



Government & Industry Affairs Update

»»» July 2012

The following highlights some of the key Government and Industry Affairs issues addressed by IATA during July:

- USA
- Europe
- Israel
- Environment
- Cargo
- Slots
- Regions



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1. USA

EU ETS

There are two primary opportunities to secure Congressional passage of anti-ETS language. First, it is anticipated that the Congress will likely bring various appropriations bills together in one omnibus spending bill to continue to fund government operations over the short term. The Transportation Appropriations Bill passed by the House includes language that prohibits any funding from being used to implement the EU ETS in the U.S. The fact that this language is in one of the appropriations bills offers the opportunity to include some sort of anti-ETS language.

Separately, the Senate Commerce Committee has tentatively scheduled a vote on the EU ETS Prohibition Bill on July 31, clearing the Bill for passage by the full Senate. IATA is working closely with A4A and ALPA to garner additional support of the bill among Senate Democrats. While we already have enough votes for the Bill to pass in the Committee (all Republicans and 1 definite Democrat), we believe approval by a significant majority of the Committee will serve to send a clear message to the EU.

Taxation

With limited time remaining in the 2012 Congressional calendar, it is likely that Congress will attempt to reach a compromise to maintain existing tax cuts and spending levels through the end of the year. Aviation will continue to be viewed as a source of revenue to pay for these measures. IATA and A4A continue to work with Congressional leadership to oppose any suggestion of increased aviation taxes during these deliberations.

DOT Data Collection Proposal

The U.S. Department of Transportation's Office of Aviation Analysis is seeking to modernize its O&D data collection by requiring airlines to provide significantly more data on their customers' travel patterns. DOT also is proposing to extend its data collection to international carriers and operations. DOT has retained an external consulting firm to conduct an 11 month trial to collect this information from airlines. If the trial is successful, DOT would propose to issue a Notice of Proposed Rulemaking (NPRM) to mandate this expanded data collection process. IATA and A4A are working with DOT to better understand the proposal and formulate an industry response. Initial concerns include cost, the protection and use of competitive information and privacy limitations.

GDS and ancillary revenues

IATA is active in a coalition of A4A, U.S. carriers and suppliers opposed to DOT's expected proposal to mandate that airlines sell their ancillary services through the GDS channel. Our primary focus at this point is to convince the new DOT Advisory Committee on Aviation Consumer Protection not to support this DOT proposal. On August 7, 2012, IATA, A4A and airline representatives will make a formal presentation to the Advisory Committee on the negative implications of any DOT

mandate in this regard. IATA and A4A are also working with the rest of the coalition to get our messages widely disseminated and understood by U.S. Government decision makers.

Customs Staffing Levels

On July 24, 2012, IATA will be hosting a meeting in Washington of member airlines that have expressed strong concerns regarding customs wait times at key U.S. gateway airports. Over the past year, IATA has met with senior Customs and Border Protection (CBP) executives to urge them to find ways to increase staffing, particularly during the busy summer season. The meeting will bring together industry stakeholders to identify legislative opportunities to address this continuing challenge.

2. EUROPE

Airport Package/Slot regulation

IATA has secured pro-industry statements by key members of the European Parliament. Amendments to keep IATA standards in the regulation should be tabled by them in the coming weeks. The Transport Committee will finalize its position in October.

The detailed work of the European Council's "aviation working group" has started on 2 July under the Cypriot Presidency. IATA has already met 19 EU Member State representatives on this issue (CY, FR, DE, UK, IT, LU, HU, LV, SV, FI, DK, PL, IE, ES, RO, GR, NL, BE, AT). Meetings with the eight remaining (PT, MT, SI, SK, CZ, EE, LT, BG) are scheduled after the summer break.

Member State representatives are now fully aware of the flaws in the proposed revision and influential Member States such as France, Germany and the UK are continuing to express scepticism regarding the whole proposal of the Commission. The Cypriot Presidency hopes to reach a "general approach" (Transport Ministers agreeing on a general position regarding the revision) before the end of the year. EU airlines are requested to continue to lobby their national authorities with the IATA key messages in order to support the lobbying in Brussels. Non-EU countries should also be vocal, especially in opposing the departure of Europe from worldwide agreed standards.

Cyprus Presidency and Environment

IATA met with the Minister of Environment of the Republic of Cyprus and presented the industry environmental strategy. He explained that the priorities of his Ministry during the Presidency are water conservation and adaptation to Climate Change including funding. He indicated his main challenges are to lead EU at COP18 and with regard to ETS.

3. ISRAEL

Israel has enacted a new passenger rights law due to enter into force on 16 August 2012. The *Aviation Services Law (Compensation and Assistance for Flight*

Cancellation or Change of Conditions), 5772-2012 (ASL) will regulate all flights operated to and from Israel and, on the face of it, applies to Israeli and foreign air carriers alike. IATA has issued a briefing note to the IAC and Legal Committee distributions on 23 July.

4. ENVIRONMENT

IATA Climate Change Task Force (CCTF) - Following the IATA Board of Governors unanimous endorsement of CCTF's conclusions to date, the CCTF met in Brussels at the end of June to further its work on various options addressing the allocation of individual airline responsibilities, the treatment of fast growth and the potential use of exclusion thresholds (de minimis provisions). CCTF has scheduled monthly meetings in order to deliver a full set of recommendations to the Board meeting in December. Between meetings, work is carried forward in five dedicated drafting groups in which both airline and regional association experts are represented. The next CCTF meeting will take place on 9 and 10 August in Washington DC.

Market-Based measures (MBMs) - IATA continues to be proactively engaged in ICAO's ongoing evaluation of MBM options for international aviation. In June, the ICAO Council made a first selection between four options and decided to suspend its work on option 4 (Baseline & Credit System), a decision for which IATA had been pushing. In addition, the ICAO Council agreed to continue work on a MBM framework and a single, global MBM. It requested the ICAO SecGen to report back at 197th Council Session at the end of 2012. In a parallel effort, the US FAA will be hosting a meeting in Washington DC on July 31 and August 1 to find common ground among non-European States towards a global agreement in ICAO.

ICAO's Environmental Committee (CAEP) – In early July, IATA led an airline delegation at ICAO's Environmental Committee's Steering Group meeting in St. Petersburg and moved an important step closer to establishing a worldwide aircraft CO₂ Standard. The Committee unanimously agreed on a CO₂ metric system which characterizes the CO₂ emissions from a wide variety of aircraft types on a fair and transparent basis, including factors that account for maximum take-off weight, fuel burn performance and fuselage geometry, at three different cruise conditions. Further, on the issue of potential new standards for aircraft noise, IATA's views gained important recognition and support from States, which should provide a solid basis for successfully driving towards a realistic noise stringency proposal at CAEP/9 in February 2013.

5. CARGO

IATA continues to work with Governments and Customs regimes to seek adoption of e-AWB, which is critical to the success of e-freight. The main obstacles are

- Airlines own internal processes and limitations in their IT platforms
- absence of e-customs facilities
- MC99 and MP4 treaties not being in place
- Awaiting introduction of the Multilateral EDI agreement

6. SLOTS

India: The Ministry of Civil Aviation (MOCA) sent a final draft of its proposed guidelines for IATA's comments prior to the formal consultation with other stakeholders. There appeared to be few changes to the document we had returned earlier to MOCA. We await news from MOCA as to when the consultation will take place.

Colombia: A meeting organized and attended by IATA between both the government and Bogota's airport operator will take place on 25 July to discuss implementing a system for schedule management and planning of airport capacity.

New Zealand: IATA wrote to the Secretary of Transport regarding the NZ Airports Association's proposed arbitrary appointment of an independent entity (replacing Air NZ) to undertake slot co-ordination at NZ's slot co-ordinated airports, that was to take effect at very short notice. The IATA letter supported the principle for an independent entity to undertake slots coordination and the principles of Worldwide Slot Guidelines (WSG). The NZ DOT supported IATA's position for a new independent slot co-ordinator to be appointed but it has called for greater clarity in application of the WSG and the oversight provisions it imposes on governments.

7. REGIONS

Africa:

At the Ministerial Conference on Aviation Safety in Africa in Abuja, the Nigerian government along with a few other African States will be calling on all African Ministers of Transport and Aviation to require all African airlines to obtain an IATA Operational Safety Audit (IOSA) certification by the end of 2015.

IATA and the African Union (AU) intend to sign a Memorandum of Understanding under which the AU will seek advice and technical input from IATA as its primary adviser in on aviation matters in Africa.

North Asia

- **Environment:** During the 12th 5-year Period (2011-2015), the Chinese Government is planning to set up the infrastructure and rules/regulations of an Emissions Trading Scheme. It is estimating that the ETS will be implemented during 2016-2020, but it has not decided yet to include the airline industry. As for EU's ETS, the Chinese government again stated that it accepts multilateral negotiation under ICAO.
- **Government Affairs:** The State Council of China released a document which sets the targets of aviation by 2020 as:
 1. creating an safe, convenient, efficient and green aviation system;
 2. enlarging the scale of civil aviation to 170 billion TK, maintaining 12.2% annual growth rate and increasing the average flight taking rate of the population to 0.5%;

3. increasing the flight on-time rate to 80% and above, and the accident rate must be lower than 0.15/per million hours;
4. pushing the development the general aviation – the flying volume will be 2 million hours and the target annual average growth rate is 19%
5. making the benefits of aviation more obvious and have the aviation service cover 89% of the population.

Asia Pacific

Vietnam

Environment: According to CAAV, Vietnam is working now on the draft circular on environmental protection with regard to aviation sector to be submitted to Government for approval and implementation within this year.

Passenger: According to CAAV of Vietnam, the plan to implement API requirements for all airlines flying to Vietnam will be further delayed till further notice - it is unlikely to happen in 2012.

New Zealand:

Transport Minister Gerry Brownlee stated that NZ Government is proposing changes to the nation's international air transport policy, which could include changes to foreign ownership rules. Foreign ownership of New Zealand carriers is currently set at 25% by any one foreign airline, or 35% by foreign airlines in total. Changes to this rule would not affect ownership of Air New Zealand in which the Government plans to keep a 51% stake. Mr. Brownlee said the new policy would allow for New Zealand to continue pursuing open skies agreements which "will help develop the economy and increase business and travel opportunities for New Zealanders".

Bilateral negotiations with Japan and China were successfully completed earlier in 2012 while negotiations with Brazil and French Polynesia are currently underway. Mr. Brownlee highlighted future new air services agreements will focus on East Asia and South America. Having sought Air NZ's views, IATA has provided a submission on liberalization principles to the policy review committee.

Philippines:

Slots: An independent slot coordinator has been appointed to help manage the slot congestion in Manila airport.

Passenger: IATA has provided a submission in response to the Philippine Department of Transport's Draft Administrative Order on Passenger Rights in case of denied boarding, flight delays or cancellations. The Order is the latest in a series of steps undertaken by the Philippine government since late 2011 on the issue. In October, IATA had done an impact and economic analysis and provided a submission to CAB on key concerns that included ambiguity in the proposed amendments and disproportionate penalties compared to the average fares. The latest Order is much improved but is highly prescriptive of airline operations and processes. Thus the IATA submission questions the need for any government

intervention in this area and urges the authorities to ensure that proposed changes to the existing regulatory framework only take place after rigorous impact and cost/benefit analyses and following full and transparent consultation with airlines.

8. GOVAFS issued

GOVAF 1200: US Baggage Fee Disclosure Requirements – July 24, 2012 deadline

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