



Government & Industry Affairs Update

»»» March 2012

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

USA

Europe

Slots

Environment/Climate Change

GOVAFS issued in March 2012



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1. USA

IATA DG & CEO Washington Visit

On March 8, 2012, IATA Director General Tony Tyler met with senior White House and Congressional leadership on the ETS issue. At the White House, Tony met with Todd Stern, the Special Envoy for Climate Change, and Michael Froman, President Obama's Deputy National Security Advisor. Tony outlined both the industry's four pillar strategy and also our three carbon reduction targets. He argued that the European ETS is standing in the way of an ICAO agreement. Mr. Froman and Ambassador Stern made it very clear that the U.S. Government is strongly opposed to the European ETS.

Tony also met with Senator Jay Rockefeller, the Chairman of the Senate Commerce Committee, the Committee responsible for aviation matters in the Senate. Tony stressed the importance of passage of the Senate Bill as a clear signal to the European Commission that the U.S. would not tolerate having its carriers participate in the European scheme. Senator Rockefeller assured us that he opposes ETS and committed to holding a hearing on the Senate Bill following the Easter Congressional break.

On March 9, IATA Director of Environment Paul Steele (joined by A4A) had meetings with Senate staff and the FAA on the ETS issue. Paul explained in detail the work industry is doing to ensure that we meet our carbon reduction targets.

EU ETS

The Senate Bill providing authority for the DOT to prohibit U.S. carriers from participating in the EU ETS gained its first Democratic co-sponsor, paving the way for additional support by the Democratic Senators. In addition to pursuing stand-alone passage of the Bill, the Senate staff is looking for opportunities to add the Bill as an amendment to other legislation.

Taxes

The US House Budget Committee released its draft budget on March 20, 2012 and did not include the Obama Administration proposed aviation security fee increase or the \$100 per-aircraft charge. While this is a positive development, there are a number of opportunities for supporters of these taxes to introduce them before December, including expiration of the Bush tax cuts, another likely debt ceiling increase, and the budget sequestration mandated by last year's debt ceiling increase. IATA will continue to work with A4A and other stakeholders to educate Congress on the pitfalls of increasing aviation taxes.

Lithium Batteries

On February 10th, 2012, the ICAO Dangerous Goods Panel approved significant changes to the lithium battery provisions in the ICAO Technical Instructions that govern the transport of lithium ion and lithium metal batteries shipped by air. The

changes go into effect on January 1, 2013. In light of these changes and the rulemaking restrictions in the FAA Reauthorization bill, we expect the DOT to withdraw its controversial proposed rulemaking from January 2010 and issue a new proposed rule within the next 6 months that harmonizes US standards with ICAO Technical Instructions.

LightSquared

In February, the US Federal Communications Commission (FCC) announced that it intends to revoke LightSquared's conditional waiver to use spectrum adjacent to GPS and to indefinitely suspend its authority to operate cell towers. Based on significant input from the FAA and the Department of Defense, the FCC stated there is no practical way to prevent the LightSquared network from interfering with GPS devices. The industry coalition in which IATA participates intends to file comments on the proposed revocation, asserting that not only must the authority be suspended but also that the waiver must be eliminated in order to stop similar proposals in the future. While the threat appears to have faded in the US, we remain concerned that LightSquared may now attempt to install its network in the EU.

2. Europe

Airport Package

IATA, in close co-ordination with AEA, member airlines and other associations, is ramping up the lobbying campaign in Brussels for the European Parliament (EP) to ensure that all the key players are aware of the industry position on slots. IATA is invited to speak on behalf of the airline industry at an EP hearing on the issue on 11 April. We will be using this opportunity to lobby our position and clarify the more technical aspects of the slot process. A number of Member States have been undertaking their own internal hearings allowing the home airlines to also voice their concerns against the proposed changes. The issue will also be addressed by a second hearing on 8 May on the entire package.

The lobbying campaign on noise and ground handling is led by AEA with full support of IATA. An indicative timetable has been published for the work in the Parliament. We expect reports in the responsible Transport Committee to be finalized only after the summer break. Plenary will vote on them by the end of the year.

The Council has so far only worked on ground handling. In anticipation of a Council working group meeting on slots in June, IATA has briefed its country managers to actively tackle the issue on national level in order to make them aware of our position and influence the positioning of the Council.

Passenger Rights

The European Parliament has adopted its initiative report on Air Passenger Rights. This initiative report has no legal power but sends a political message to the European Commission.

IATA has been successful in getting some key amendments tabled and finally adopted. These amendments cover the need to clarify the extraordinary circumstances in Regulation 261/2004, the fact that passengers have not only rights but responsibilities as well and the fact that national authorities should comply with the mandatory financial oversight of their carriers.

IATA has also been successful in getting rid of issues such as the alignment of level of care and assistance of Regulation 261/2004 in case of delayed luggage, the obligation of carriers to resolve any passenger right issue in 24 hours, the introduction of a cooling-off period of at least 48 hours following the initial on-line booking and the obligation for air carriers to provide for a “final guarantee” in case of bankruptcy.

The Parliament has appointed a rapporteur on a new initiative report on passenger rights in *all* modes of transport. IATA will work with the Parliament on this new report.

OTC Derivatives

As indicated in the February GIA update, the European Parliament and the Council have reached an agreement on OTC derivatives by making a clear differentiation between speculating and hedging for commercial purposes. IATA has been successful in ensuring the differentiation/exemption of end users in the scope of the legislation.

3. Slots

See report above on EU Airport Package.

Outside of Europe we have been focusing on Mexico where the current slot management strategy departs from the four cornerstones of slots and the WSG. We are initiating a new lobbying campaign alongside ALTA and Canaero to set some short and long term targets to better align Mexico with the rest of the world.

Registration has opened for the 130th Slot Conference in Barcelona in June.

4. Environment

Despite a sense of “EU ETS fatigue” in some quarters, opposition amongst non-European states, especially China, US, India and Russia continues to be strong. Since the adoption of the Moscow Declaration in February, India has followed China in banning its airlines from complying with the EU ETS. Similar legislation is still progressing in the US Senate. Recently, European industry launched a letter-campaign urging EU leaders to resolve the escalating conflict.

While continuing to publicly dismiss calls for the EU ETS to be postponed or amended, concerns within Europe are growing generally regarding the continued viability of the decision to include aviation in ETS. The German Government has repeatedly urged the EC to start negotiations with third countries to defuse the conflict. Similarly, the French Government has expressed concern about the escalating trade row after China appeared to block an additional 10 airplane orders.

Dutch politicians have publicly questioned the EU ETS for aviation while Members of the European Parliament (MEPs) across party lines are also voicing their concerns, insisting the EC comes up with a 'Plan B'. Responding to MEPs, Jos Delbeke, the Director-General of DG CLIMA, has outlined before the European Parliament's Transport Committee the conditions under which the EC might consider changing its legislation. In the latest turn, in recent press statements, the EC indicated it is willing to consider "an alternate scheme that would just charge for the air miles over European airspace" but it puts the burden of developing such a scheme back on ICAO.

At the same time, IATA continues to lobby governments and engage with a wide range of stakeholders as part of an industry-wide push to demonstrate socio-economic benefits of aviation and promote its role in sustainable development. The recent ATAG Environment Summit held in Geneva, attended by over 350 delegates from 47 countries, provided an excellent platform for advancing this agenda. To underline its commitment, IATA, along with other aviation industry leaders, signed the Aviation Benefits Beyond Borders Declaration (see www.aviationbenefitsbeyondborders.org/our-commitment).

GOVAFs issued in March

GOVAF 1192: EUROPEAN PARLIAMENT REPORT ON AIR PASSENGER RIGHTS

GOVAF 1193: EU REVISION OF GROUNDHANDLING DIRECTIVE

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