

GOVERNMENT & INDUSTRY AFFAIRS UPDATE



October 2012

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Highlights on some of the key Government and Industry Affairs issues addressed by IATA during October:

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USA

CBP staffing

IATA, A4A and ACI-North America continue to work together to address the significant Customs processing delays at U.S. gateway airports. IATA will host a meeting during the upcoming AVSEC conference with Customs and Border Protection (CBP) officials and airlines operating out of JFK, where significant delays continue. IATA, A4A and ACI-NA are now building their coalition through a series of meetings with potential partners in this effort. We are also investigating opportunities to challenge CBP in terms of their allocation of aviation user fees to other modes.

GDS

IATA and A4A continue to work with an external economist to challenge DOT's expected cost-benefit justification for a mandate that airlines sell ancillary products through the GDS network. IATA and A4A are meeting this month with the U.S. Justice Department to urge it to encourage DOT not to pursue

this mandates. Finally, IATA will chair a panel at the ABA Law and Space Forum annual meeting entitled: "Passenger Rights: Unfair and Deceptive Practices or a Re-Regulation of the Airline Industry." This will give IATA and panel members an opportunity to challenge DOT's basis for moving forward on Consumer Rule III. IATA will be briefing the Obama Administration and the U.S. Congress on the New Distribution Capability (NDC) project and how it is pro-competitive.

EUROPE (EC)

[New EU proposal for lifting restrictions on Liquids, Aerosols and Gels \(LAGs\)](#)

The European Commission has presented a new draft regulation to cancel the full lifting of the LAGs restrictions by April 2013. Instead, the EC is proposing a stepped approach in line with the first phase described in the EU-US statement of intent signed in July:

- The current restrictions would be maintained until 30th January 2014
- By 31 January 2014, duty-free LAGs (purchased at an EU or non-EU airport or purchased on-board an EU or non-EU aircraft) presented in a STEB (Secured Tamper-Evident Bags according to ICAO standards) would be allowed in the Security Restricted Area of EU airports, provided that they can be screened.
- By the same date, medicine and special dietary LAGs would also have to be screened

This draft proposal still needs to be agreed by the Member States (several of them have actually already voiced concerns about this proposal). The vote should take place in the Aviation Security Committee on 22nd November, and will then be submitted to the scrutiny of the European Parliament, in order for the regulation to enter into force before 29th April 2013 (avoiding any legal void, since in the absence of such regulatory change, the fully lifting of LAGs restrictions would apply as of 29th April 2013).

[Update on the revision of EU Regulation 261 \(denied boarding, cancellations and long delays\)](#)

EU regulation 261 is about to be revised and the EC proposal is expected before the end of the year. The latest information received is that:

- The revision will not take rights away that have been given under Reg.261 and the respective court cases
- On delays, the revision will not address the level of compensation but the "trigger points" (delays after which a compensation should be given depending also on duration of flight: possibly 5-9-12)
- The wording regarding "right of redress" will be strengthened but the EC assumes that the industry does not see much added value in this
- Bankruptcy protection will not be part of the proposal
- Revision will define extra-ordinary circumstances
- EC will propose to limit the right to care (they think about 2-4 days; probably with an upper limit @ 150 EUR p.n.)

CARGO

Paperless cargo is getting support from industry stakeholders and authorities: During the recent TIACA Air Cargo forum in ATL, US Secretary Transportation Ray Lahood, ICAO Secretary General Raymond Benjamin and Delta CEO Richard Anderson, each during separate presentations enforced the need for the industry to embrace paperless processes and the industry **e-freight and eAWB** initiatives as key drivers to improve security and industry efficiency.

IATA Regional and local Cargo Managers are engaged in a campaign to document requirements on AWB set by customs authorities in the countries accounting for 90% of the international cargo shipments.

Civil Aviation Authorities in the UK and Netherlands have recognized the use of the **electronic consignment security declaration** after some successful data exchange trials and are encouraging some live shipment trials. Proofs of concept are ongoing in Canada, Switzerland, Germany, South Africa and Australia.

IATA and the World Customs Organization (WCO) have launched a joint survey to the industry on **advance electronic information** requirements to understand the existing and upcoming new country requirements. IATA is working very closely with Customs administrations around the world to promote the use of WCO SAFE Framework of Standards when implementing advance electronic information e.g. Meeting with Director General of Israel Tax Authority.

IATA Regional and local Cargo Managers are engaging in a worldwide campaign on the acceptance of the **electronic shipper's declaration for dangerous goods** by Civil Aviation Authorities.

For a secure air cargo: The World Customs Organization (WCO) has provided formal recognition for **Secure Freight** initiative. In Chile, the Secure Freight pilot successfully kicked off on 16 October with participation from LAN, DHL Global Forwarding, Santiago International Airport, Sandvik Group Chile, Chile DGAC and IATA. The program aims to strengthen Chile's Air Cargo Supply Chain Security Program to facilitate secure and efficient cargo operations and ensure that the economic benefits of aviation continue to grow from this important regional player.

IATA is working closely with ICAO to promote the introduction of a **standard Consignment Security Declaration**.

IATA is working with the US Government and A4A to seek participation of airlines to the **ACAS project** to ensure that necessary feedback is provided to the Regulators prior to Rule Making.

Trade facilitation: GACAG (Global Air Cargo Advisory Group), the industry coalition comprising shippers, IATA and forwarders, has agreed a common **position of Customs harmonization**.

For a Sustainable Air Cargo: A delegation of GACAG met with Anne Bergenfelt, Advisor in EU Climate Action Commissioner Hedegaard's cabinet, on 18 October to exchange views about the different ways maritime and aviation emissions are tackled by the EU. While in maritime the Commission intends only to set up a MRV (monitoring, reporting and verifying) scheme in order to facilitate the work in the responsible UN body (IMO), in aviation it still defends its approach of widening the scope of the EU ETS to international air transport. The industry representatives highlighted the industry messages and commitments on reducing emissions and the importance of a global ICAO solution. Ms. Bergenfelt was aware of the issues, stressed the Commission's commitment to finding a solution but said that she was not in a position to give details on next steps.

PASSENGER

Passenger Services Conference Adopts Foundation Standard for New Distribution Capability

IATA announced that the IATA Passenger Services Conference (PSC) adopted a Resolution on a Foundation Standard for a New Distribution Capability (NDC), during a meeting at the World Passenger Symposium in Abu Dhabi this week. The NDC will enable airlines to offer more options to customers and to reach them seamlessly across all distribution channels. Currently around 60% of tickets by value are sold indirectly through travel agencies using global distribution systems (GDS). With the NDC, airlines will be able to recognize these customers and therefore provide tailored offerings, as they already can for those customers who go directly to airline websites. Today's standard is the culmination of 12 months of intense coordination across the value chain with participation from airlines, global distribution systems, the travel agency community including online travel agencies and IT providers and their respective trade organizations. The NDC will create a set of open XML standards to modernize airline retailing by enabling innovation in the way airline products are distributed, and making possible personalized offers to passengers who will have access to all airline products and services regardless of distribution channel.

The key attributes of the NDC include that:

- * The NDC is built on the principles of collaboration, transparency and innovation.
 - * It is an industry effort involving all partners in the travel value chain, including airlines, online travel agents and travel management companies, GDSs and other travel technology providers
 - * Airlines will be able to differentiate and personalize their product and service offerings across all channels while ensuring that passengers will have full visibility of airline fares and services
 - * It will facilitate new entrants into the distribution sector, resulting in increased competition.
- Historically competition leads to lower prices and increased choices for consumers.

"A Foundation Standard for the NDC is the first step to enabling the development of open XML standards that will be available for all interested providers to work on and develop their own offerings. At the World Passenger Symposium, participants have agreed that the industry standard is paving the way for the future, and the time is right to move to a new model," said Aleks Popovich, IATA Senior Vice President, Industry Distribution and Financial Services.

SLOTS

India

IATA continues to monitor the development of the slot guidelines in India closely; the draft Guideline is under review again but we have been able to discuss with MOCA a number of relatively minor changes requested by the Secretary to the draft before it is released officially. More worryingly are the comments made to the press at the beginning of October regarding slot auctioning in India. We understand that this is not an immediate risk; nevertheless we have reacted and voiced opposition to such a measure and will continue to monitor any further developments.

Mumbai airport management (GVK) has released its proposals for airport user charges, including a reference to slot use charges in the event slots go unused. We oppose this development strongly and have offered support to help the airport alleviate the on-going issue of multiple cancellations.

New Zealand

The New Zealand Government wrote to the DG to formally advise of the appointment of ACL (UK) as the new Coordinator for NZ. Following IATA's intervention the new process of selecting and appointing a Coordinator was deemed to be collaborative and transparent and all stakeholders expressed satisfaction at the outcome.

Poland

IATA attended two coordination committee meetings in WAW to oppose the continuation of coordination at WAW airport, requesting the necessary analysis to determine whether WAW should remain Level 3 is completed in time for Winter 2013 declaration. We are also actively opposing the implementation of Level 3 slot coordination at Poznan airport in Poland, currently under consultation as a solution to manage their night movement limitation.

China

IATA will meet with Chinese carriers and coordinators at the beginning of November to hold a workshop covering the process of slot coordination in accordance with the WSG on an international level, where we will also meet with the CAAC specifically to continue our support for the Chinese process changes required to bring their coordination in line with the WSG.

Newly declared Slot Coordinated airport:

Cuba L3 HAV

Cuba L3 VRA

Total L3 airports worldwide 159; Total L2 airports worldwide 121

REGIONS

Asia Pacific

Philippines

Slots The independent slot coordinator continues to undertake the management of the slot congestion at the Manila International Airport in accordance with IATA guidelines. IATA continues to facilitate the collaborative process among the stakeholders in solving the many demand and supply issues relating to congestion through periodic meetings.

Cargo The Department of Transportation has recommended the signing of the Montreal Convention 1999 and has endorsed it to the Department of Foreign Affairs which deals with all international treaties. It is processing the recommendation and is scheduled to be elevated to the President for signature.

Passenger The Department of Transportation has concluded the consultative process with stakeholders and is finalizing a Passenger Bill of Rights that covers denied boarding, cancellation and delay issues (akin to EU Reg. 261), advertising standards, reportorial requirements, etc. With a new incoming transportation secretary, it is expected that the matter will be subject to further review.

Australia

Cape Town Convention On 12 October 2012 the Dept of Infrastructure and Transport (DIT) announced that Australia will sign the Cape Town Convention. The Cape Town Convention creates the International Registry of Mobile Assets, which allows financiers and lessors to notify third parties of their security interests in certain aircraft and engines. The Convention also imposes standard rules governing priority of competing security interests, debtor default, jurisdiction for disputes and remedies for default. This should reduce barriers for international aircraft acquisitions, disposals and financing. The greater certainty for international transactions should have a positive effect on competition as the perceived risks of doing business in Australia may be reduced and a greater number of international financiers may seek to enter the Australian market.

European ETS The Australian Government, with support from opposition parties, has announced its formal opposition to application of the European ETS to Australian registered aircraft. Australia has avowed to use all political, diplomatic and legal tools available to it to ensure the ETS isn't applied to aircraft registered in Australia or the operators of those aircraft and join international action to prevent the ETS being applied to non-EU airspace.

New Zealand

Proposed Amendment to the Commerce Bill At present, competition issues involving civil aviation are regulated according to a sector specific regime under the Civil Aviation Act, rather than under general competition law as set out in the Commerce Act. This is anomalous. It is now proposed that international civil aviation be transitioned to the competition law regime under the Commerce Act. IATA Legal has been asked to consider whether it wishes to make any submission to the Committee overseeing the matter.

Pakistan

The Pakistan Government introduced Federal Excise Duty on international air tickets in August 2006 for travel originating Pakistan. In 2007, this was extended to include travel originating from anywhere in the world to Pakistan. This creates a collection issue pertaining to one-way travel to Pakistan where collection from the passenger at the airport would not be possible. In 2011-12, the tax department started issuing notices to airlines to recover the resulting short-collection of FED in the period from July 2008 to 2011.

The Pakistan Government has now agreed to change the legislation to provide for the same FED exemption as requested by the airlines. The change in legislation is backdated to July 2008 that allows the tax department to withdraw the notices to airlines that it had issued earlier.

Korea

A new Korea legislation on a Green House Gas Trading Scheme was passed in May 2012 and will be effective from Dec 15, 2012. No detailed ETS procedures for live operation have been established yet (e.g. scope of ETS regulation, method of free allocation of emission gas and trading price of emission gas). This Korea ETS scheme will be applicable to domestic flight only at the very beginning stage(2015 - 2017) and there will be no significant impact during this period. It may be expanded to international flights as a reciprocal treatment if other regions implement ETS scheme on international flights. IATA Korea Country Manager is liaising with national carriers to discuss an industry response and the need for strong support from Korea Civil Aviation to minimize the impact.

Europe

Kazakhstan:

Further to the Aviation Day that took place in Astana in September, an IOSA seminar is organized for 4-6 December. Airlines and CAAs from Central Asia and Caucasus will participate.

Latin America

Brazil:

The US and Brazilian Delegations met on 10 October for the first meeting of the Coordinating Committee of the Aviation Partnership (AP) and agreed three subject areas, or “clusters.”:

Cluster 1: Facilitating relationships between government agencies (the FAA and SAC, DECEA, ANAC, INFRAERO, CENIPA, etc.). This cluster could also include projects that address airport infrastructure, air navigation, and airworthiness.

Cluster 2: Focusing on capacity building, training, and educational initiatives to complement other programs, such as Science Without Borders and 100 Thousand Strong in the Americas. Scholarships and internships could be used to further promote interest in this cluster.

Cluster 3: Focusing on the strengthening of manufacturing supply chains between both countries. Certification, to include research and development activities, will be central to this effort.

Representatives from both Governments recognized that many of the AP activities currently under discussion would fall within two or more of the proposed clusters. There was a keen interest to focus on activities that will yield tangible near-term benefits without excessive resource or financial costs and on projects that offer genuine partnership opportunities that will benefit both aviation systems.

New Law to reduce bird strike accidents Brazil has published a new law (12725 of 16/10/2012) establishing rules to reduce the risk of bird strike accidents. The law comes into force on 16 October and prohibits activities that attract animals the nearby areas for the landing and takeoff, with fines reaching BRL 1.2 million. The text establishes an Area of Airport Security with a radius of 20 km from the largest runway.

New rules for Aeronautics Accidents Investigation The Chamber of Deputies approved new rules for the conduct of investigations of air crashes, with a goal to separate criminal investigations of air safety. The text prohibits the use of the final report on a plane crash as evidence in administrative or judicial inquiry in order to prevent witnesses being afraid that their statements could be used against them criminally. Currently, the Aeronautic Command, through the SIPAER-System of Investigation and Prevention of Aeronautical Accidents holds the competence to conduct the investigation of accidents and incidents aeronautic. According to the proposal, the police authority will be called if indications of felony are found during a SIPAER investigation SIPAER. The new rules are in accordance with the Chicago Convention. The proposal now goes to the Senate for consideration and vote.

Law 12,715 of 17SEP2012 The Federal government has imposed significant alterations in the calculation of the Social Security Contribution on the payroll for various sectors of the economy including the air transportation of cargo and air transportation of passenger. The law makes no distinction between Brazilian and foreign airlines. The main change was the basis of calculation, starting to focus on gross

revenue and not on the payroll. The Act comes into force on the first day of the January 2014. The law will be valid till DEC 2014.

Objectives of the Brazilian government.

1. Extends the competitiveness of national industry, through the reduction of labor costs, by exempting them from social security contributions.
2. Stimulates further formalization of the labor market, since the social security contribution will depend on the recipe, not more payroll

For Brazilian airlines, (TAM, GOL, TAM, and BLUE AVIANCA) the new legislation brings a saving of over USD 150 mm annually. For foreign airlines, with rare exceptions, it should not generate benefits, since local business generates revenue with little personnel cost: rough estimate of USD 40 m a year in cost increase.

North Asia:

From 1 October 2012, other GDSs are allowed to enter the Chinese GDS market, ending the monopoly situation of China TravelSky in this market.

MENA

Jordan: The Jordan government has ratified the Montreal Convention 1999 (MC99) but in order to implement e-freight and e-AWB in Jordan, MC99 needs to be translated into a set of workable laws for customs that Parliament should approve and enable the replacement of paper documents by e-documents (e-AWB). Department of Customs proposals were sent to the Parliament two years ago. The IATA MENA Regional Vice President, Minister of Transport and Department of Customs are trying to push this but action is delayed due to new election. The IATA RVP has discussed the issue with the Prime Minister.

Africa

Kenya:

New proposed passenger Solidarity Levy We have yet to hear from the Ministry of States for Special Programmes on the proposed ticket tax, equivalent to the Chirac Tax, for UNITAID. The authorities may request a special code through TTBS. IATA has sent a letter to the Minister of Transport focusing on benefits of aviation to the Kenyan economy and why aviation should not be singled out.

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