GOVERNMENT & INDUSTRY AFFAIRS UPDATE

January 2013

Welcome to the latest Government and Industry Affairs update, a monthly briefing designed to keep IATA members up to date on key aeropolitical developments around the world and IATA's actions to address them. Members have the opportunity to discuss the content of the report on monthly conference calls. For more information or to provide feedback, please contact us on gia@iata.org.

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ENVIRONMENT

Climate Change: Since the December 2012 IATA Board Meeting, the Climate Change Task Force (CCTF) has made significant progress towards achieving consensus around key elements for determining individual operator responsibility under CNG2020, including data integrity and the treatment of fast growing carriers. At its meeting in Geneva (15-17 January), CCTF continued preparation of its recommendation to the IATA Board due in March and agreed the following:

- Data integrity is necessary to preserve the environmental integrity of carbon offset activities by industry and individual operators. Fuel, emissions and RTK data used in emissions reports and to calculate fast grower and early mover adjustments must be reported in a manner consistent with industry accepted standards and independently verified.   ICAO HGCC – The 2nd meeting of the ICAO High Level Group on International Aviation and Climate Change (HGCC) takes place from 30 January to 1 February in Montreal. It is expected that several States will come forward with more

concrete proposals during this meeting. Industry representatives led by IATA will be on site to lobby and provide industry input to the HGCC. IATA will provide detailed updates of the meeting and share these with IAC, ENCOM and others as appropriate.

- Adjustment for fast growth would be achieved by comparing each operator's RTK growth to industry RTK growth on an annual basis in order to determine which operators qualify for the adjustment. Operators that meet the definition of fast growth would have part or all of their fast growth emissions exempted.
  - o Further work will be done to simplify the mechanism for determining the allocation of the fast growth emissions reserve to eligible carriers.

Carbon labeling: As of 31 October 2013, airlines will be required by French law (Loi Grenelle 2) to inform passengers and freight forwarders of the CO_2 emissions associated with transport services to and from France. The information requirement applies to all transport services which originate from or terminate at a French airport with the exception of passengers or goods in transit or transfer through a French airport. All legs of the transport service are included, including those between two airports located outside of French territory. IATA is seeking additional clarifications from the French regulators regarding the legislative requirements and will, if necessary, discuss the potential difficulties related to the implementation of the legislation with the relevant authorities.

Biofuels: The EU plans to impose a limit on the use of crop-based biofuels over fears they are less climate-friendly than initially thought and compete with food production. Their view is that after 2020, biofuels should only be subsidized if they lead to substantial greenhouse gas savings and are not produced from crops used for food. IATA finalized amendments to the EC proposal (COM (2012) 595) highlighting the particular interests and concerns of air transport, such as the prioritization of biofuel usage for aviation and the need for mutual recognition of sustainability criteria. This marks the first step in a broader industry campaign to boost the deployment of aviation biofuels in Europe.

EU ETS derogation: Members of the European Parliament's (EP) environment and transport committees will vote on the Commission's EU ETS derogation proposal in the second half of February. IATA, in coordination with AEA, has prepared amendments to the Commission's proposal seeking to ensure that the derogation also applies to flights to/from Switzerland and that the text is aligned with the ongoing discussions in ICAO. For the proposal to become law, it requires approval by the EP and the Council. Expectations are that the legislation will be put to full plenary vote in the EP by the middle of April.

USA

U.S. Customs Processing Delays

The coalition led by IATA, A4A and ACI-North America continues to push for support at Customs and elsewhere for implementing measures to reduce processing delays at major hub airports in the United States. The Coalition is formulating its request for access to real time Customs delay data in order to identify ways we can address this issue together. We are also

capturing data on the impact these delays have on the economy in order to demonstrate to both the Administration and the Congress the importance of addressing the issue. We were successful in our effort to get this issue on the agenda of the January 15, 2013 U.S. – EU Joint Committee meeting. We have also expanded our coalition, most recently to include the U.S. Travel Association, which brings significant impacted stakeholders to the cause, including major amusement companies, hotel chains and travel agencies.

Distribution

IATA continues to educate regulators and stakeholders on the positive impact the New Distribution Capability (NDC) will have on competition and consumer choice. Concerns have been raised by incumbents in the distribution value chain that tend to mischaracterize the intent of NDC. We will brief the IAC on NDC at the Hong Kong meeting and encourage IAC members to reach out to their regulators in support of this program.

Update on key DOT rules:

- The websites/kiosks accessibility final rule is expected to shortly go to Office of Management and Budget for final review before publication
- Consumer Rule III is now projected in August 2013. IATA and A4A are continuing to encourage DOT directly and indirectly to abstain from regulation in this area given recent market developments

House Transportation Committee Chairman

Republican Bill Shuster of Pennsylvania took over as Chairman of the House Transportation Committee beginning this month. Chairman Shuster is a strong supporter of aviation and transportation infrastructure and will undoubtedly continue outgoing Chairman Mica's open dialogue with industry on important issues.

EUROPE

European Union

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

The European Commission is expected to issue an official proposal for revising Regulation 261-2004 in February/March. IATA obtained an advance copy of the draft under consideration by the EC, where it is clear that rights extended to passengers under the existing regulation, as well as through various court cases, are being maintained. For example, compensation for long delays is included as part of the EC's draft revision. However, the draft also includes more reasonable "trigger points" for such compensation (5/9/12 hours), depending on the duration of the flight. It also includes limits on care and assistance in the event of extraordinary circumstances, to three nights at 100 euros per night.

There are concerns with the draft revision, notably around defining a diversion as a cancellation, and defining a delay as a delay at final destination. Both of these proposed definitions lead to more obligations for carriers, particularly interlining carriers in the latter case.

IATA (together with airline members and EU airline associations) is engaging with the Commission and its various Cabinets to improve the draft regulation from an industry perspective before the proposal is published. Once it is published, the next step will be adoption by co-decision of the European Parliament and the Council. The entire process is expected to take 12-24 months.

Slots

The proposal to revise the EU slot regulation is part of the "airport package" (together with ground handling and noise). The European Parliament (EP) has finalized the first reading in the co-decision procedure regarding the slot regulation. Overall the EP position is positive for the industry (please refer to GOVAF 1211). The next step in the procedure is by the Council, who will take the EP's position into account when finalizing its part of the first reading (referred to as the adoption of a "common position"). This "common position" will be based on the "General Approach" of the Council, adopted in 2012 (please refer to GOVAF 1205).

Given that the revision of the slot regulation is part of the "airport package," the Council has put a hold on the slot issue until March/April to await the outcome of the ground handling file in the EP and the Commission's reaction to it. This may still mean a withdrawal of the whole package.

Slots – Greece: IATA is concerned with the Summer 2013 slot allocation being set forth by the Hellenic Slot Coordination Authority (HSCA). The governance of the entity is not conducive for effective slot coordination, and expertise is lacking due to the short-term employment periods of Hellenic Civil Aviation Authority coordinators. Traffic this summer is expected to increase, and the management of slots prior to the season start is not satisfactory to efficiently allocate the capacity. Eurocontrol was involved in the planning and operation for Greece last summer, and IATA will be working with them to address some of these concerns within the next two months. However, we also believe a longer term solution needs to be found, and as a result will be requesting a meeting with the Greek Minister of Transport to discuss the set-up and future for Greek coordination.

ASIA PACIFIC

Passenger Rights - Philippines: The Philippine Passenger Bill of Rights came into effect on 21 December 2012 (please refer to GOVAF 1209). The legislation is the latest example of a concerning policy trend towards formal passenger rights regimes around the world. IATA is currently lobbying the Philippine Civil Aeronautics Board in an attempt to provide carriers more time to comply with the provisions of the law that require airline operational changes, and to remove international operations from the scope of the law. The Regulation does provide for periodic reviews to assess provisions that need to be modified.

Australian Dept. of Defense review: The Australian Department of Defense is considering increasing civilian aviation access to military bases to support diversions. The Defense

Department has prepared a draft policy for public comment after seeking submissions from IATA and other interested parties. IATA strongly supports greater access because of the potential fuel savings that can be gained by more diversion locations, and has submitted argumentation accordingly to the Defense Department.

Slots – India: India's Ministry of Civil Aviation (MOCA) released a new slot allocation policy in October 2012. Despite staying away from primary auctions, the Ministry is now reported to have asked the Indian DGCA to conduct slot auctions on an experimental basis, in contradiction of the Worldwide Scheduling Guidelines (WSG). IATA is working with the Airports Authority of India (AAI) to help it build a defense of the WSG process in its response to MOCA, in addition to writing to the MOCA directly. We are also working with AAI to evaluate other options to ensure slot utilization is optimized within the WSG framework. In addition, IATA has expressed its desire to meet with AAI and other airport operators to show our support for implementing effective coordination principles that ensure 80/20 is the basis for historic slot retention. There appears to be a general view amongst the airport operators that slots are being held despite under-utilization of their infrastructure. IATA will continue to offer its support to the airports so that the established framework, and slot rules published last year, effectively deal with utilization. By doing this we hope to counter their perception – and eliminate the risk of future lobbying from airports to change the slot rules in India.

Slots – Myanmar: IATA is engaging with the authorities and local representatives in Myanmar to reduce the risk of short-term mechanisms being implemented to manage the sudden increase in traffic that include slots. We will be positioning the WSG as a means of managing congestion, while working with our airports division to advocate for longer-term planning to expand and develop infrastructure to meet demand.

AFRICA

Bio-jet Fuel Framework - Tanzania: The government is currently putting together a draft policy for renewable energy with the support of the Swedish and Norwegian Development Agencies. It is expected to be completed by July 2013. The policy could provide the industry with a long-term possibility of developing bio-jet fuel in the country. IATA is working with the Department of Renewable Energy and the Ministry of Transport to organize a workshop in order to provide guidance. We are also providing detailed documentation from ATAG to the Ministries of Transport and Energy to be used as reference material.

CARGO

Secure Freight (SF), IATA's initiative that aims to promote the implementation of global air cargo supply chain security programs, has gained momentum. At the close of 2012, the European Commission provided IATA with a Letter of Recognition of the SF principles, following previous letters obtained from the UK, WCO and Australia. Two Letters of Intent from Jordan and Bahrain paved the way for 2013 pilots in these countries. Egypt kicked-off last December and the UAE is the next country to start, on 29 January. This brings the total number of locations in the SF network to seven, including existing pilots in Kenya, Mexico and Chile.