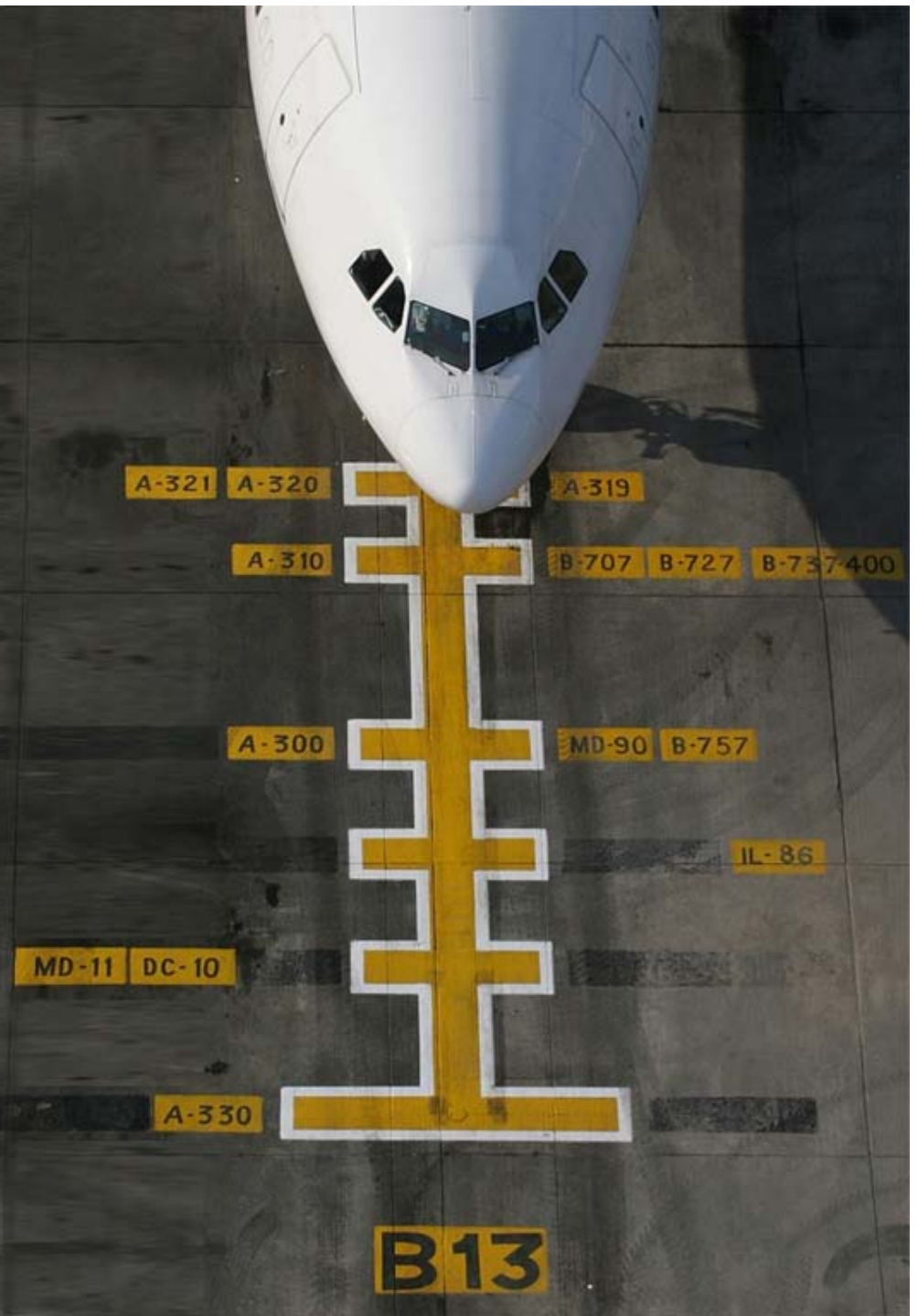
We must drive change
or be **run over by it**



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

