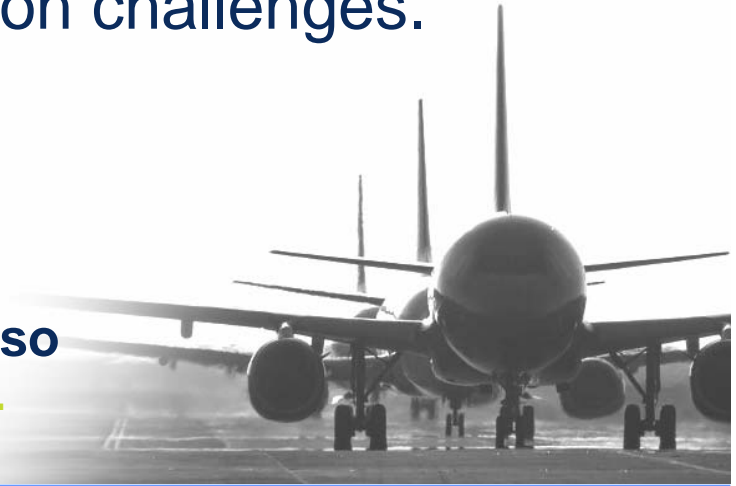




Europe. Industry Outlook. Commercialization challenges.

Javier Gallego Alonso
Head of European Ops.



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Europe. Industry Outlook

- Industry situation
- Industry forecast
- Climate change

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Europe. Industry Outlook

↗ Industry situation

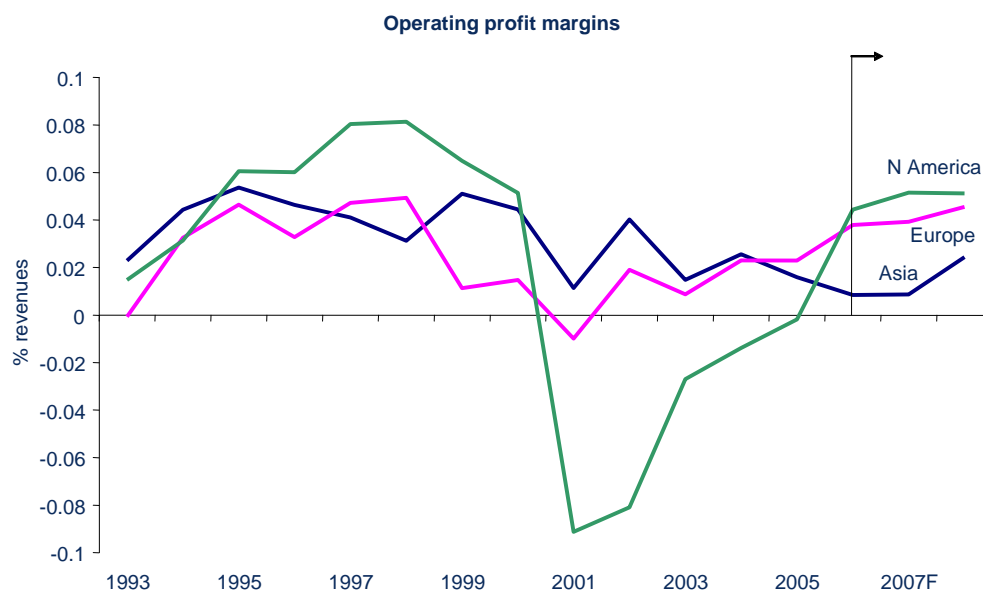
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↗ Airline profitability has risen significantly



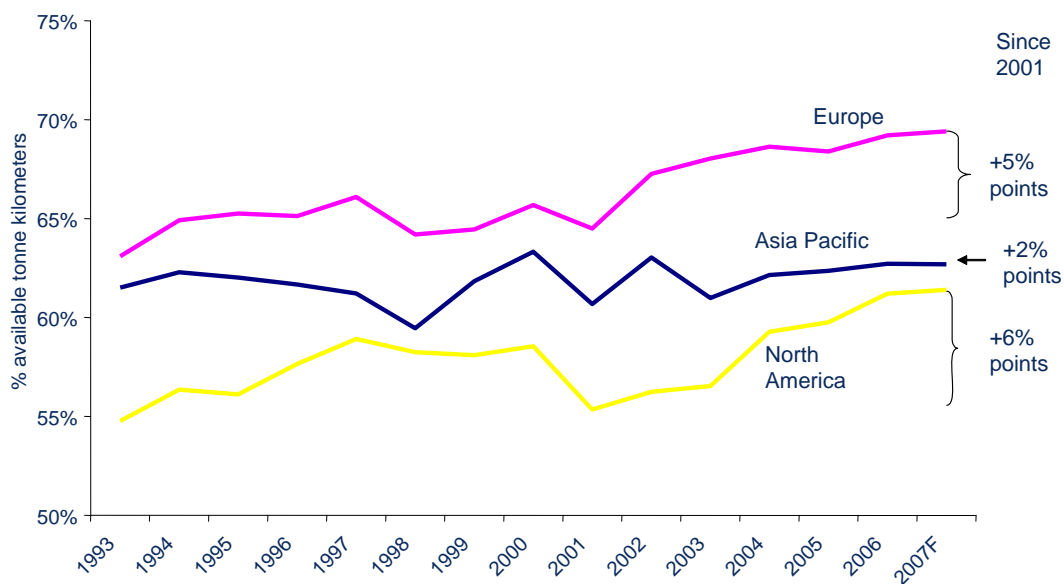
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Sharply improving load factors

Weight load factors



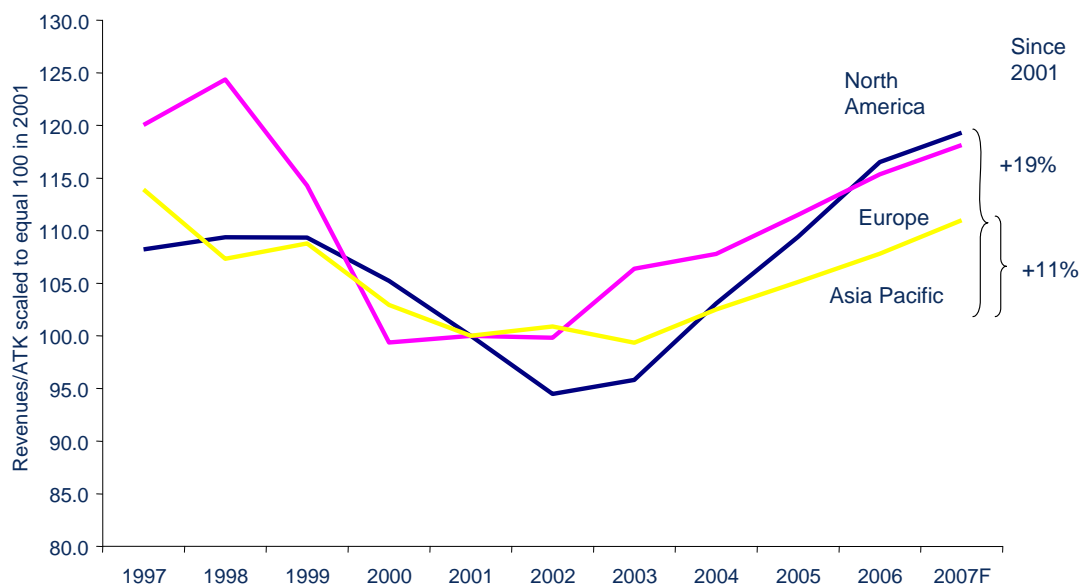
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And significantly improving yields

Regional yields



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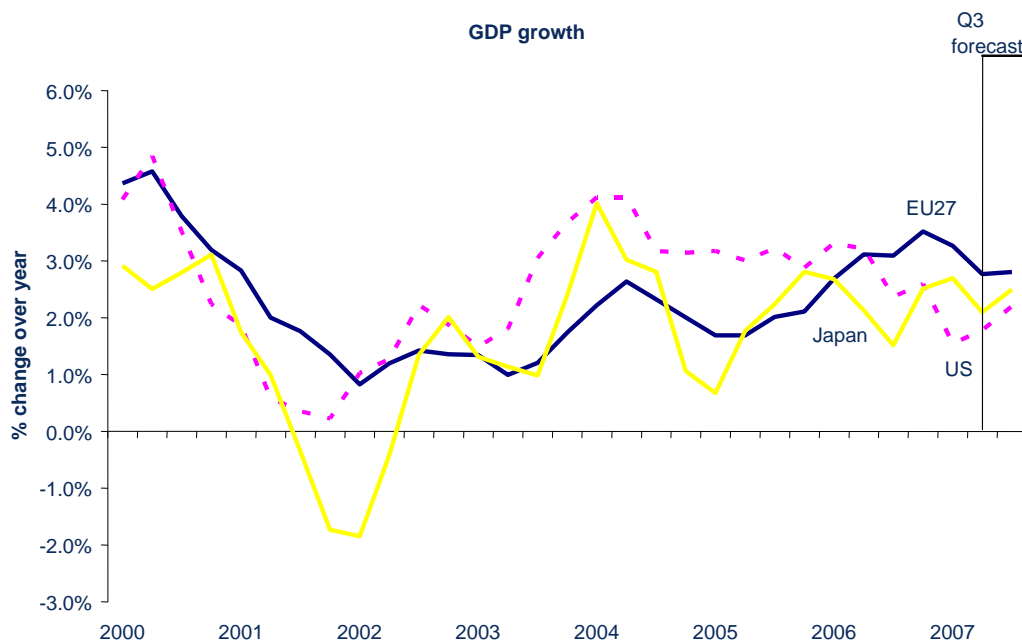
Business travel remained strong, particularly on key long-haul markets

Traffic class by major route area - Jan-Jun 2007



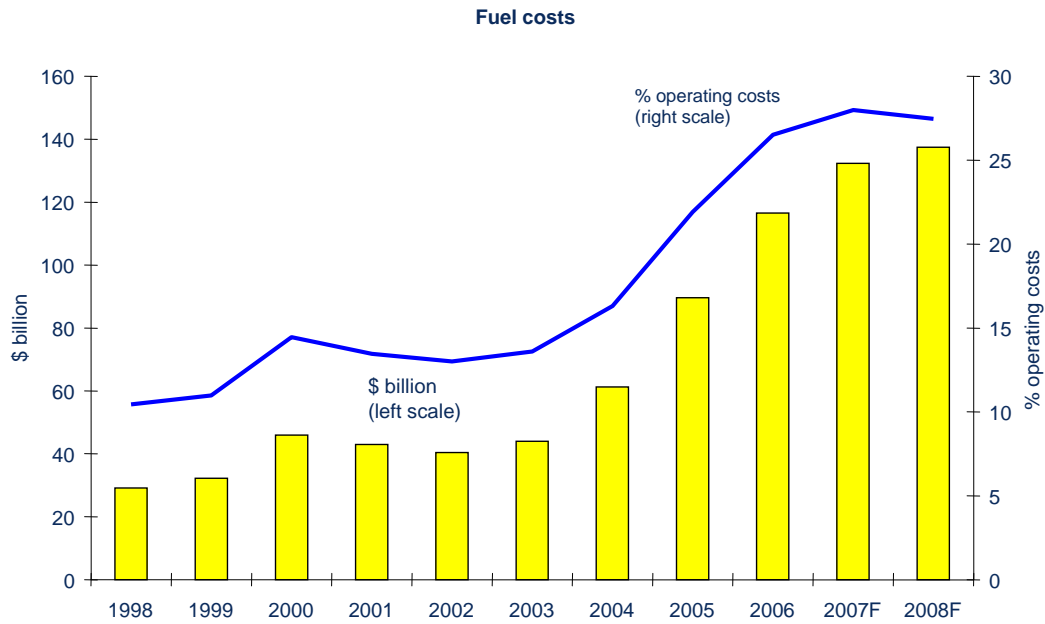
Economic growth robust at start of Q3 but.....

GDP growth





↗ Fuel costs are likely to remain high

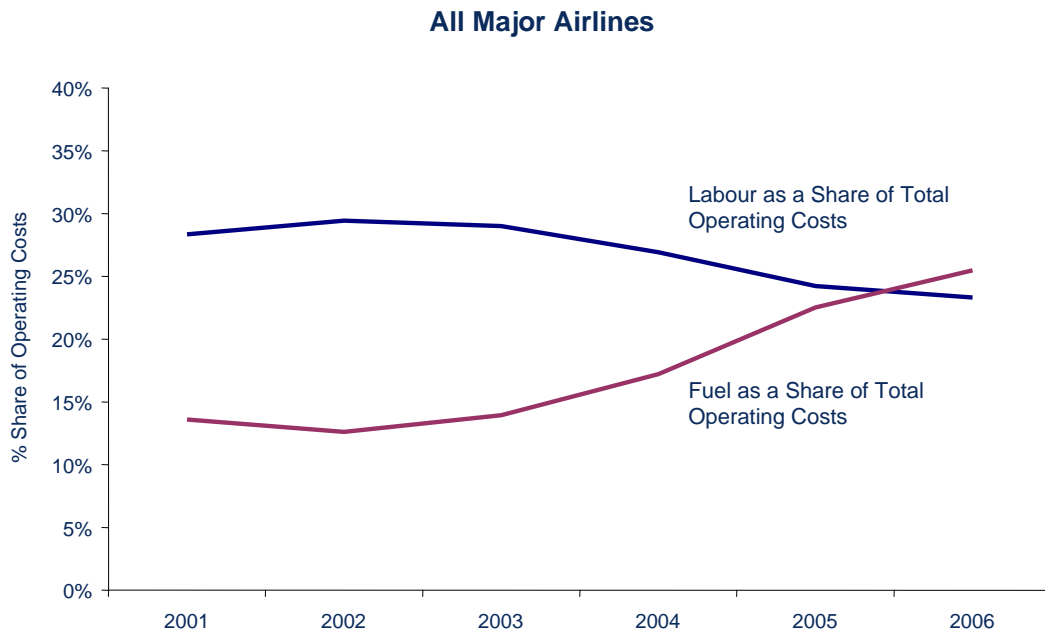


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↗ Raising fuel to the largest airline cost item

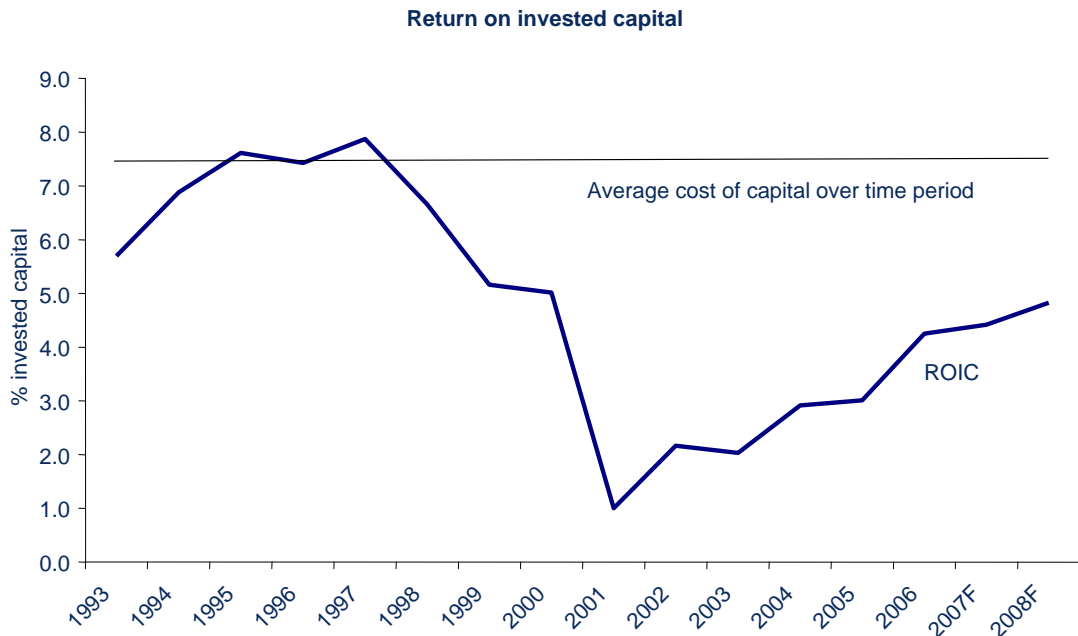


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↗ While returns are still below cost of capital

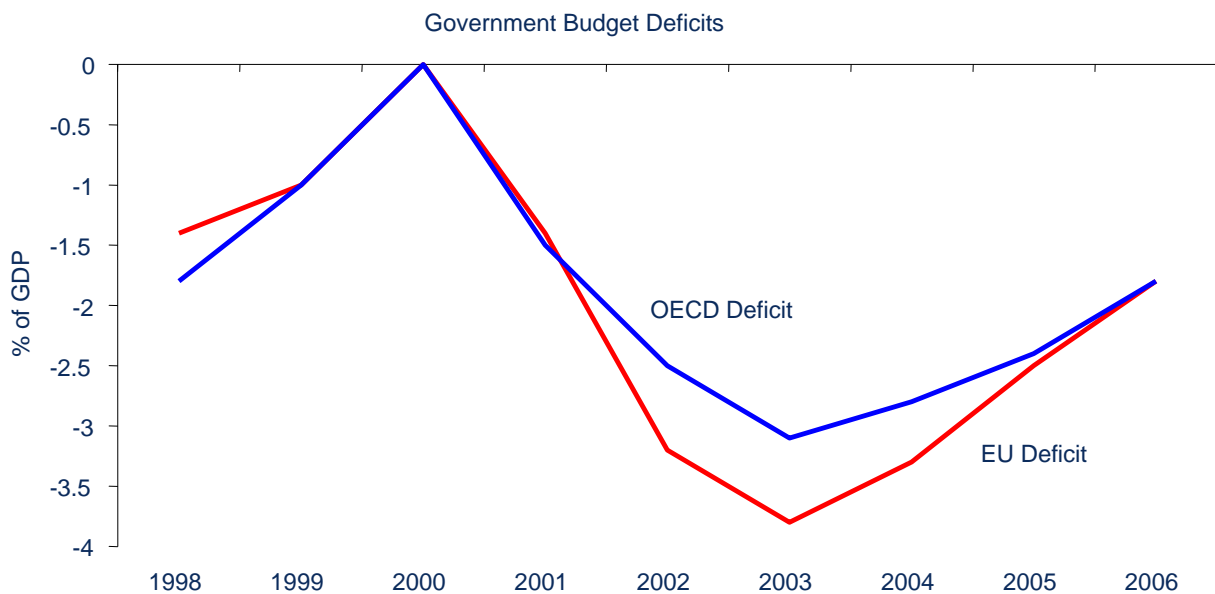


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↗ The industry is also vulnerable to new taxes



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Europe. Industry Outlook

↗ Industry situation

↗ Industry forecast

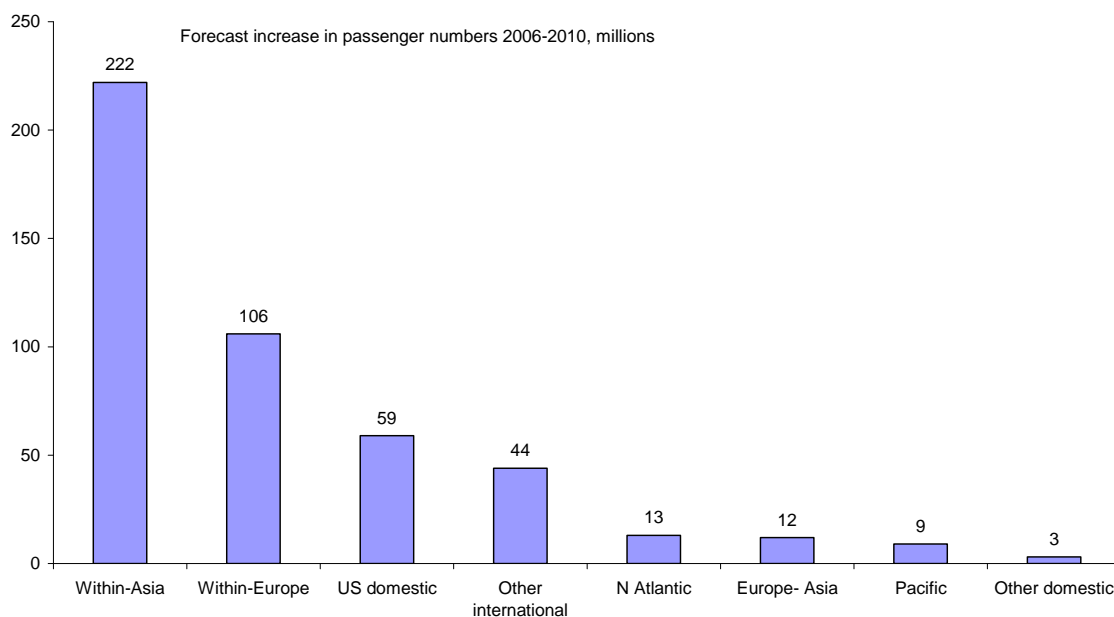
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↗ 500 million more passengers will want to fly by 2010

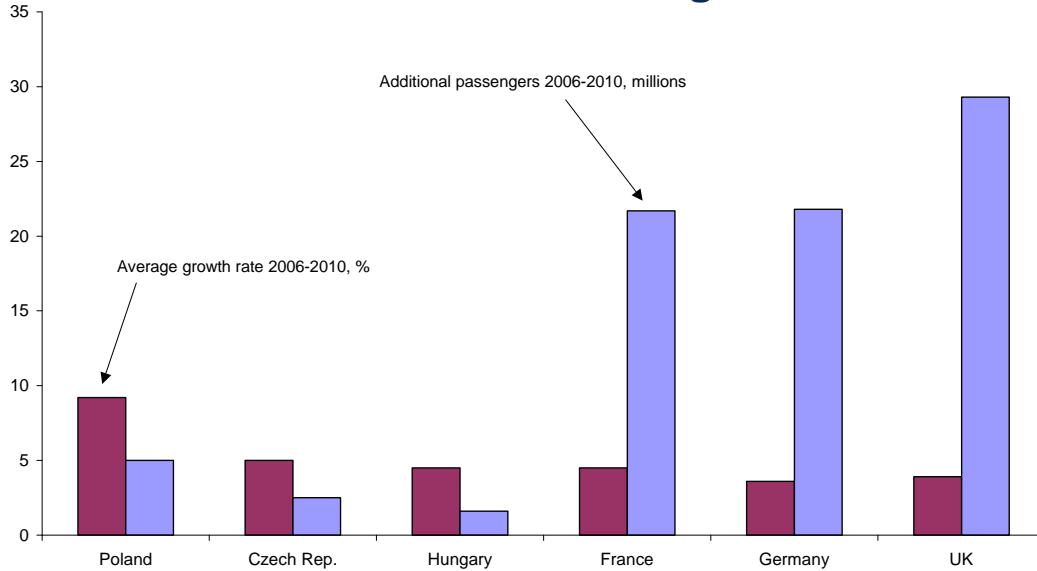


Source:
IATA

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➤ **In Europe the fastest growth will be from the accession countries but additional numbers greatest in the West**



Europe. Industry Outlook

- Industry situation
- Industry forecast
- Climate change

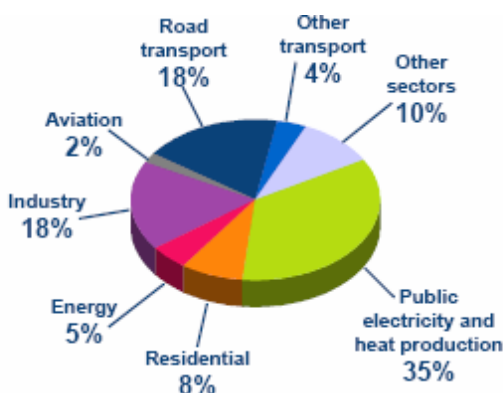
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World man-made CO₂

Aviation is 2% of man-made CO₂

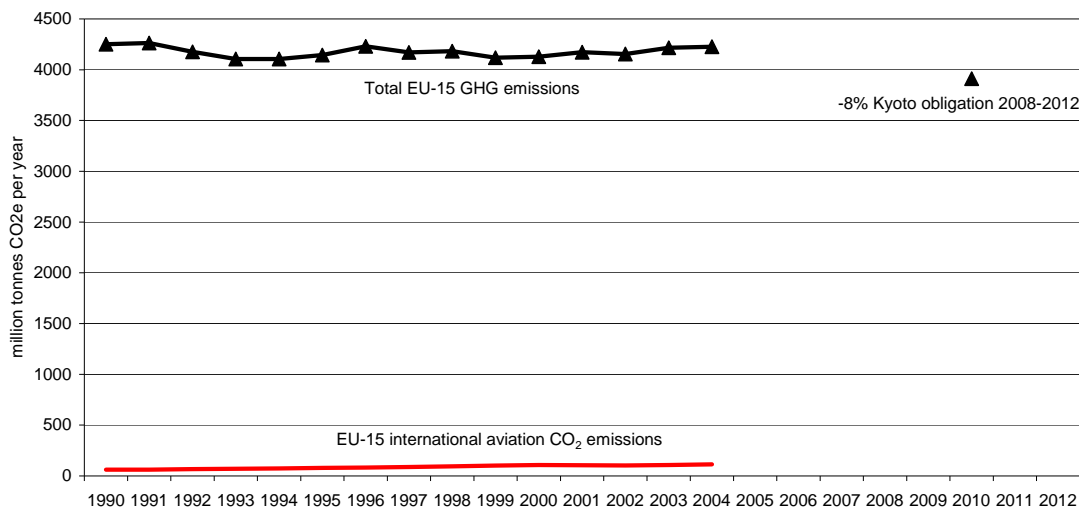
A tonne of CO₂ is a tonne of CO₂ no matter what



Source: IEA 2002 data

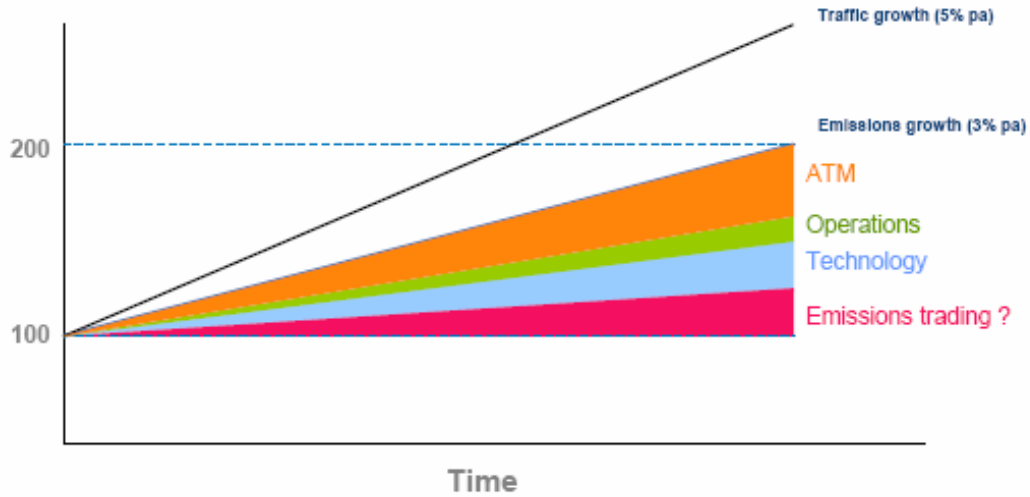
And climate concerns threaten to be a further constraint in Europe in spite of aviation being a minor contributor

EU-15 Greenhouse Gas emissions

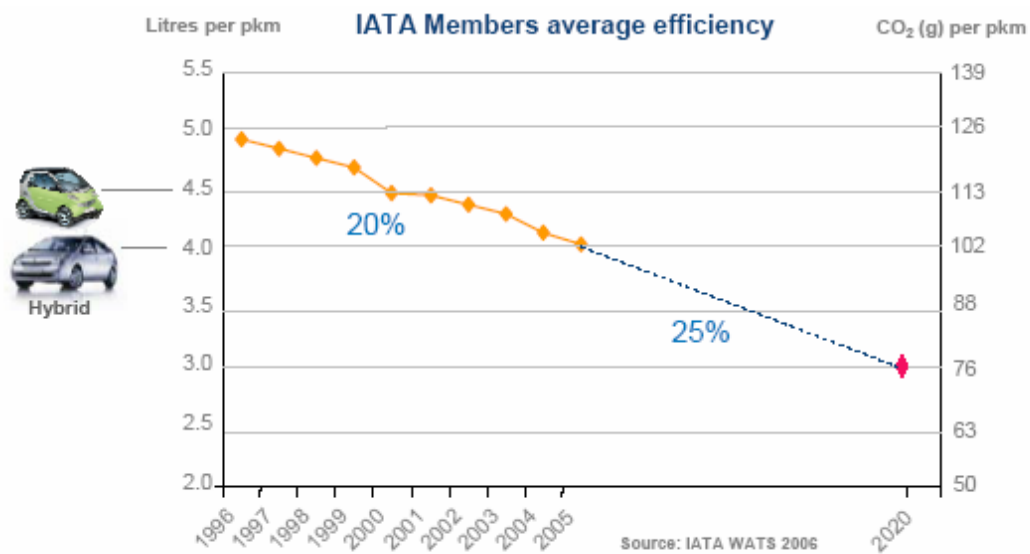


Source: European Environment Agency (2006) Annual European Community greenhouse gas inventory 1990-2004 and inventory report 2006, EEA

➤ Decoupling emission further



➤ Fuel use down



Commercialization challenges

Javier Gallego Alonso
Head of European Ops.



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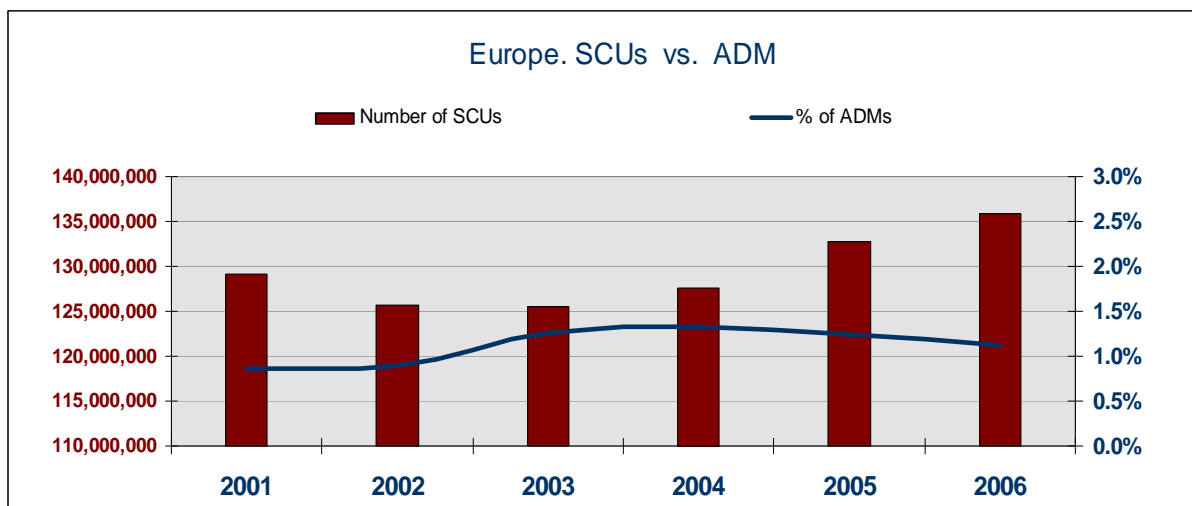
➤ Major Challenges

- Disputes
- Fraud. Financial coverage
- Accreditation
- B2C “No frills” Airlines and other travel products distribution
- Airlines distribution. Cost Reduction

➤ Disputes

- Disputes mechanism have been improved over last three years
 - Agents have more time to protest an ADM
 - Post billing disputes are allowed
 - Better control and tracking
 - Reso 850m and 818 facilitates the process
- Number of disputes is reduced

➤ ADM volumes vs. total transactions



➤ Fraud. Financial coverage

- Annual fraud detected by Airlines 350 M. USD
- Major types of fraud are
 - Credit Card mismanagement
 - Defaults
 - Bust outs
 - Stolen tickets
 - Tariff fraud
- Current fraud control systems are inefficient

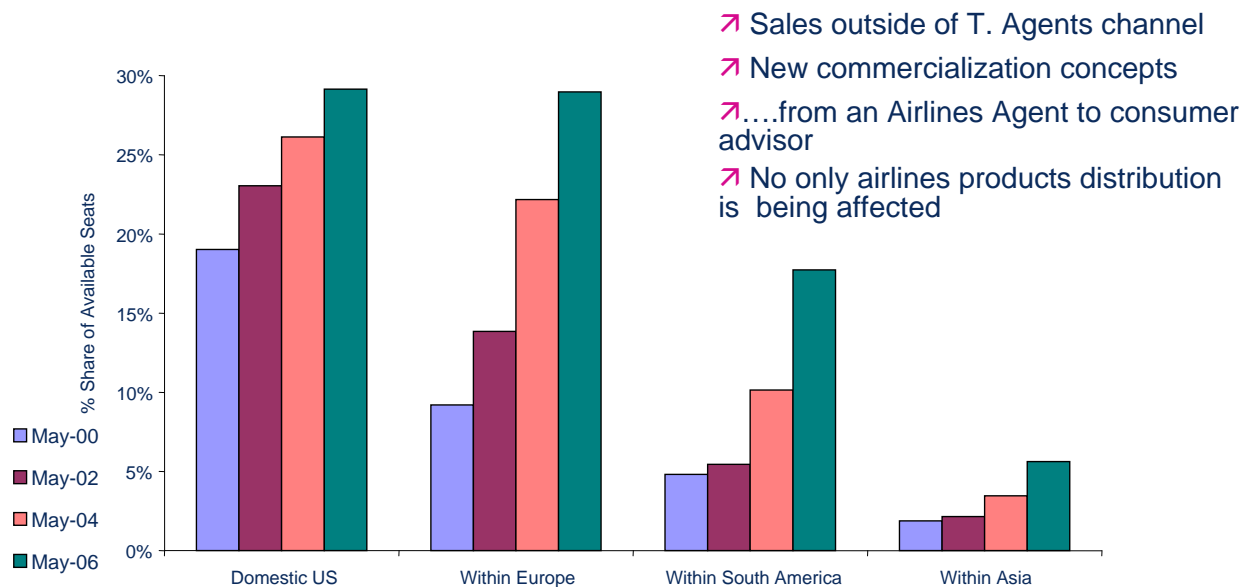
➤ Fraud. Financial coverage

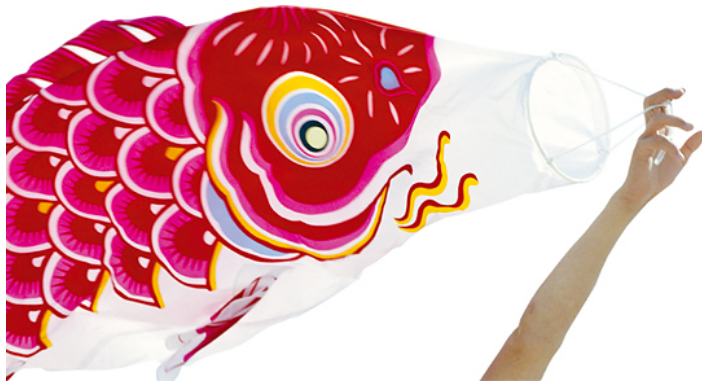
- Move from bank guarantee program.....
 - Bank guarantees costs
 - Limited risk coverage (less than 5% of recovery)
 - Complex administration
-to an insurance scheme
 - Agents and Airlines coverage
 - Each participant contributes to covers the global risk
 - Efficient in terms of coverage and costs
 - Efficient in terms of administration

➤ Accreditation

- Passenger and Cargo program relevance
- Value added for Customers
 - Agents
 - Airlines
- Accreditation process alignment
 - Regional-Global standardization need
 - “Glocal”. Local needs with global standards
- Accreditation process alignment
 - IATA agent code is being used by multiple travel industry stakeholders

➤ B2C “No frills” Airlines and other travel products distribution





OUR MISSION ↗
To **REPRESENT**,
LEAD and
SERVE the
airline industry