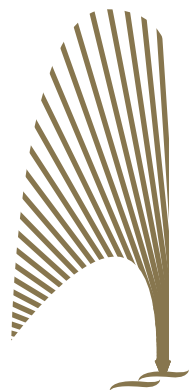




Annual Report
Arab Air Carriers Organization
48th Annual General Meeting – Jeddah
29 NOV- 01 DEC 2015



Jeddah | جدة
الإتحاد العربي للنقل الجوي
الجمعية العامة الثامنة والأربعون
AAC 48th AGM

Annual Report

Arab Air Carriers Organization 48th Annual General Meeting – Jeddah

Vision

To stand out globally as THE association that serves with dedication the Arab airlines and to be instrumental in dealing with an evolving aviation industry.

Mission

To serve the Arab airlines, represent their common interests and facilitate, in a manner consistent with all applicable competition and other laws their cooperation so as to improve their operational efficiencies and better serve the travelling public.

Objectives

- To support the Arab airlines' quest for highest safety and security standards.
- To support the Arab airlines' quest for developing their environmental policies for processes in harmony with the environment.
- To actively contribute in the development of human resources.
- To interact with the regulatory bodies to support and protect the interests of the Arab airlines.
- To launch joint projects between member airlines with the objective of achieving efficiencies that will lower their costs in a manner consistent with all applicable competition and other laws and that enhances the members' best practices.
- To provide forums for members and for industry partners to enhance the knowledge base.
- To reflect the positive image of The Arab Airlines Globally.

Strategy

To initiate and implement Specific, Measurable, Attainable, Relevant, and Traceable synergistic targets (SMART) that serve its objectives.

AACO Executive Committee



H.E. Eng. Saleh N. Al Jasser
AGM Chairman



H.E. Mr. Akbar Al Baker
Chairman of the Executive Committee

H.E. Mr. Akbar Al Baker, Group Chief Executive, Qatar Airways

H.E. Eng. Saleh N. Al Jasser, Director General, Saudia

Mr. Mohamed Abdou Bouderbala, Chairman & Chief Executive Officer, Air Algerie

Mr. Sherif Fathi Attia, Chairman & CEO, EgyptAir Holding Company

Sir Tim Clark, President, Emirates Airline

Mr. James Hogan, President & Chief Executive Officer, Etihad Airways

Mr. Mohamad A. El-Hout, Chairman/ Director General, Middle East Airlines

Mr. Driss Benhima, Chairman & Chief Executive Officer, Royal Air Maroc

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For the fifth time in its history, AACO convenes its General Assembly in Jeddah, on the blessed land of Saudi Arabia. Saudia, as a founding member, is one of the biggest supporters of cooperation amongst airlines regionally and globally. It never wavered from supporting AACO at all the critical junctures of its history. AACO has the honor to convene its 48th AGM, for the fifth time, in Jeddah under the High Patronage of H.R.H Prince Khalid Al Faisal bin Abdul Aziz Al-Saud, Advisor to the Custodian of the Two Holy Mosques and Governor of Makkah Region, and under the leadership of H.E. Engineer Saleh Ben Naser Aljasser, Director General of Saudia.

In August 1965, an elite group of aviation pioneers in the Arab region met in Cairo and signed the documents establishing the Arab Air Carriers' Organization, thus creating the regional trade association for the airlines of the Arab world. The Arab League of states then embarked on a campaign to create intergovernmental regional bodies as well as to call upon the non-governmental bodies to establish trade associations. Many of the current 22 Arab states have not even gained independence when AACO was established. The mission of AACO was to try to create an independent identity for the Arab airlines separate from the influence of airlines of other regions.

The Arab air transport was a fraction of what it is today. It represented a decimal point of the global aviation arena. Although many of the Arab airlines were established prior to 1965, but their network was limited to a regional one, with few exceptions, given the limitations on aircraft and engine technologies of the day.

Most of what the founders aspired to was to be able to coordinate their stand prior to IATA meetings and influence the tariffs which were coordinated and established within IATA when it enjoyed immunity from antitrust laws. The landscape of aviation was strictly regulated. Every single flight had to be agreed upon. The number of seats, the seat pitch and what can be served onboard was also strictly regulated. Tariffs were enforced and any airline which did not comply was subject to severe fines. So basically, the aviation ecosystem including that of the Arab world, was as if it is coming out from a Georges Orwell's novel.

Reciting that past is important to know in order to realize the giant leap Arab airlines have accomplished in the last 50 years. Arab air transport industry, particularly the Arab airlines, have effectively transformed the global landscape of aviation during those five decades and perhaps more so during the last three. Even as late as the early eighties, aviation professionals in the region thought that influencing manufacturers in the design phase of new aircraft was a dream. Thirty years later, it is a reality. With the advancement in technology enabling operators to cover almost the whole world with one stop, and with the right

location on the globe in between major traffic flows, airlines of the region have established indeed the hubs of the 21st century. But airlines alone without the proper infrastructure would be lame no matter how efficient they are. The fact that Arab governments embraced aviation as an economic lever created the raison-d'être to marry the expansion of air travel with the right infrastructure. Even with having efficient airlines and infrastructure, the formula would not be complete without convincing the customer that those airlines provide value for money and that the whole travel experience will be a delightful one.

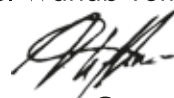
Some of AACO members have truly become global brands, which every airline of the world aspires to. Even if they carry names of countries and their flags, the customer of today flies with them because of the quality of their brand. The transformation of air transport from utility-like enterprises into businesses started in the United States of America with the adoption of the open skies policy in 1978. It was followed by the European Union which was the first model on how to create a single aviation market by a multitude of states. By 1997 almost two thirds of air travel was based on liberal policies rather than restricted ones. That liberalization created the critical mass needed for a competitive environment to emerge resulting in a win win win situation: win for the customer, win for the economy and job creation and win for the airlines themselves by making them more efficient. This is why liberalization cannot be abandoned nor can it be a mixture of liberalization and protectionism. Technology will not allow it. Good governance will not accept it and the customer of today and tomorrow will not tolerate it.

The Annual Report and the AATS of this year contain a tremendous amount of information about our fifty years saga. The success story of the Arab airlines is the reason why AACO is successful. AACO as an association can always be successful by having the interests of its airlines and stakeholders as its sole focus. This is why AACO was able to evolve during the last fifty years from a forum to establish identity into a tool in the hands of the members and stakeholders to achieve objectives which are of common interest. The AACO of today is a research center, an advocacy arm, a catalyst for cooperation resulting in better economics and a forum for ideas to be spread and awareness to be raised and new opportunities to be explored. But that wouldn't have been possible without those pioneers who met in Cairo in August 1965 and put the cornerstone of an entity that serves in earnest the air transport industry at large.

I am sure that the hospitality of Saudia and the support of its highly professional team will render this Annual General Meeting a true landmark in the history of AACO.

We will always be proud to serve you.

Abdul Wahab Teffaha



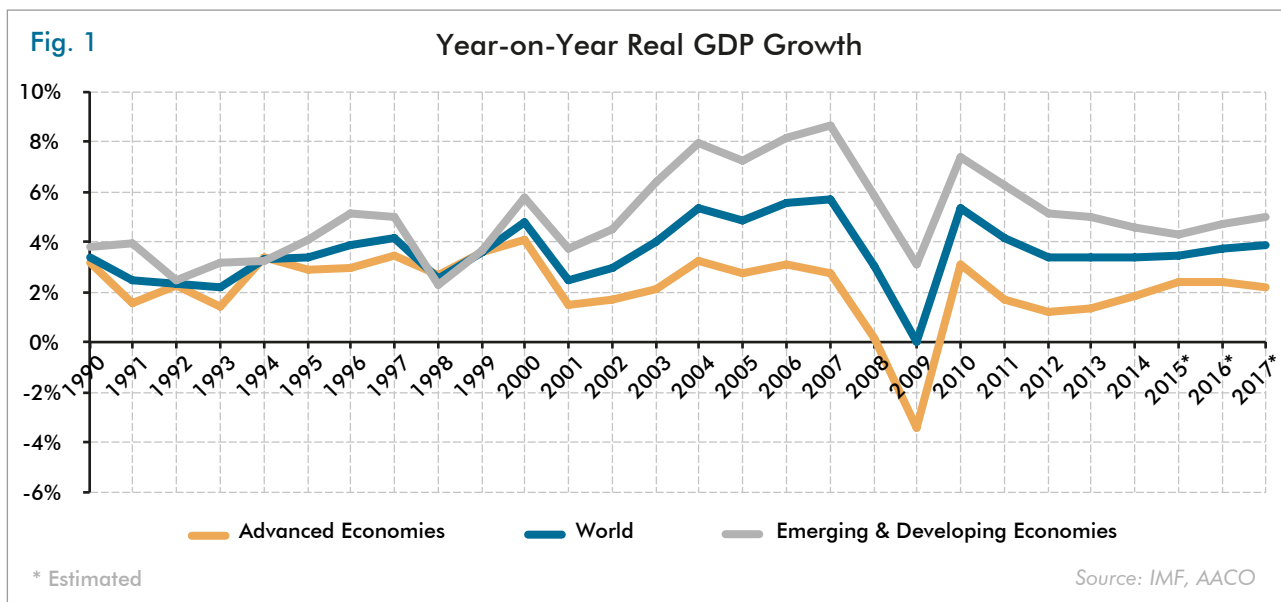
Secretary General

STATE OF ARAB AIR TRANSPORT

THE ECONOMY

The global economy continued in 2014 its slow recovery from the financial crisis which is hindered by a multitude of issues of fiscal, economic, and geopolitical natures in different parts of the world. Overall, global GDP grew by 3.4% in 2014, maintaining its growth level of 2013, and is expected to increase slightly by 3.5% in 2015, driven mainly by the developments in advanced economies, while the growth in emerging economies, led by China, is slowing down.

The global economy continued its fragile growth in 2014 affected by several issues



Growth in advanced economies accelerated in 2014 to 1.8%, up from 1.4% in 2013. Activity is foreseen to grow further in 2015 by 2.4%, fueled by the rebound in the United States and the Euro area.

Output growth in the United States gained some strength in 2014, supported by private demand: GDP grew by 2.4% in 2014, up from 2.2% in 2013, and is expected to grow further in 2015 as a result of lower energy prices and tame inflation. Economic activity in the Euro area witnessed a modest growth in 2014 as private investment remained weak: The Euro area GDP grew by 0.9% in 2014 following a contraction of (0.5%) in 2013. However, activity is expected to accelerate in 2015 as a result of lower oil prices, lower interest rates, and currency depreciation which is expected to support export activities.

On the other hand, activity in emerging and developing economies slowed down in 2014, as a result of geopolitical tensions and lower revenues from oil exports: GDP grew by 4.6% in 2014, down from 6% in 2013, and is expected to decelerate further in 2015 to 4.3%.

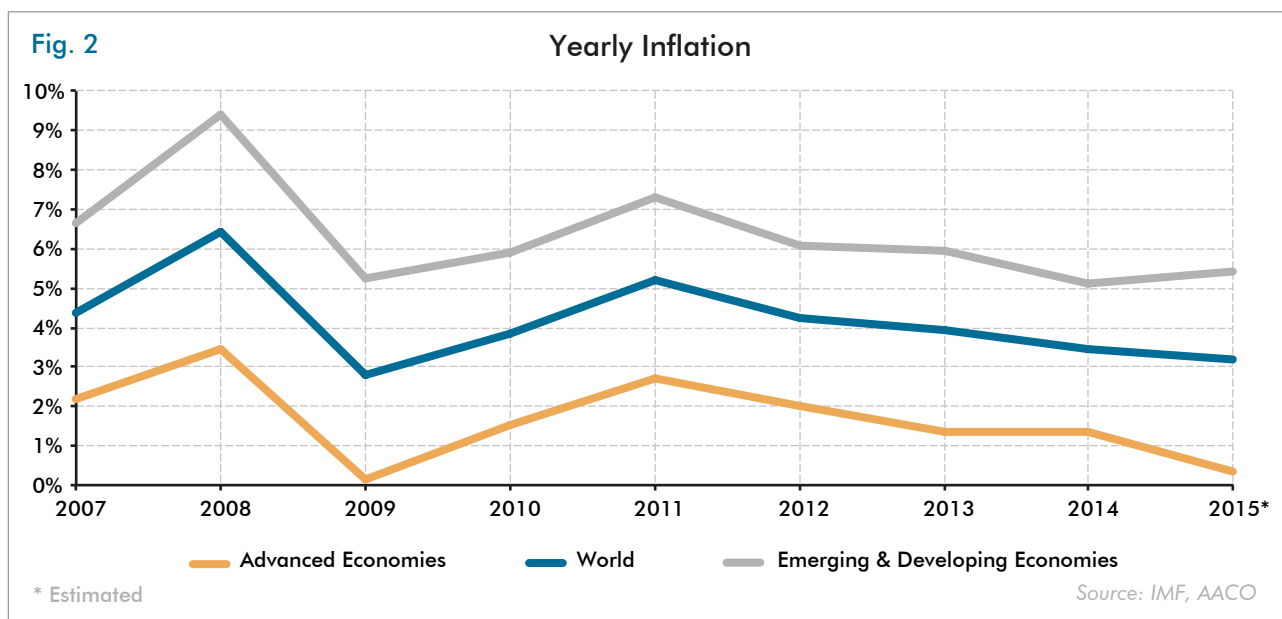
Economic activity in the Arab world remained weak in 2014 as oil prices sharply declined and the geopolitical situation remained fragile in several countries: GDP growth in the Arab world recorded 2.3% in 2014, down from 3.2% in 2013. However; improvement in the non-oil sector is expected to support the economic activity in 2015.

GDP growth in the Arab world remained weak in 2014

Despite the sharp decline in oil prices, Arab oil exporters' economic activity grew by 2.4% in 2014, up from 2.1% in 2013, with the accumulated financial buffers cushioning the impact of the price drop. On the other hand, growth of oil importers' economies remained weak in 2014 as a result of the political instability and elevated conflicts: Oil importers' GDP grew by 2.5% in 2014, down from 2.7% in 2013.

Global inflation fell to 3.4% in 2014, down from 3.9% in 2013, reflecting the sharp decline in commodity prices, especially oil, and its effect on the cost of energy and other commodities. In the United States, inflation grew slightly from 1.5% in 2013 to 1.6% in 2014. In the Euro area, inflation witnessed a significant decrease recording 0.4% in 2014, down from 1.4% in 2013. On the other hand, Japan's inflation increased to 2.8% in 2014, up from 0.4% in 2013. In the Arab world, inflation eased down to 4.7% in 2014, down from 4.9% in 2013.

Inflation in the Arab world remained controllable reaching 4.7%



International tourist arrivals increased by 4.2% in 2014 recording a total of 1,133 million tourists. Advanced economies drove this growth, with international tourist arrivals growing by 5.8%, while emerging and developing economies witnessed a growth of 2.6%. The direct contribution of tourism to global GDP in 2014 was USD 2,365 billion (3.1% of total GDP), and is expected to rise to 3.7% of global GDP in 2015. In addition, tourism directly supported around 105 million jobs in 2014, and is expected to increase that number by 2% in 2015.

The tourism sector expanded in 2014 by 4.2%

Despite the geopolitical challenges and the fragile economic situation, international tourist arrivals in the Arab world increased by 4.1% in 2014 over 2013, reaching 70.9 million tourists. Tourism contributed by USD 112.5 billion to the Arab world GDP in 2014 (3.5% of total GDP), and directly supported around 5 million jobs.

Tourism in the Arab world added around 3 million tourists in 2014

THE MARKET

Facts, Policies & Airlines

- As political instability prevails in some countries in the Arab world affecting those countries and the region as a whole, realizing the highest potential of the air transport sector in the region proves to be challenging. In spite of a number of strong features that put this region at the forefront of prosperity and growth, it is still held back by unfortunate factors.
- Geographical location, non-maturity of the market, the young demographic structure and the economy are catalysts for the prosperity of the sector. The facts that the region is located at the crossroads of the world regions, that the ratio of passengers to population is only 0.5:1 in the Arab world compared for example to Europe 1.1:1 and the US 2:1, and that the region gathers one of the youngest populations in the world with more than 50% of the Arab population younger than 25 years of age, have all been catalysts in driving the air transport sector in this region to new heights. However, without the governments' vision and airlines' smart investment in the strong factors that the region enjoys naturally, the sector would not have reached its current state. Most governments in the Arab world look at the aviation sector as a driver to the economy where they adopted supportive policies to boost this sector, and have invested heavily in air transport infrastructure. Also a number of governments have struck bilateral agreements with global countries to open trade and tourism opportunities, while others adopted unilateral Open Skies policies. The level of taxes imposed on the sector in the region is also considered one of the healthiest compared to levels elsewhere.
- Airlines in the region have invested in these strong factors making them major levers for their local economies and the economies of countries they serve. These airlines fly the youngest fleet worldwide, provide superior customer service and consumer experience, allocate the right price to the right customer segment, developed strategies for keeping fuel burn and maintenance cost at a minimum, developed environmentally friendly global brands, installed modern revenue management systems while enjoying lower unit and labor costs than other regions with very high aircraft utilization. The unique and diverse strategies adopted by these airlines have also helped them grow and provide more connectivity and better service to the consumer. Be it organic expansion, global partnerships, joining alliances, consolidation, acquisitions or other modes of global reach, airlines in the region are moving in the right direction where business makes sense and the added value to the consumer is guaranteed.
- The downturn of the state of the sector results from the political instability, restrictions on market access, limitations on capital investments and ownership and control of airlines, visa restrictions, scarcity of airspace capacity and lack of optimum air traffic management systems, and lately the rise of some calls for protectionism in some regions in the world that are leaning towards limiting the expansion of airlines from this region in an attempt to reduce or even eliminate competition.
- While there are definitely external factors challenging the sector, there are also internal factors which solution is in the hands and willingness of Arab governments. The Damascus Convention of 2004 is a tool that, if used, could elevate the state of the Arab air transport industry to new levels of prosperity, growth, value and contribution to the region's economy. Unfortunately, the Convention, although ratified by 8 Arab states, is not being implemented in the bilateral relations between Arab states that

Political instability: a major challenge to the region's air transport sector

Arab airlines: Major levers for local & global economies

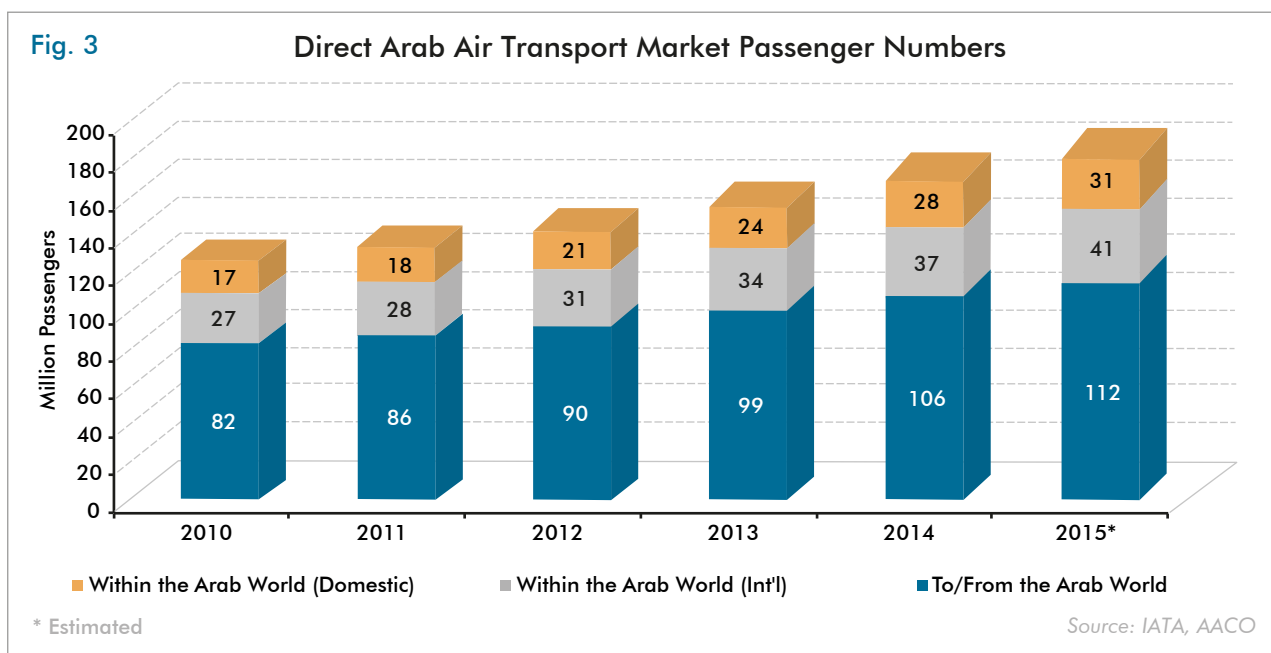
Damascus Convention: An important tool that would bring massive benefits to the Arab air transport sector, the economy, and the consumer

are still governed by bilateral Air Services Agreements mainly granting 3rd and 4th freedom air traffic rights. Some governments, however, did choose to adopt open skies policies unilaterally like UAE, Kuwait, Lebanon, Bahrain, Oman and others.

Traffic: Passenger Numbers and Growth

In spite of the elevated geopolitical situation in the region and the fragile economic performance, the direct Arab air transport market continued to expand in 2014, growing by 9.7% compared to 2013. The number of passengers to, from, and within the Arab world reached around 172 million passengers compared to 156 million in 2013. We expect an increase of 7.3% in the number of passengers travelling to, from, and within the Arab world in 2015 over 2014.

The Arab air transport market added 15 million passengers in 2014



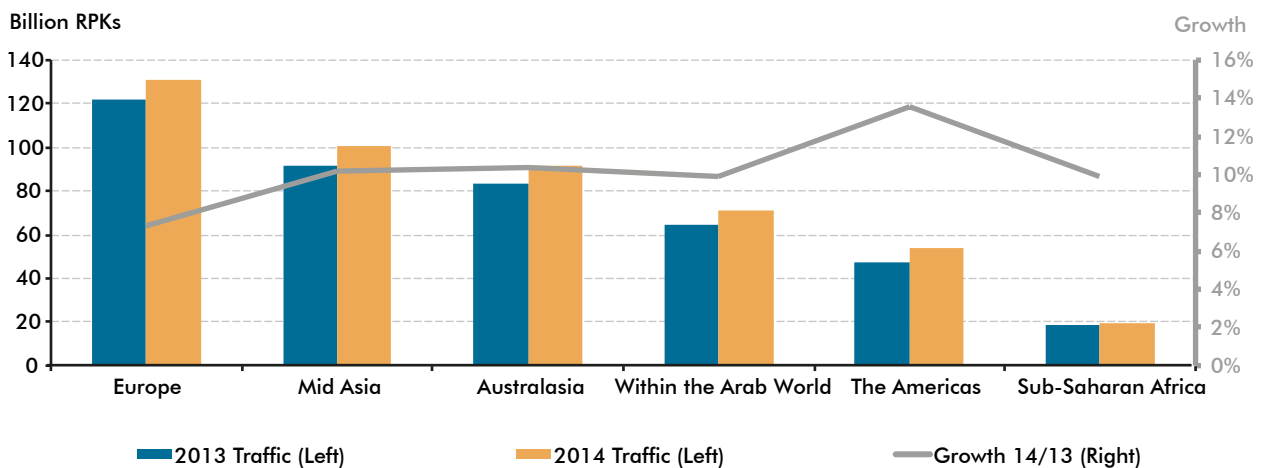
Passenger numbers to and from the Arab world recorded a growth of 7.4% in 2014 compared to 2013, and is estimated to increase by 6.1% in 2015 compared to 2014. International passenger numbers within the Arab world recorded a double-digit growth in 2014, growing by 10.6% over 2013 levels and is expected to grow by 8.3% in 2015. Similarly, domestic traffic recorded an increase of 17.5% over 2013 and is foreseen to increase by 10.4% in 2015.

Traffic between the Arab world and Europe represented 27.9% of the total direct market to/from and within the Arab world, followed by Mid Asia at 21.5%, Australasia at 19.6%, within the Arab world at 15.2%, the Americas at 11.5%, and finally Sub-Saharan Africa at 4.2%.

Traffic with Europe, Asia and within the Arab region are the cornerstones of the Arab air transport market

Fig. 4

Direct Total Arab Travel Regional Market Traffic (RPKs) & Growth

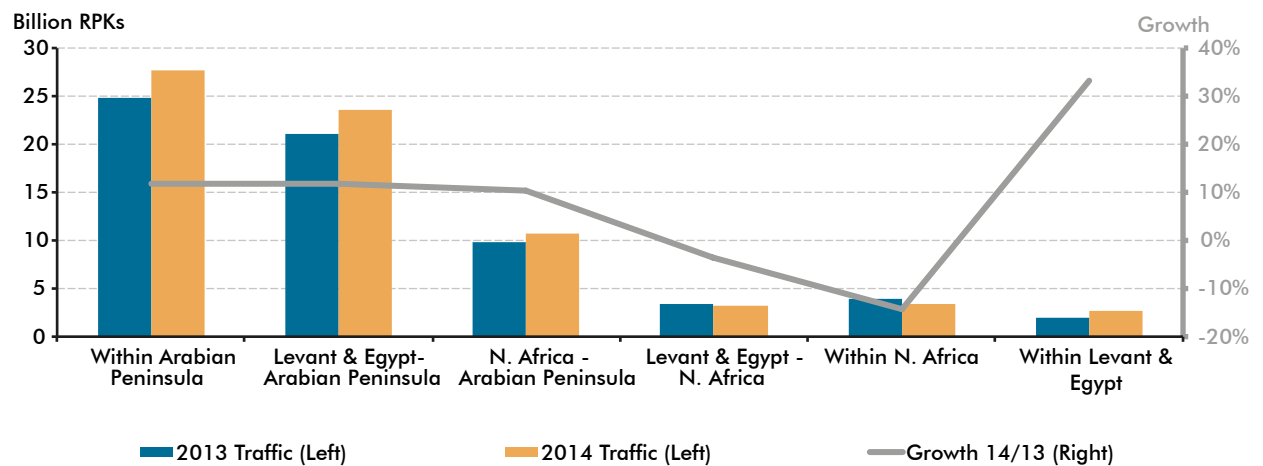


Source: IATA, AACO

On the other hand, traffic within the Arabian Peninsula represented 38.9% of the total market within the Arab world, followed by traffic between the Levant and Egypt and the Arabian Peninsula at 33.1%, between North Africa and Arabian Peninsula at 15.1%, within North Africa at 4.7%, between the Levant and Egypt and North Africa at 4.6%, and finally within Levant and Egypt at 3.7%.

Fig. 5

Direct Arab Travel Intra-Regional Market Traffic (RPKs) & Growth

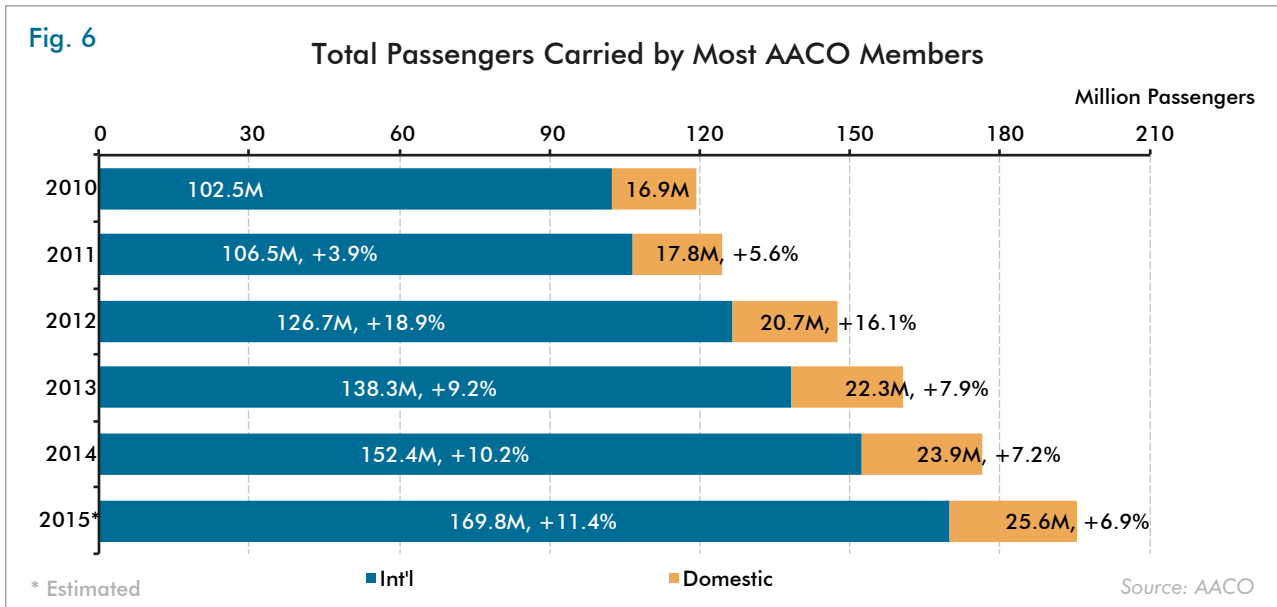


Source: IATA, AACO

MEMBER AIRLINES PERFORMANCE

Passenger Operations

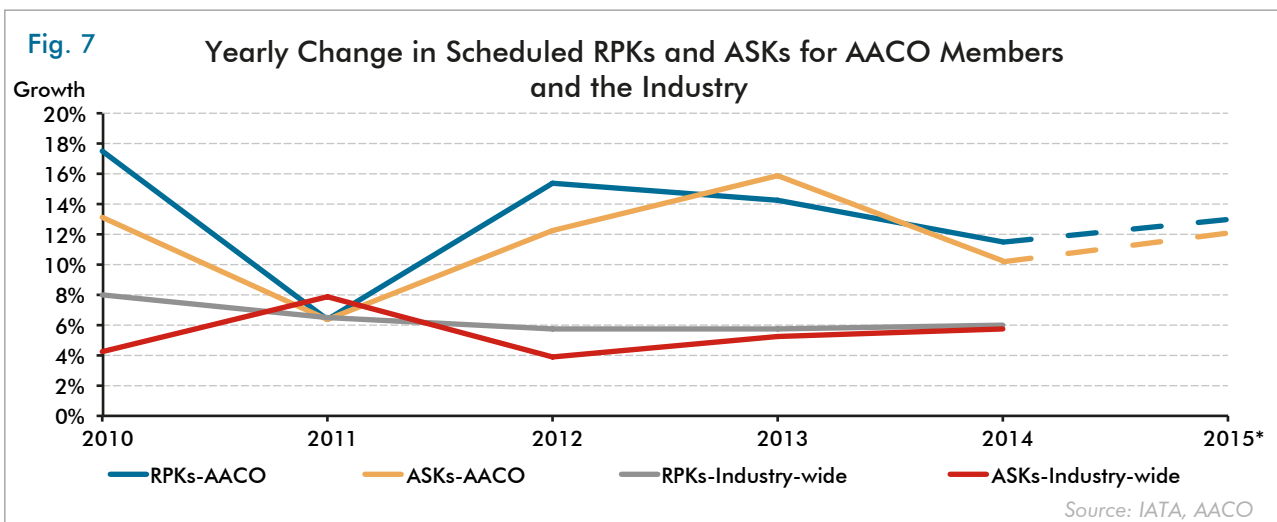
AACO members marked another remarkable year in terms of passengers carried, reaching 176.3 million passengers; a growth of 9.7% compared to 2013 levels. Passengers on international routes increased by 10.2% reaching 152.4 million, and traffic on domestic routes increased by 7.2% to 23.9 million passengers. We estimate that the number of passengers carried by member airlines will increase by 10.8% in 2015 over 2014 to reach 195.4 million passengers.



Member airlines recorded an increase of 11.5% in 2014 in scheduled RPKs compared to 2013. The global growth in scheduled RPKs for the same year was 6% compared to 2013. Overall, total RPK growth of AACO member airlines was 11.4% in 2014 (including scheduled and charter operations). We estimate a traffic growth of 15.4% in terms of RPKs in 2015.

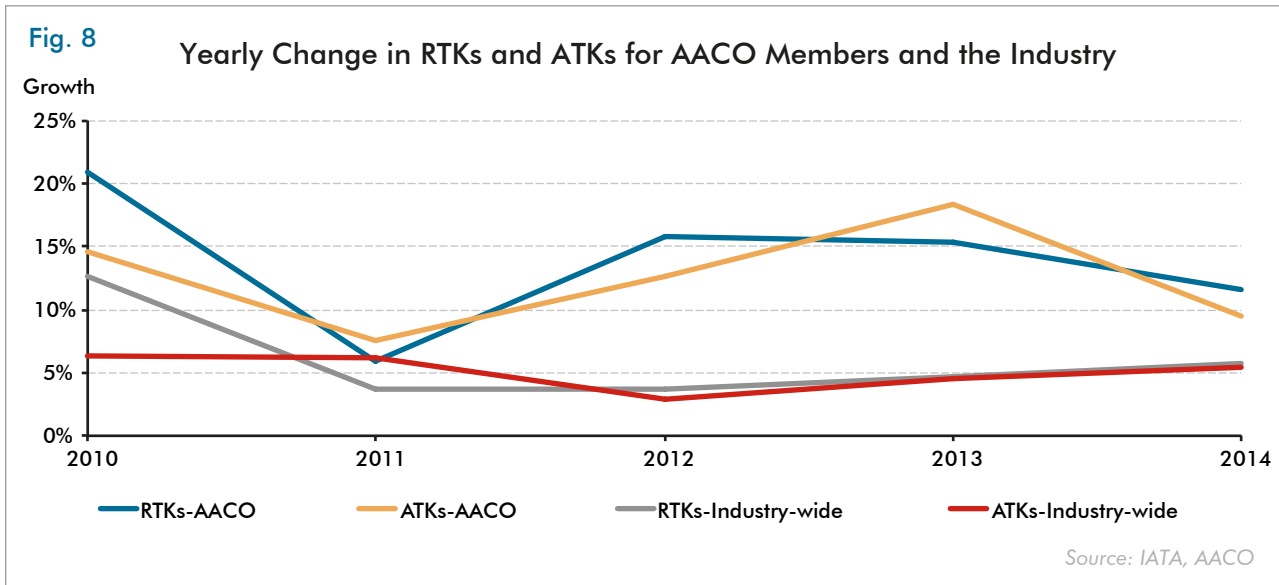
Alongside the increase in demand, AACO members increased their scheduled ASKs by 10.2%, while the global growth for the same period being 5.8%. Total ASK growth recorded at member airlines in 2014 was 10% over 2013. AACO members are foreseen to post a growth of 14% in 2015 in ASKs in line with the aircraft deliveries and demand growth in 2015.

With demand growth outpacing capacity growth, AACO members' PLF rose by 1 percentage point in 2014 to 76.2%, up from 75.2% in 2013.



Cargo Operations

AACO member airlines recorded a growth of 11.6% in 2014 in RTKs compared to 2013. AACO members also witnessed a growth of 9.5% in terms of ATKs. Consequently, AACO carriers' Weight Load Factor increased by 1.2 percentage points to 63.5%.



Fleet Development

AACO member airlines added a net 52 aircraft in 2014 (133 additions and 81 withdrawals). Accordingly, AACO member airlines' fleet count increased to 1,117 aircraft by the end of 2014, compared to 1,065 aircraft at the end of 2013. AACO member airlines' fleet composition in 2014 was 45.7% wide-body aircraft, 42.3% narrow-body aircraft, 8.1% regional aircraft and 3.8% freighters.

AACO members added 133 newer aircraft and withdrew 81 older ones in 2014

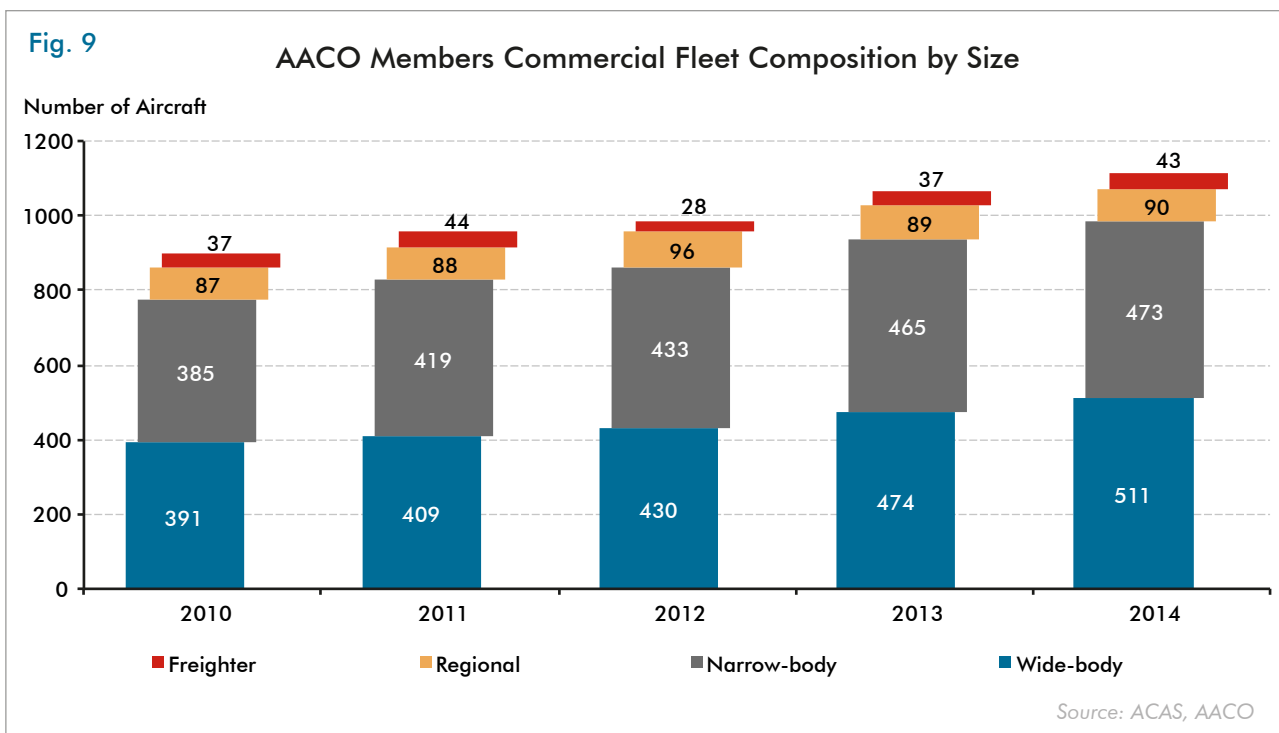
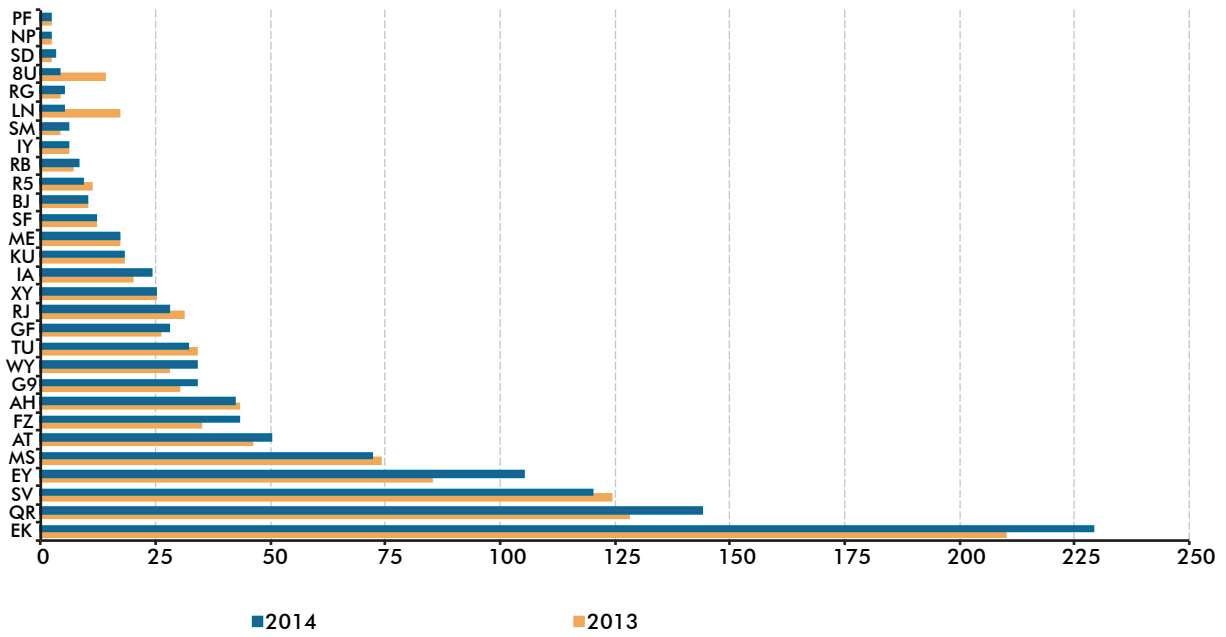


Fig. 10

Individual AACO Members Commercial Fleet Developments

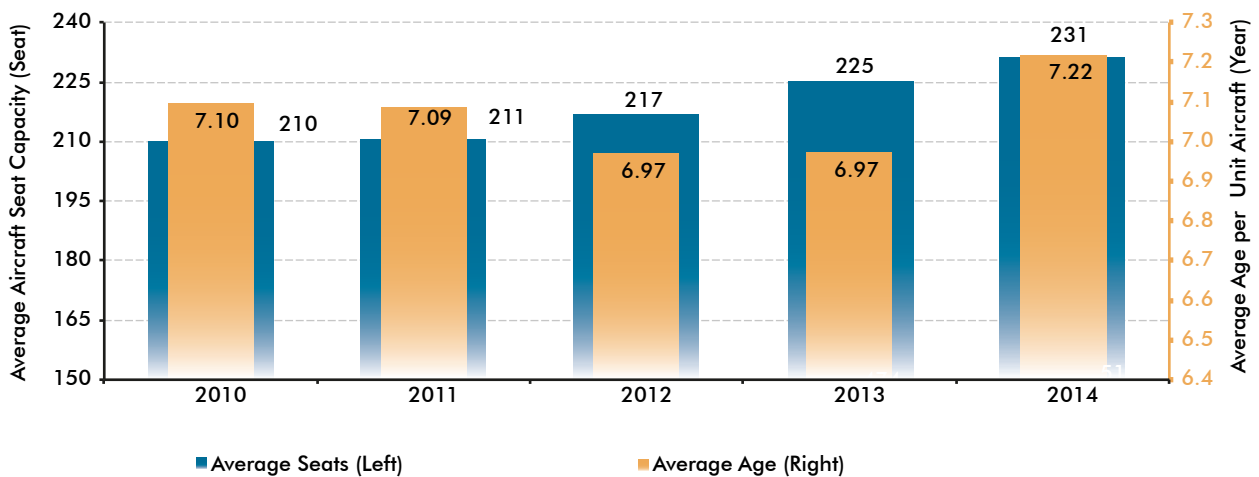


Source: ACAS, AACO

In 2014, AACO members' average seat capacity per unit aircraft increased by 2.6%, reaching 231 seats per aircraft up from 225 seats per aircraft in 2013. On the other hand, AACO member airlines' fleet average age per unit aircraft increased by 3.5% in 2014 compared to 2013, reaching 7.22 years.

Fig. 11

AACO Members' Commercial Fleet Average Age & Average Seat Capacity per Passenger Aircraft

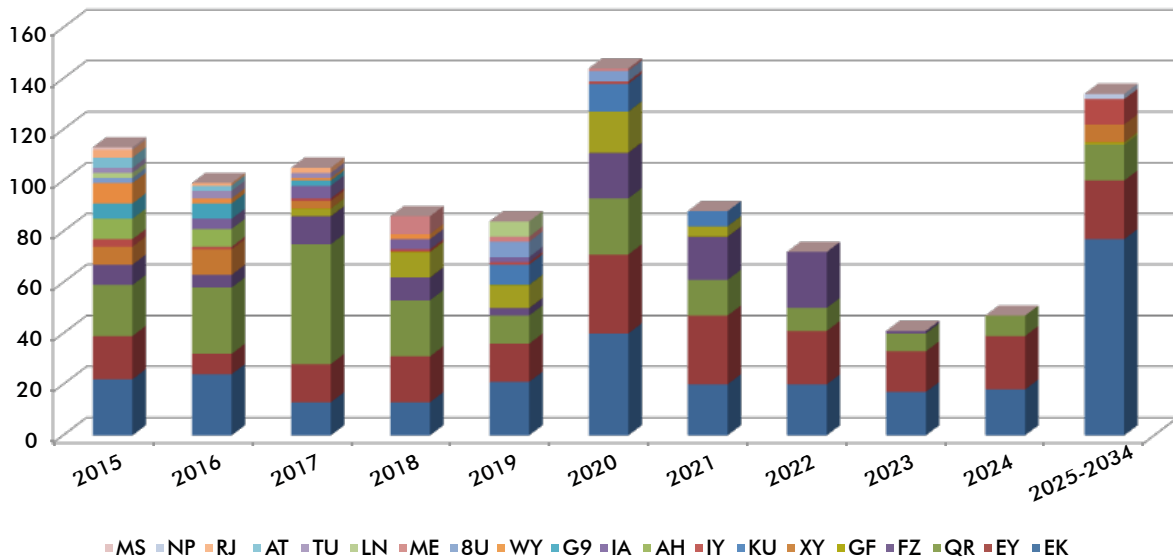


Source: ACAS, AACO

AACO member airlines are scheduled to receive 1,013 aircraft until 2034, among which 113 are scheduled for delivery in 2015, 46 were delivered in the first half of the year, with the rest to be delivered during the second half.

Fig. 12

Number of New Commercial Aircraft Expected to Join AACO Members' Fleet (As at 2 Jan 2015)



Source: ACAS, AACO

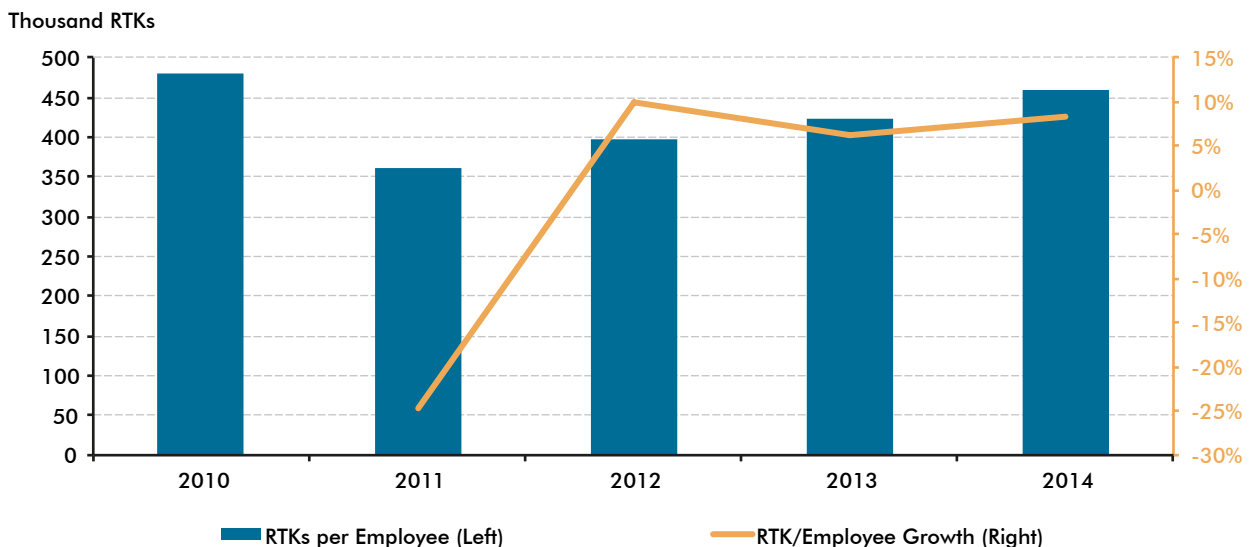
Employees and Productivity

Staff counts at AACO members increased by 2% in 2014 over 2013. Staff productivity reached 459 thousand RTKs per employee; an increase of 8.4% over 2013 levels, compared to a global growth in productivity of 2.1% in terms of RTKs per employee. In addition, the global average productivity scored 370 thousand RTKs per employee, which brings the productivity of member airlines' staff 24% higher than the industry average.

AACO members' staff productivity was 24% higher than the industry average in 2014

Fig. 13

Reporting AACO Members' Staff Productivity

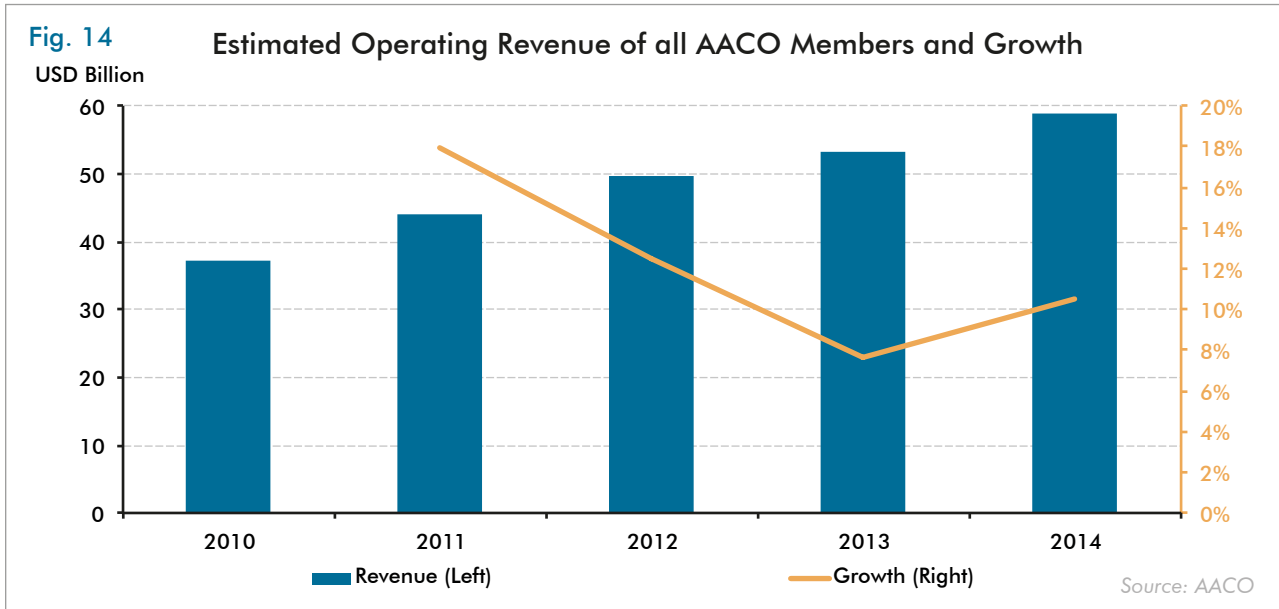


Source: AACO

Financial Performance

• Revenue

Reporting AACO members posted a growth in their operating revenues by 4.4%, reaching USD 39.2 billion. We estimate the operating revenue of all member airlines at around USD 58.9 billion, split between 65.7% from economy traffic (88.7% of total traffic), and 34.3% from premium traffic (11.3% of total traffic). Premium revenue grew by 9.3% over 2013, and coach revenue grew by 4.5% during the same period. The estimated aggregate revenue of all members represents a 10.5% increase over the estimated total revenue in 2013, and a 57.7% over the estimated total revenue of 2010.



• Changing Cost

AACO members reporting carriers aggregate operating expenses increased by 2.4% in 2014 compared to 2013. This increase in operating expenses resulted from operations and fleet expansion, which was cushioned by the decrease in jet fuel prices. Reporting member airlines spent 4.4% less on Jet fuel in 2014, which is mainly attributed to the global drop in Jet fuel prices. Accordingly, Jet fuel contribution in operating expenses decreased by 3.1 percentage points over 2013, recording 29.5% of reporting carriers' operating cost.

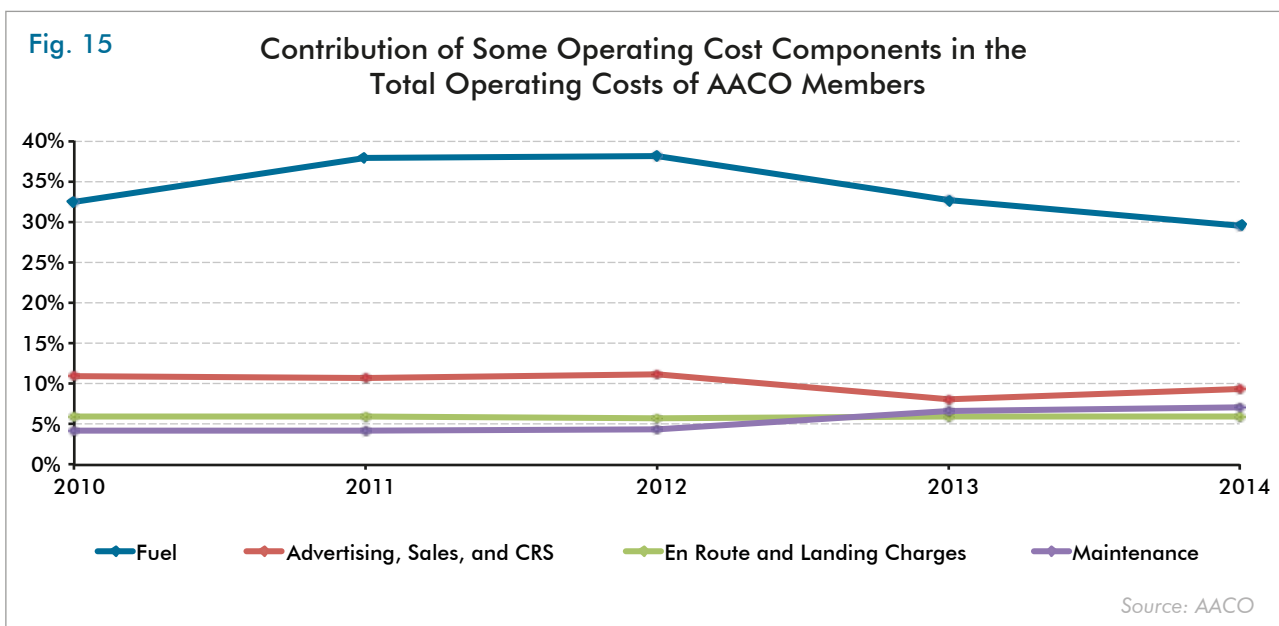
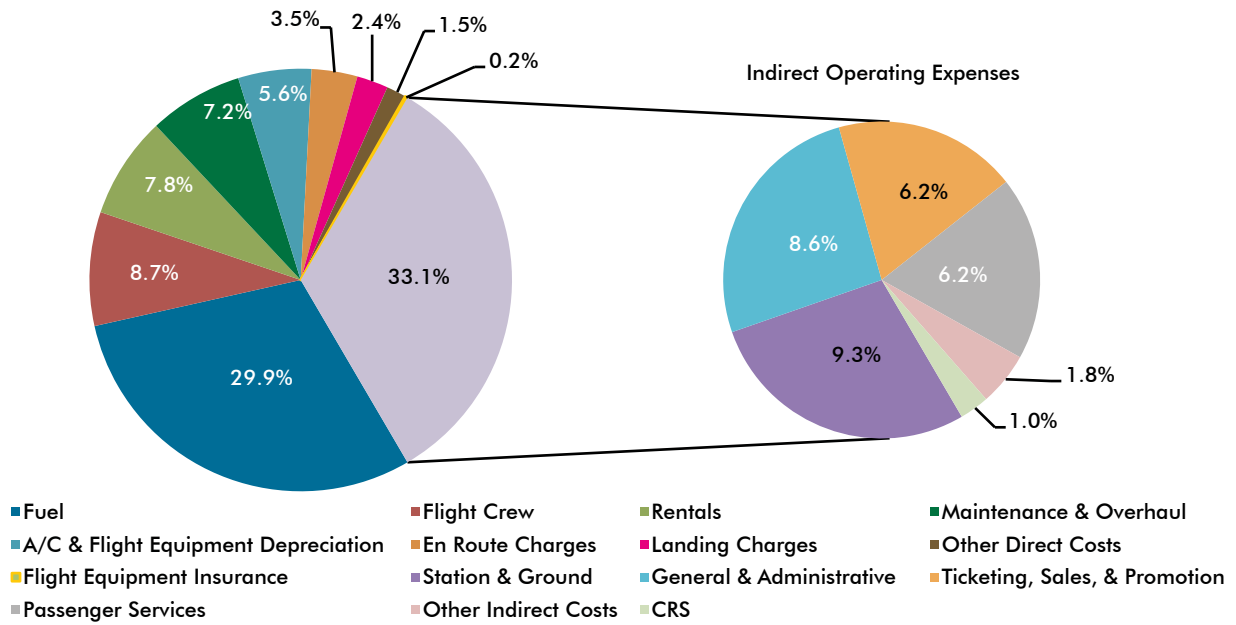


Fig. 16

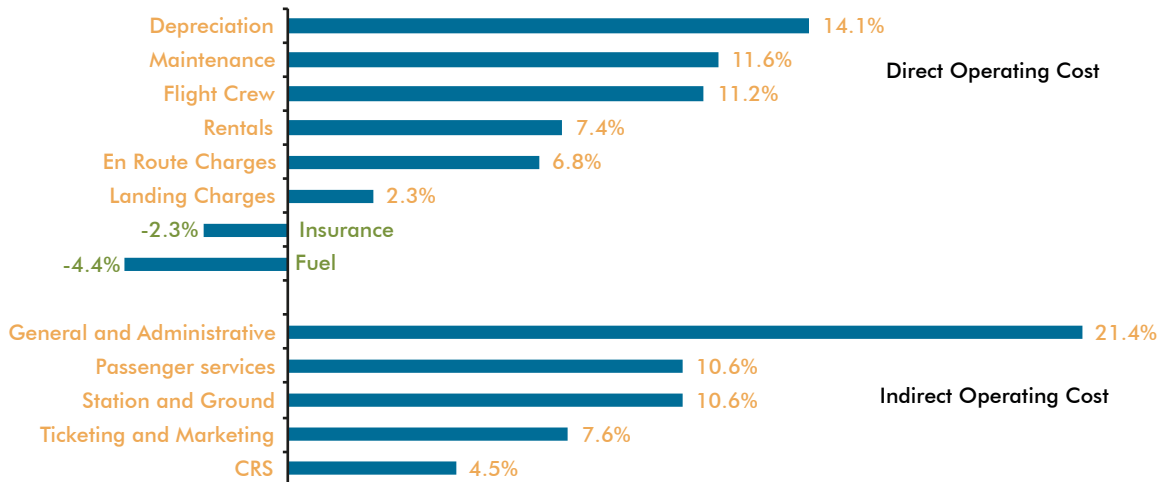
Operating Expenses by Cost Item - 2014



Source: AACO

Fig. 17

Operating Expenses Growth 2014/2013



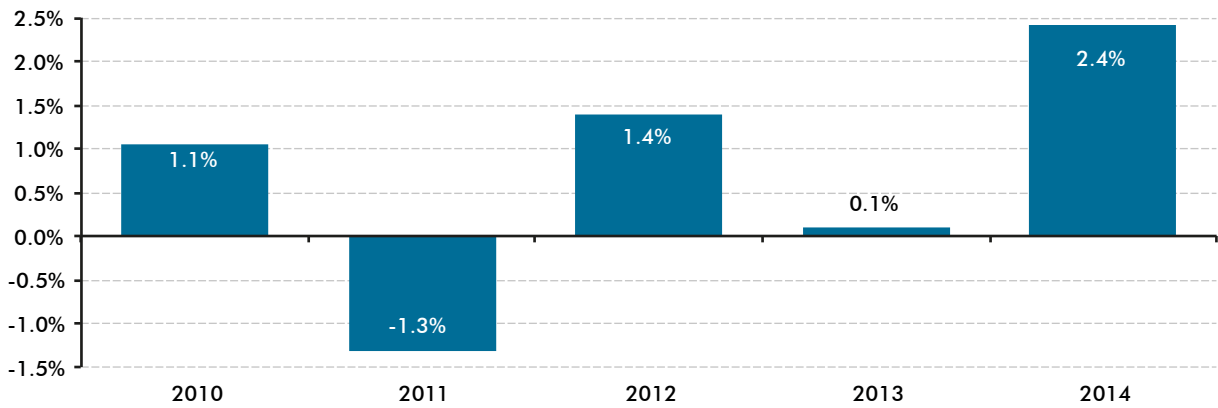
Source: AACO

• **Financial Results**

Reporting carriers posted a growth of 4.5% in their operating revenue in 2014 over 2013. Consequently, reporting members recorded an operating profit of USD 778.6 million, and a net profit of USD 831.5 million representing a 2.4% and 2.5% aggregate operating and net margins respectively. Among those airlines, the highest profits reported by a reporting member were USD 1.6 billion, and the highest losses incurred by a reporting carrier were USD 567 million.

Fig. 18

Operating Margin of Reporting AACO Members



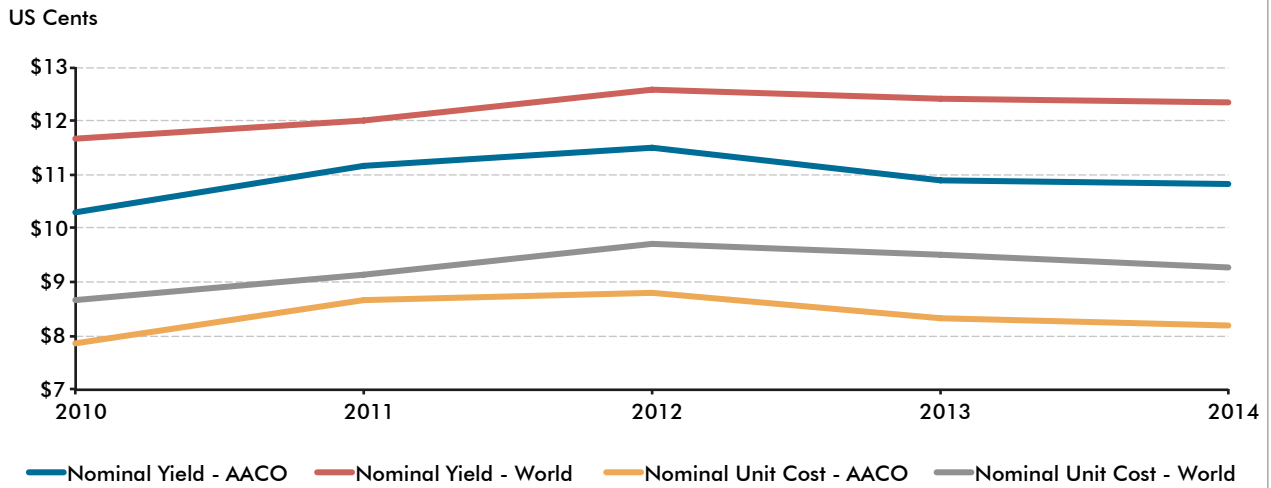
Source: AACO

• Yield and Unit Cost

Passenger yield of reporting AACO members decreased by (0.65%) as the increase in traffic slightly surpassed the increase in revenue in 2014, and their unit cost by (1.36%) resulting in the decrease of the passenger Break-even Load Factor of reporting carriers by 0.5 percentage points to 75.9%. It is worth mentioning that the PLF of the carriers reporting both their financial and operations data recorded 77.6%, which demonstrates the aggregate profitability of those airlines.

Fig. 19

Global and AACO Members' Yield and Unit Cost



Source: A4A, AACO

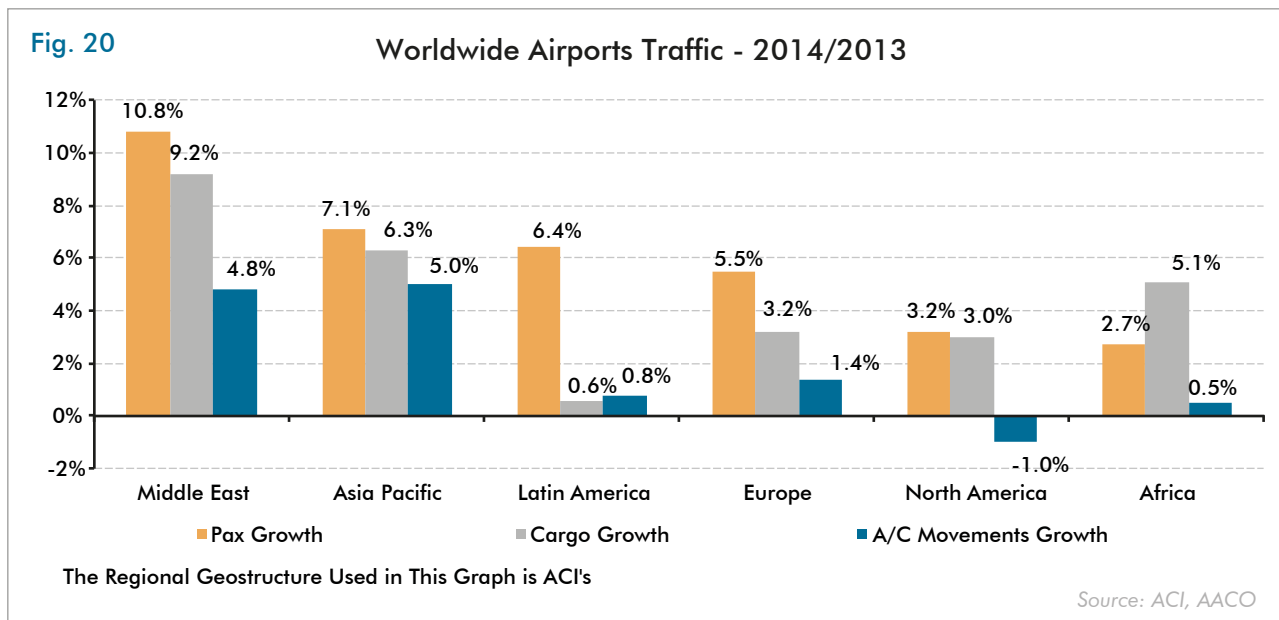
THE INFRASTRUCTURE

Airports

Global airport operations remained resilient to global economic uncertainties. Passengers through world airports grew by 5.7% in 2014 to 6.7 billion passengers. This growth was mainly owed to emerging and developing economies; the Middle East led the global growth in terms of passenger traffic at 10.8%, followed by Asia Pacific with a growth of 7.2%, Latin America and the Caribbean at 6.4%, Europe at 5.5%, North America at 3.2%, and finally Africa at 2.7%.

Global cargo volumes handled increased by 4.7% in 2014 over 2013, reaching 102 million tons. Similar to passenger traffic, the Middle East posted a solid growth of 9.2% in terms of total volume of cargo handled, followed by Asia Pacific at 6.3%, Africa, Europe, and North America at 5.1%, 3.2%, and 3% respectively. On the other hand, Latin America and the Caribbean recorded a sluggish growth of 0.6%.

Global aircraft movements recorded a shy growth of 1.3% in 2014 compared to 2013. Asia Pacific and the Middle East led the global growth, growing by 5% and 4.8% respectively. However, this growth was negatively affected by the modest growth in Europe at 1.4%, Latin America and the Caribbean at 0.8%, Africa at 0.5%, and finally North America shrinking by (1%).



Reporting Arab airports recorded 299.3 million passengers in 2014, a growth of 9.3% over 2013, and are expected to grow by 8.7% in 2015 over 2014, reaching 325.3 million passengers.

Dubai airport grew by 6.1% over 2013, and overtook Chicago airport to become the 6th global airport worldwide in terms of total traffic, and became the busiest airport in the world in terms of international passengers after outperforming London Heathrow. In addition, it recorded the 6th position globally in terms of total cargo handled, and the 3rd position in terms of international cargo handled. Doha airport advanced to the 20th position from the 21st last year in terms of international passengers.

Looking at global growth rates, Abu Dubai airport ranked 5th on the list of top fastest growing airports with over 15 million passengers, growing at 20.2% over 2013. Jeddah and Doha airports ranked 6th and 13th respectively on the same list with respective growth rates of 19.4%, and 13.2% over 2013. In addition, Dubai's Al Maktoum International

Dubai Airport ranked 6th in terms of total traffic, and 1st in terms of international traffic

Airport (DWC) topped the list of fastest growing cargo airports handling over 250 thousand metric tons of cargo, growing by 262.5% over 2013, and which set the airport to become the next global cargo hub. Abu Dhabi and Doha airports respectively ranked 10th and 11th on the same list, growing respectively by 13.1%, and 12.8% over 2013. Overall, twelve Arab airports among the sample of 30 airports reported double-digit growth in 2014 over 2013. On the other hand, eight Arab airports witnessed a decline in passenger numbers.

Fig. 21 Passenger Numbers and Growth at Most Arab Airports

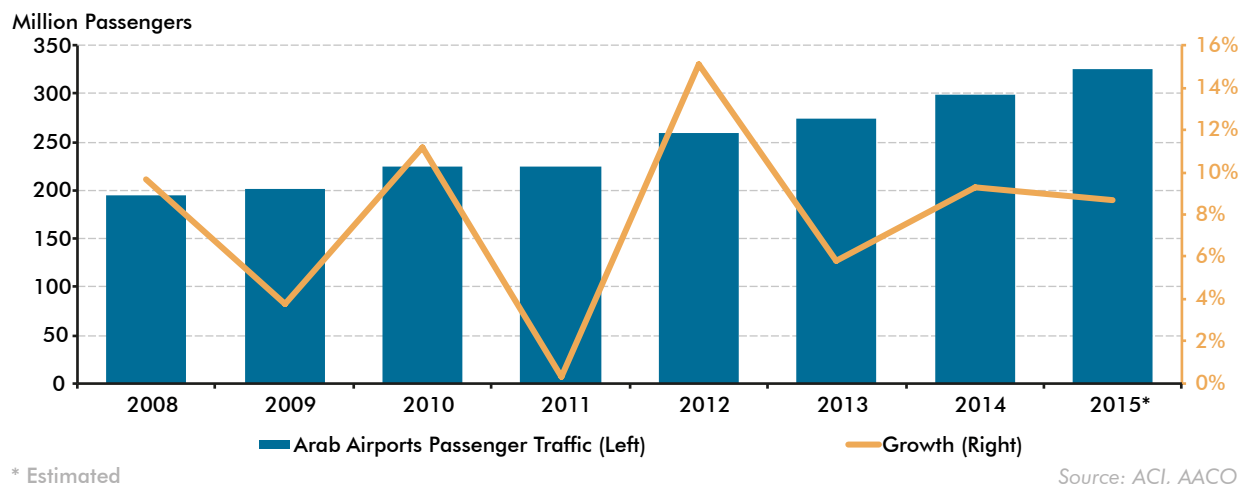
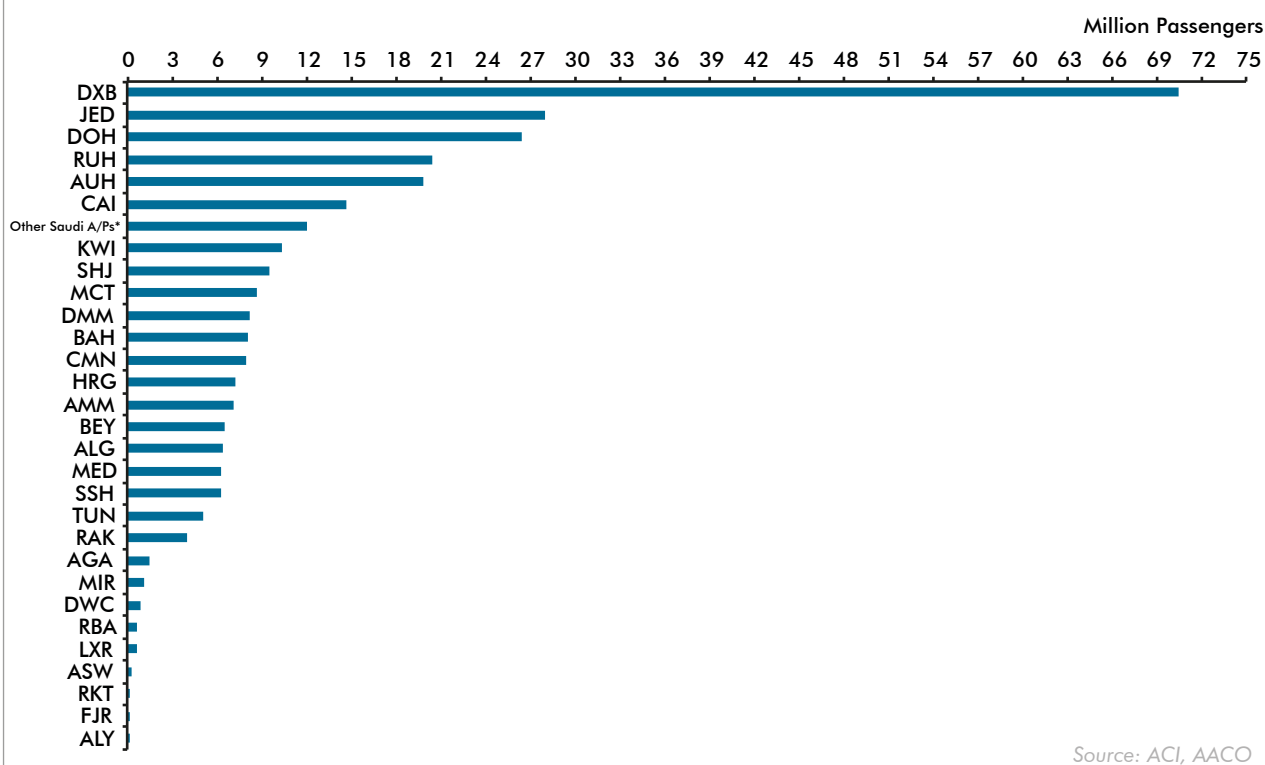


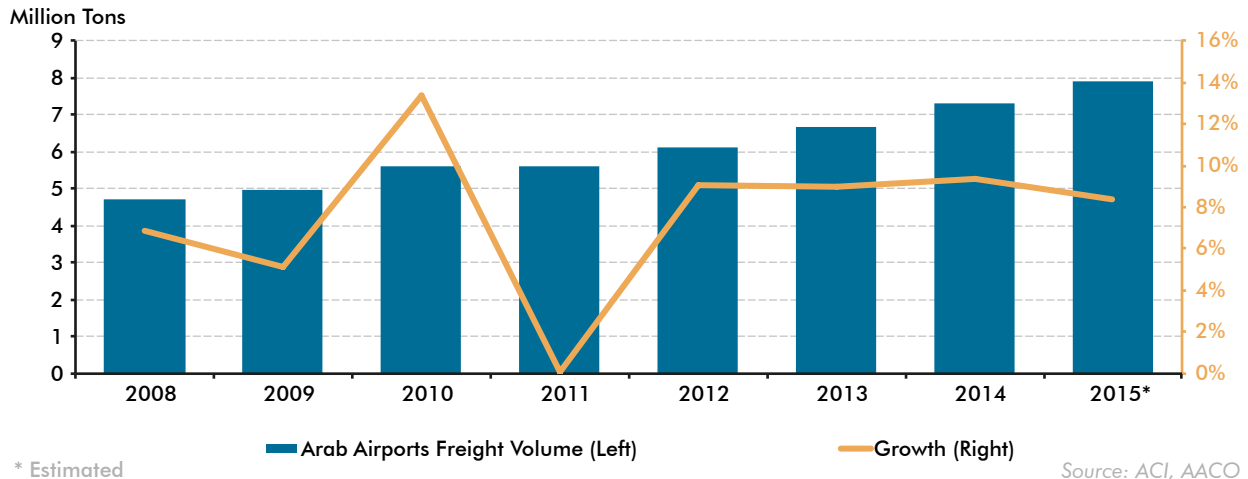
Fig. 22 Number of Passengers at Most Arab Airports in 2014



Despite the weak trade activity in the region, Arab airports led the global growth in cargo handled, recording a remarkable growth of 9.3% in cargo handled in 2014, with total cargo handled reaching 7.31 million tons, up from 6.69 million tons in 2013. Arab airports are expected to increase the volume of cargo handled by 8.3% in 2015 over 2014 to reach 7.91 million tons.

Fig. 23

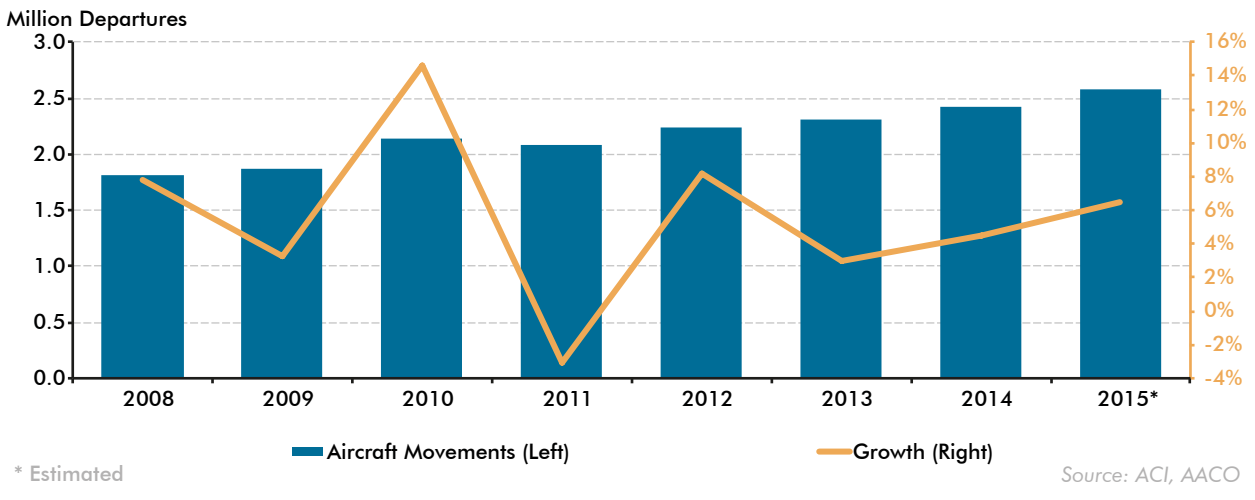
Cargo Volumes and Growth at Most Arab Airports



Aircraft movements at Arab airports also recorded a good growth of 4.5% in 2014 over 2013, which surpassed three times the global growth rate. Arab airports reported 2.42 million departures in 2014, up from 2.31 million in 2013, and foreseen to increase that number by 6.5% in 2015 over 2014 to 2.57 million departures.

Fig. 24

Aircraft Movements and Growth at Most Arab Airports



In line with passenger traffic increase at most Arab airports, governments in the region are still implementing airports expansion plans, not only to accommodate more passengers but also to enhance passenger experience. The UAE continues with the plan to develop Al Maktoum International Airport (DWC) to accommodate 160 million passengers by 2020. Similarly, Bahrain, Jordan, the Kingdom of Saudi Arabia and Qatar are still undergoing their expansion plans. In 2015, operations at Madinah airport started officially, in addition to the launch of the new cargo village at King Fahed International airport. Moreover, Egypt is working towards revamping its infrastructure with plans worth USD 14.5 billion to develop a new city airport in Cairo, in addition to the expansion plan of Sharm El Sheikh Airport which will cost USD 140 million, and will allow this touristic destination to welcome more than 18 million passengers a year.

Airports development projects in the region are estimated to cost more than USD 50 billion

Airspace Management

- With airspace being a crucial infrastructure for air transport, efforts continue on the global and regional levels to enhance its management and capacity.
- The airspace infrastructure in the region suffers from several deficiencies in its management (ATM) and capacity, mainly the fragmentation of airspace due to the multitude of military restricted no-fly zones which represent more than 50% of the available airspace, and the concentration of traffic on the existing routes with minor consideration to new traffic flows.
- In order to maximize the benefits of investments in airport infrastructure, it is paramount that developments on the ground are coupled with the development of a suitable and sustainable airspace infrastructure to meet the increase in demand: Expanding the available airspace to civil aviation through the review of the current ATS route network, and the implementation of operational concepts that support airspace optimization and availability (such as Flexible Use of Airspace and Performance Based Navigation) are vital for the sustainability of air transport.
- Accordingly, stakeholders in the region agreed in 2014 to launch the **Middle East ATM Enhancement Programme (MAEP)** under the umbrella of ICAO. MAEP is the platform under which all regional air navigation projects would be implemented.
- MAEP partners identified six regional projects to be prioritized for implementation:
 - **ATS Route Network Optimization project:** The project's objective is to assess the current airspace structure, and present a plan to enhance it.
 - **Flight Procedure Programme:** The project will provide a regional solution for procedure design and airspace management which will support and increase PBN implementation.
 - **Integrated Flight Plan Processing System:** The project will provide a regional processing system to check flight plans, acknowledge receipt/acceptance or reject them in case of error.
 - **Aeronautical Information Management Database:** The project's objective is to provide the optimal solution for the identified limitations and drawbacks related to the provision of AIS/AIM services in the region.
 - **MID IP Network:** The project's objective is to establish a secure, closed circuit IP network for the MID Region for internal and cross-border communication.
 - **Regional/Sub-Regional ATFM System:** The project involves harmonizing the implementation of ATFM measures to manage air traffic in a collaborative and efficient manner across the region.
- Another issue that requires immediate attention in the area of airspace management is human resources, and specifically air traffic control officers. ICAO forecasts that the shortage in the region for ATCOs is 65 officers per year beyond the full utilization of training capacity available in 2010. Accordingly, investment in human capital is imperative to adequately cater for the growth in traffic.

Additional attention is required to airspace infrastructure in the region in order to complement the developments in airports

MAEP represents an opportunity for all stakeholders involved in airspace management and use to collaborate to enhance this important infrastructure

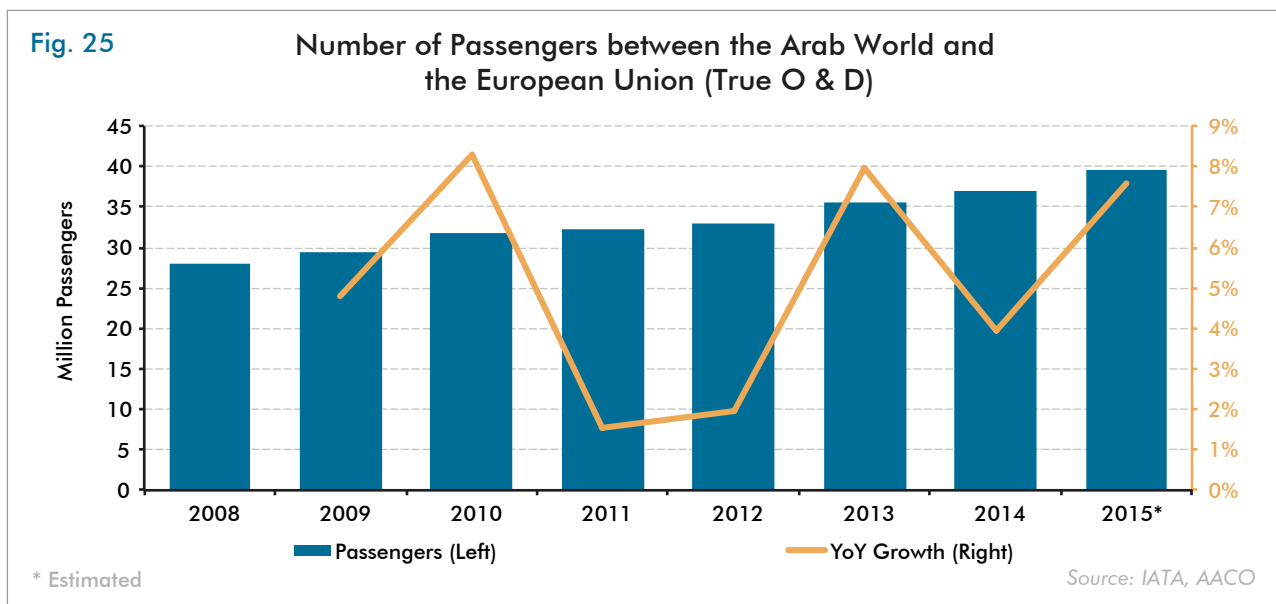
Attention to ATCO training is required as part of the airspace infrastructure development plan

STATE OF ARAB AIR TRANSPORT WITH OTHER REGIONS

EU AND THE ARAB WORLD

Traffic

The number of passengers traveling between the Arab world and the EU in 2014 reached over 36.8 million, representing around 21.5% of the Arab air transport market. The 36.8 million passengers are a 4% increase compared to 2013. This number is expected to grow by 7.6% in 2015 compared to 2014.



Airlines' Relations: Synergies

As restrictions on market access and cross-country consolidations and acquisitions prevail, airlines are looking for alternatives to expand and one of these alternatives is through partnership agreements be it codeshares, joint ventures, equity investments or others.

Arab and EU airlines collaborate within the boundaries of restrictive policies

This is providing the customer with better connections and wider reach. Below is a brief of collaboration moves between airlines from the Arab world and the EU during the past period:

- Partial Acquisitions:** Etihad Airways completed its acquisition of 49% of Alitalia and its acquisition of a 33.3% stake in Darwin Airline has been formalized by way of share capital increase, following approval from Switzerland's Federal Office of Civil Aviation (FOCA). Qatar Airways acquired 9.99% stake in International Consolidated Airlines Group, SA (IAG) becoming the largest shareholder in the group. Qatar Airways and IAG are already both members in **oneworld** alliance.
- Codesharing:** Emirates sealed a deal with Flybe to open up destinations for passengers of both carriers. Oman Air also launched a new codeshare agreement with

KLM Royal Dutch Airlines; whereas, Etihad Airways expanded its codeshare agreements with Air Serbia and airberlin. SkyTeam members, Saudia Airlines and Aeroflot, sealed a codeshare agreement which came into effect in August 2015.

- **SPAs:** Gulf Air and S7 Airlines entered into a Special Prorate Agreement for Gulf Air passengers to take flights beyond Moscow to and from any S7 Airlines domestic destination.
- **Joint Venture:** Oman Air signed a joint venture agreement with Luxembourg-based Cargolux Airlines International SA. The Joint Venture will enable Oman Air and Cargolux to jointly access new freighter destinations and contribute to the development of Oman's logistics hub.
- **Other Partnerships:** In addition to synergies between airlines of both regions, a number of Arab airlines are entering into strategic partnerships with EU entities to enhance loyalty of the customer and provide him/her with seamless services at airports, cruises, hotels, etc... For example, Emirates Skywards and Heathrow Rewards launched a new strategic partnership that increases the earning and redemption options for members of both loyalty programmes, Emirates Skywards also announced frequent flyer partnership with S7 Airlines, Etihad Airways signed a partnership agreement with MSC Cruises, Gulf Air and Rail & Fly announced a collaboration project that allows complimentary travel to and from Frankfurt Airport and 15 German destinations via Deutsche Bahn German railway – throughout 2015, and Qatar Airways purchased the Sheraton Skyline and the Novotel Edinburgh Park hotels in the UK.

Aeropolitical Relations and Relevant Regulations

• The EU Aviation Package 2015

- Following the update on the EU External Aviation Policy which was published in September 2012 and which, among its major pillars, called for opening a dialogue with GCC states to ensure “transparency and fair competition”, the European Commission initiated a dialogue with the GCC states collectively end of 2013, where a kick-off meeting was held in November 2013. Several other meetings have been held so far and discussions are still ongoing on how best to approach the relations between the Gulf States and the EU. The EU external aviation policy has also set a target to reach comprehensive agreements with neighboring countries by 2015. However, no further Arab state signed the EU comprehensive air services agreements other than Morocco and Jordan in 2006 and 2010 respectively.
- A new commission assumed office on 1 November 2014 under the presidency of Jean-Claude Juncker. Late that year, the European Commission (Mobility and Transport - DG MOVE) announced that it will be working on a new Aviation Package to be released in 2015, which would probably include a revision to regulation 868/2004 as it was announced on many occasions by EC senior officials that the revision of regulation 868/2004 is on the priority list of the work of the EC DG MOVE. AACO has communicated its position to the EC institutions with regards to revising the 868/2004 regulation after work done under the umbrella of AACO’s Aeropolitical Watch Group. More details on AACO’s position are available in the Policy section of AACO website at www.aaco.org/policy/fair-competition.
- Furthermore, on 19 March 2015, the EC published a consultation that will feed into the “Aviation Package 2015”. AACO responded to that consultation. The issues raised by the consultation and AACO’s response are available in the Policy section of AACO website at www.aaco.org/policy/eu-external-aviation-policy.

Consultation on the EU aviation package hints protectionism moves by the EC

• Air Passenger Rights

- No progress has been reported on the EC proposal to amend EC regulations 261/2004 (rules on compensation and assistance to passengers in case of service disruption) and 2027/97 (air carrier liability for carriage of passengers and their baggage). The Gibraltar issue between the UK and Spain has been a hurdle in the progress of the dossier. Also, the Luxemburg presidency of the EU Council (July-December 2015) already confirmed that they would not deal with the dossier unless the Gibraltar issue is resolved.
- In June 2015, the EU Transport Council “took note” of a progress report on the revision of Regulation 261/2004.
- The revision of 261/2004 has been proposed by the EC due to many ambiguities in the text of the regulation that has resulted in a number of court cases which interpreted the regulation in ways that have mostly hurt the airlines. The latest court ruling happened in September 2015, where the Court of Justice of the European Union released its judgment in the case of Van der Lans v KLM. This judgment means that unexpected events, such as the premature malfunction of a certain aircraft component, is ‘a matter of course’ in airlines’ operations and that the prevention of such events are within the airlines’ actual control. This ruling means that technical problems now are further narrowed down to include manufacturer’s defects of aircraft already in service, or the damage to aircraft caused by acts of sabotage or terrorism.

Yet another court ruling adding liabilities to airlines in cases of technical faults

• The Package Travel Directive

- An EC proposal on 9 July 2013 revised the 20-year old EU Package Travel Directive (PTD). A deal between the EU Council and Parliament was reached on 28 May 2015 after the Council officially adopted the agreement, in spite of seven Member States rejecting the agreement.
- The revision includes several new factors that will complicate the business issues between airlines, hotel chains, car rentals, etc... Online sales of airlines will be negatively affected by either qualifying click-through operations as “linked travel arrangements” (requiring additional insolvency protection for the passenger in case of airline bankruptcy to be provided by the airline) or even as a “package” (falling under the full scope of the Directive).
- A final formal approval of the agreed text is expected to take place by end of 2015. Following this, Member States will have two years to implement the new rules, which will come into force after 30 months.

EU revised PTD would complicate business relations between airlines, hotels, etc... and in some cases is unenforceable

• EU PNR Developments

- On 15 July 2015, the European Parliament (Civil Liberties Committee) proposed full alignment of the EU PNR requirements with international standards. It further proposed the exclusion of data collection for intra-EU flights, which would have tripled the volume of data to be sent from airlines’ systems to the authorities.
- Negotiations will continue with the EU Council of Ministers in the coming months, and a final adoption of the Directive is expected towards the end of 2015 or the beginning of 2016.

A proposal on the table for aligning EU PNR requirements with international standards

- **Better Regulation Agenda**

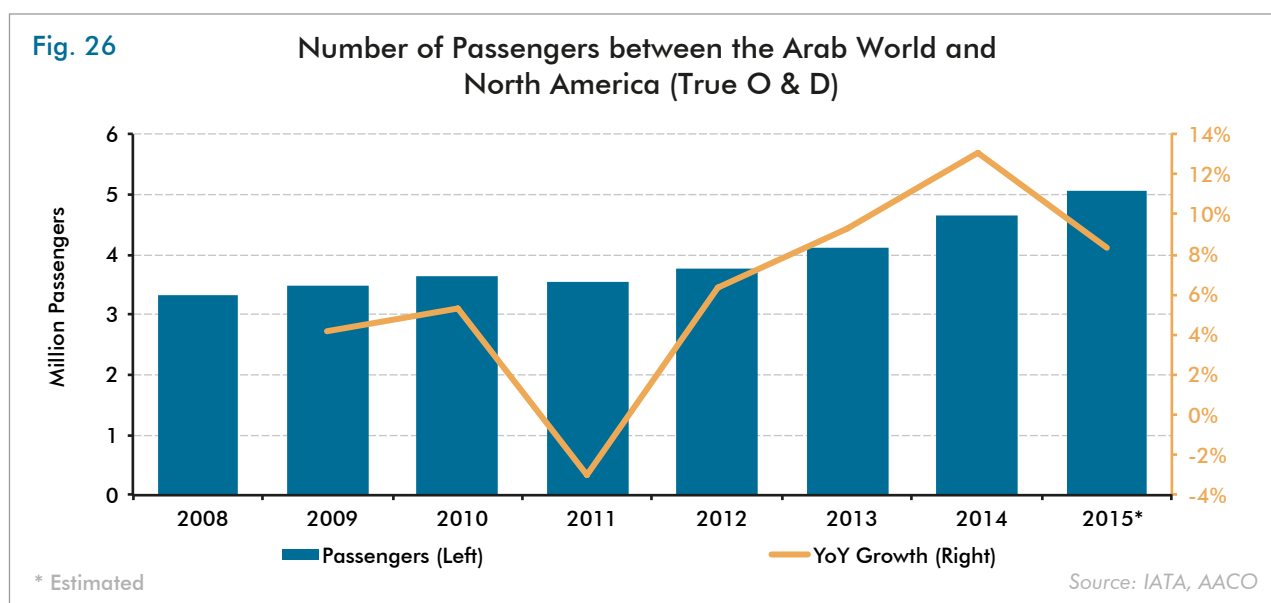
On 19 May 2015, the European Commission launched its Better Regulation Agenda. Through this package, the EC aims to:

- i) enhance transparency in the EU decision-making process; ii) improve the quality of new laws through better impact assessments of draft legislation and amendments; and iii) improve the review of existing EU laws by amending the Regulatory Fitness and Performance Programme (known as REFIT).

NORTH AMERICA AND THE ARAB WORLD

Traffic

The number of passengers traveling between the Arab world and North America in 2014 reached more than 4.6 million, representing almost 2.72% of the Arab air transport market. In 2014 the number of passengers increased by 13.1% compared to 2013 and is expected to increase by 8.3% in 2015 compared to 2014.



Airlines' Relations: Synergies

- Cooperation between Arab and US airlines mainly covers codeshare agreements. Arab airlines strike such agreements to provide the customer with more reach in the US domestic market (which is still restricted to the operations of US airlines), and some beyond markets. These agreements as well provide US airlines with connections to the Middle East and beyond as the Middle East is considered one of the most underserved regions by US carriers.
- During the past period, Royal Air Maroc and JetBlue signed a codeshare agreement where Royal Air Maroc can provide its passengers with 22 new destinations in the US; whereas, JetBlue can offer its passengers 15 and 24 new destinations in Morocco and West Africa respectively. Emirates and Qatar Airways have also expanded their codeshare agreements with JetBlue.

Aeropolitical Relations and Relevant Regulations

- **Relations**

The US has open skies agreements with the UAE, Jordan, Bahrain, Oman, Morocco, Qatar, Kuwait, Yemen and Saudi Arabia.

Bilateral Open Skies Agreements between the US and 9 Arab states

- **EX-IM Bank**

- Following the debate in the US on the reauthorization of the EX-IM Bank, and reference to the one year extension of the bank’s charter till 30 June 2015, the EX-IM Bank expired as the Congress ran out of time to reach a deal to reauthorize the bank.
- Now, for the first time in the agency’s 81-year history, the EX-IM Bank will not be granting any new loan guarantees until further notice.
- Late July 2015, the Senate voted to reauthorize the bank and is preparing for a debate with the House.

No granting loan guarantees by EX-IM Bank until further notice

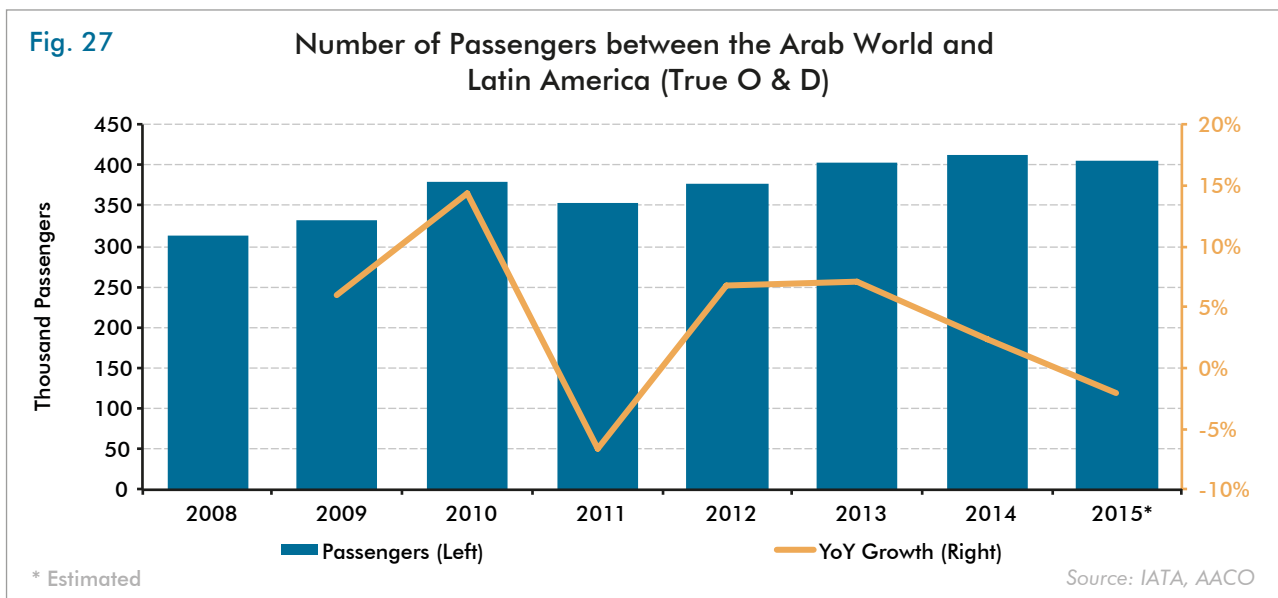
- **Consumer Protection**

- A Notice of Proposed Rulemaking for “US Consumer Rules III” was issued end of May 2014 by the US DOT. The primary concern in the proposal is that the DOT could oblige airlines to sell certain ancillary services via the GDSs.
- A ruling is expected end of 2015.
- To view AACO’s response to the NPRM on the revision of US Consumer Rule III, please visit www.aaco.org/policy/passenger-rights
- Separately, by December 2015, all airlines serving the US market need to make their websites accessible to disabled passengers. This new websites-and-kiosks rule of 2013 was part of DOT’s continuing implementation of the Air Carrier Access Act of 1986. Websites are required to meet the standards for accessibility contained in the widely accepted Website Content Accessibility Guidelines (WCAG). The requirement applies to U.S. and foreign airlines with websites marketing air transportation to U.S. consumers for travel within, to or from the United States.

LATIN AMERICA AND THE ARAB WORLD

Traffic

The number of passengers traveling between the Arab world and Latin America in 2014 reached more than 0.41 million, representing almost 0.24% of the Arab air transport market. In 2014 the number of passengers increased by 2.4% compared to 2013 and is expected to decrease by (2%) in 2015 compared to 2014.



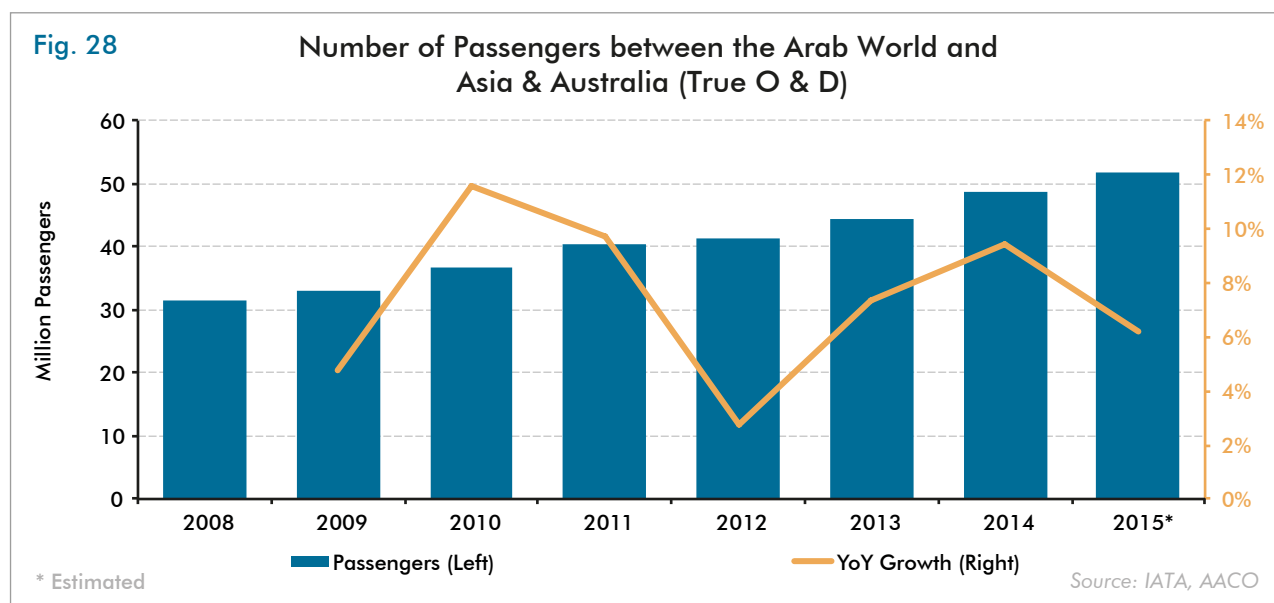
Relations

- Airlines in the Arab world have started increasing their traffic to Latin America over the past years mainly to the closest cities of Sao Paulo and Rio de Janeiro and some continuing to Buenos Aires. A very high share of this traffic is supported by inbound traffic coming from Asia with a one stop connection in the Arab world.
- Some Arab airlines have also struck codeshare deals with Latin American airlines to provide beyond connections to their customers deeper into Latin America.
- Last year, Etihad Airways signed a codeshare agreement with Aerolíneas Argentinas providing Etihad customers with access to 20 destinations both within the country and the region.
- It's worth adding that Brazil's fourth largest airline Avianca Brazil formally joined Star Alliance in July 2015.

AUSTRALIA, ASIA AND THE ARAB WORLD

Traffic

The number of passengers traveling between the Arab world and Asia & Australia in 2014 reached more than 48.6 million, representing almost 28.34% of the Arab air transport market. In 2014 the number of passengers increased by 9.4% compared to 2013 and is expected to increase by 6.2% in 2015 compared to 2014.



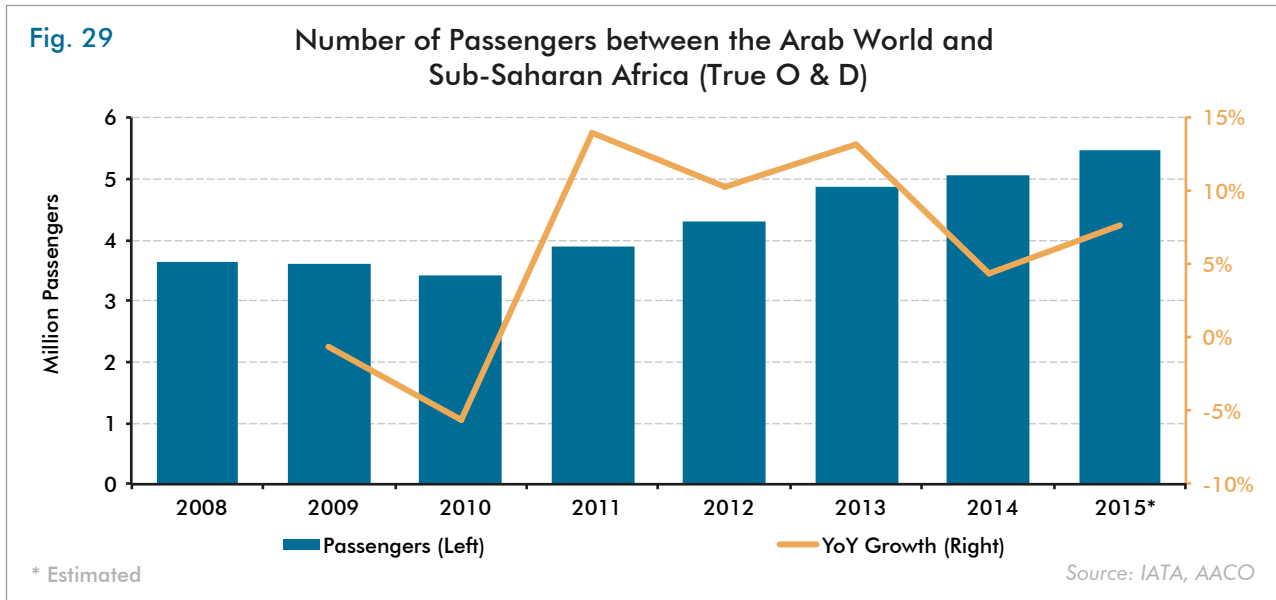
Relations

- Asia and Australia remain to be prime destinations for Arab airlines. The proximity and the nature of business between both regions support the continued growth in traffic and freight figures. Emirates is considered the largest international airline in Australia after Qantas, and Etihad is the 8th largest.
- In 2015, Etihad Airways increased its stake in Virgin Australia from 22.9% to 24.2%, and signed codeshare agreements with Hong Kong Airlines and Pakistan International Airlines. Whereas, Qatar Airways enhanced its codeshare agreements with each of Bangkok Airways, Cathay Pacific, Japan Airlines and S7 Airlines. Emirates also announced a new codeshare agreement with Bangkok Airways. Meanwhile, Oman Air entered into codeshare agreement with Garuda Indonesia.

SUB-SAHARAN AFRICA AND THE ARAB WORLD

Traffic

The number of passengers traveling between the Arab world and Sub-Saharan Africa in 2014 reached more than 5 million, representing almost 2.92% of the Arab air transport market. In 2014 the number of passengers increased by 4.3% compared to 2013 and is expected to increase by 7.6% in 2015 compared to 2014.



Relations

- The past year saw Qatar signing open skies agreements with Guinea and Niger. The UAE also sealed an open skies agreement with Burkina Faso.
- On the airlines' side, Etihad Airways enhanced its codeshare agreement with South African Airways and commenced the second phase of their strategic cooperation. Etihad Airways also enhanced its codeshare agreement with Air Seychelles.

FOCUS ON INDUSTRY ISSUES

SAFETY

- 2014 witnessed a decrease of 10% in the number of accidents globally: 73 accidents in 2014 versus 81 in 2013. In addition, 2014 recorded 12 fatal accidents compared to 16 in 2013. The fatal accidents in 2014 involved 3 jets and 9 turboprops. Accident rate per million sectors decreased in 2014 by 14% over 2013, reaching 1.92 accidents per million sectors. Global jet hull loss rate almost halved in 2014 over 2013, recording 0.23 per million sectors, and global turboprop hull loss rate decreased in the same year by 17.6% reaching 2.3 per million sectors. However, the number of fatalities from commercial aircraft accidents increased from 210 in 2013 to 641 in 2014.
- Despite the fact that the number of hull losses decreased in 2014 compared to 2013, the financial impact of accidents increased by 9% in 2014 compared to 2013, reaching USD 1.8 billion, which would probably be a result of the increase in fatalities. It is worth mentioning that the financial impact includes the downing of Malaysia Airlines MH17 which is not a safety related accident, however a security related one and hence not included in the below table.

Number of accidents decreased in 2014 by 10%. However, number of fatalities increased

Global	Jet Aircraft Accidents	Turboprop Aircraft Accidents	Jet Hull Loss Rate (per million sectors)	Turboprop Hull Loss Rate (per million sectors)	Fatal Accidents	Fatalities
Average 2009-2013	48	38	0.58	2.78	19	517
2013	38	43	0.41	2.79	16	210
2014	39	34	0.23	2.3	12	641

Source: IATA Safety Report

- The most common type of accidents remains Runways Excursions (22% of total accidents), followed by Landing Gear issues at 18%. Loss of control in flight (LOC-I) and Controlled Flight Into Terrain accidents (CFIT) represented 8% and 7% respectively of the number of accidents, however were responsible for 70% of fatalities.
- In 2014, the most notable safety accident was the disappearance of Malaysia Airlines flight MH370 which was operating a Boeing 777 over the South China Sea. A multinational search involving eight countries deployed four search vessels, which have scanned to-date more than 120,000 Km² of the ocean floor with no trace of the missing aircraft. On January 29, 2015 the Malaysian government officially declared the disappearance of Malaysian Airlines flight MH370 as an accident and all 239 passengers and crew on-board were considered deceased.

The disappearance of the MH370 remains the biggest mystery in the history of modern aviation

- As a result of the disappearance of the MH370, ICAO Second High Level Safety Conference, which was held in February 2015, received input from states and industry stakeholders on flight tracking, and recommended to adopt a performance based standard for global tracking of commercial aircraft. The global tracking system will report the aircraft position every 15 minutes, allowing air traffic services to detect the aircraft accurate position in dark areas.
- On the same front, AACO 47th AGM called upon the industry to lead relentless efforts to find the reasons behind the disappearance of MH370 as knowing the reasons behind that disappearance will not only bring closure to the grieved families of the missing, but will also provide essential information to avoid such a mishap from happening again. In addition, AACO 47th AGM called upon all stakeholders to develop and implement measures to ensure that systems communicating the location of the aircraft cannot be tampered or interfered with.
- Looking at the Arab world, accidents in 2014 increased by 20% to six accidents in total. The accidents involved four runway excursion accidents, one loss of control accident, and one landing gear damage accident.

Accidents in the Arab world increased by 20%, however AACO members decreased their number of accidents

Arab World	Total Number of Accidents	Number of Hull Losses	Number of Fatal Accidents	Fatalities
2009	8	4	2	158
2010	5	2	2	109
2011	5	3	0	0
2012	3	1	1	32
2013	5	1	0	0
2014*	6	4	2	9

* Does not include AH5017 accident as it occurred outside the region

Source: IATA Safety Report

- Accidents involving AACO members decreased in 2014 to two accidents compared to three in 2013. The accidents involved one landing gear damage accident (Saudia on 5 January in Saudi Arabia), and one fatal LOC-I accident (Air Algerie aircraft operated by Swiftair on 24 July in Mali).
- Regionally, the ICAO Middle East Regional Aviation Safety Group (RASG-MID), which is a partnership between all aviation stakeholders under ICAO umbrella aiming at enhancing safety in the region, continues to work on the identified Focus Areas.
- AACO continues to support RASG-MID and participates in its Steering Committee and Annual Safety Report Team. AACO has been also partnering with stakeholders on specific initiatives, such as the Safety Culture Survey and consequent analysis conducted with ACI and AAPA, and follow up on safety regulations and activities of interest to its member airlines, such as the developments of tracking standards, conflict zone avoidance, and the EU SAFA programme.

ICAO RASG-MID is a regional platform under which all stakeholders collaborate to enhance safety in the region

SECURITY

- 2014 witnessed two tragic accidents related to safety and security. Both accidents revealed several security shortfalls that need to be resolved to prevent such events from happening again.
- The first tragedy was the disappearance of Malaysia Airlines flight MH370 in March 2014. In addition to the need to improve aircraft tracking (discussed in the safety section above), this accident proved that the use of border control data can be improved as two passengers were able to board the flight using stolen passports. Although there is no evidence that those passengers were involved in the accident, there is serious concern related to the fact that they were able to board the aircraft in the first place. This proves that Advanced Passenger Information (API) data that states require from airlines and border control data in general can be used more effectively to prevent similar incidents.

The standardization of API/PNR requirements according to international standards and the effective use of that information were among the lessons learned from MH370 disappearance

- The second tragic event, in July 2014, was the downing of Malaysia Airlines flight MH17 which was operating in a supposedly safe airspace above the restricted flight level. The accident revealed the shortfalls of the current NOTAM system. In the wake of the accident, ICAO established a centralized web-based repository for information related to risks to civil aviation arising from

MH17 proved the shortfalls of the NOTAM system and the necessity of sharing information related to air routes risk assessments

conflict zones, and adopted the ICAO Global Risk Context Statement which can be used by states to develop their national risk assessments.

- AACO welcomed ICAO's efforts; however, since airlines require timely information on risks and threats to act upon for the concerned flights, AACO established an AVSEC Advisory Group to plan and implement a risk sharing mechanism that complements ICAO efforts.

AACO initiated a sharing mechanism for risk assessments of air routes among its member airlines to complement ICAO efforts

The group includes the heads of security of interested carriers, and sharing of information is based on three main criteria:

- No liability will be borne by the airline or party which is providing the information.
- Any action based on the information received through the exchange will be the sole responsibility of the airline taking the action.
- There will be no obligation on any member to provide the source of the information shared if the source is not public.
- The mechanism, which is implemented as a model with the hope that there will be interest in the future to expand such model to the global level, works in two folds:
 - A repository on a secure website where members upload a standard reporting form.
 - Closed circuit email communication between the heads of security on urgent issues which is later added to the repository.

- On the other hand, unruly passengers continue to be an increasing concern of airlines. IATA estimates that on average 70 flights every day are faced with unruly behavior which result in heavy financial burden on the airlines in delays and

MP14 presents a step in the right direction to tackle unruly passengers

diversions and disturbing the experience of other passengers on-board. AACO AVSEC Advisory Group is following up on the operational side of the issue which includes benchmarking of occurrences, their root causes and mitigation strategies, and AACO AeroPolitical Watch Group is following up on the regulatory side of the issue, especially on the signature and ratification of Montreal Protocol 2014 – MP14 which amends the Tokyo Convention of 1963. More details on this can be found on page 35 of this publication.

- On the regulatory side, Amendment 14 to Annex 17 became applicable in November 2014. The amendment included revised and new provisions necessary to address vulnerabilities in the global aviation security framework.
- On the training side, AACO continues to provide its member airlines with security training, beginning with basic security training and several intermediate security courses, up to the globally recognized ICAO AVSEC PMC (Aviation Security Professional Management Certification) which is offered in collaboration with ICAO, Emirates Group Security, Etihad Airways and Concordia University in Canada. In addition, AACO partnered in 2015 with Emirates Group Security and Edith Cowan University (ECU) in Australia to offer to its members a University Diploma in Aviation Security Management.

Security training remains a cornerstone in AACO training strategy

TRANSFORMATION OF THE RELATIONSHIP WITH THE CUSTOMER

Introduction

- Back in the old days, the aviation industry witnessed a breakthrough with the introduction of large computerized systems which contributed to the rise of the globalization phenomenon.
- The first computer reservation system has been one of the most remarkable technological and commercial advancements, a game changing innovation that hit not only the aviation industry but the whole world.
- However, today the aviation industry lost its leadership in innovation in spite of the fact that innovations in technology in various other industries scored marvelously.
- To the customer of that time, the first computer reservation system, was a great innovation yet to the customer of today, who is a technological savvy, innovation is a must.

Transformation is a Must

- The rise of the mobile industry and massive adoption of smartphones and tablets (smart mobility) and the rapid spread of internet has made it essential for airlines to enable the customer to fulfill his/her travel needs through the internet and in particular through mobile devices.
- The new culture of customer reach goes beyond interaction with the passengers at airports and airplanes but rather to maintain contact with passengers at various touch-points along their journey, delivering real-time, relevant, and value-added information, offers, discounts, and personalized services that help build a trusted relationship.
- Airlines need to have new channels to be able to respond to customers' needs and to develop new services and content that improve their interactions and operations, increase personalization, and empower the customer.
- Airlines, in their strive to have a better customer reach, are in turn demanding innovations from their IT providers & GDSs.
- This has triggered travel technology providers to develop mobile applications to further facilitate information dissemination, bookings and reservations, travel connectivity and payments.
- Hence, the mobile devices and in particular smartphones; which are carried by 83% of passengers according to the latest statistics while 15% travel with 3 mobile devices, have become a basis for information acquiring, doing bookings and eventually transacting payments.

The new culture of customer reach is to maintain contact with passengers along their entire journey

Airlines are demanding innovations from their IT providers & GDSs

New Standards

- IATA introduced its New Distribution Capability (NDC) standard in 2012, defining data transmission standards and the format for end-to-end distribution of ancillaries and full merchandizing.
- NDC standards are meant to facilitate technology development enabling merchandizing of airlines' full product and service offerings across all channels, as well as personalized offerings.
- GDSs are working on developing their solutions offered to airlines, intermediaries and travel agents on the basis of IATA NDC.
- Airlines are still eager for more empowerment to their direct relationship with the customer.
- The new technologies will not only work in favor of GDSs and airlines but also intermediaries who will benefit from technology and differentiators will then be able to add value to the customer rather than base their revenue on incentives.

Airlines are eager for more empowerment to their direct relationship with the customer

AACO's Work

- **Current Distribution Agreement with Amadeus**
 - Under the umbrella of AACO's effort to rationalize the cost of member airlines in distributing their content, the benefits that the 2009 distribution deal signed between Amadeus and 13 member carriers for a term of 10 years are still on the rise be it to the participating carriers that benefit from the intensive presence of Amadeus in their home markets, or the travel agents that benefit from customer-oriented distribution technology brought in by the National Marketing Company (NMCs) in each home market, or the customer that resides at the core of this deal and benefits from an enhanced quality of service.
 - AACO Amadeus Steering Board (AASB), including representatives from the 13 member airlines, Amadeus, and AACO, follows up on the deal while abiding by competition laws guidelines in meetings, activities and discussions.
 - In 2014, the agreement continued to witness increasing number of bookings on the Amadeus system in participating carriers' home markets.
- **Future Distribution Strategies Taskforce**
 - The Future Distribution Strategies Task Force continues its work in studying and researching the latest technological developments related to distribution techniques that meet the consumer needs at all touch points, and provide optimal exposure and reach of member airlines' products.
 - The Future Distribution Strategies Task Force continuously keeps the members aware of any new technology, initiative, or available product which will serve their objective and vision.
- **Awareness on Business Technology**
 - Awareness on the latest travel business technology is usually covered at AACO's Business Technology forum which was held in 2015 in Bahrain by kind invitation of Gulf Air under the theme of "Empowerment through mobile technology".
 - The technology providers and consultants in this year's forum provided the member airlines with a comprehensive view towards the current use and future prospects of mobile technology from business' development perspectives giving insights on the capabilities and possible integration of this technology from an IT side and how it feeds into commercial decisions from revenues, marketing, and distribution sides.

REGULATIONS

Environment

• Introduction:

- The main objective of having a global scheme was to avoid unilateral initiatives such as the EU ETS, the proliferation of national schemes and the creation of new taxes by many states under the banner of the environment.
- ICAO, in its 38th session, adopted a resolution on aviation and the environment and mandated ICAO Secretariat General to develop a framework for market-based measures for international aviation to be adopted by 2016 and implemented in 2020.

There is an agreement by all parties that a global solution is needed

• UNFCCC:

- 2012 witnessed an important milestone where the 18th UNFCCC (COP 18) resolved to an extension to the Kyoto Protocol until 2018 or 2020, and to a roadmap to a second legally-binding agreement based on the negotiations on the Durban Platform for Enhanced Action to be concluded by 2015, which should come into effect, if agreed, by 2020.
- The 21st UNFCCC (COP21) to be held in Paris this year is supposed to adopt a new legally-binding climate change agreement.

• EU ETS:

- The EU ETS, as a result of states' opposition and the recent ICAO resolution, was decided by the parliament to be put into "Stop the Clock" up till 2016. Hence, the requirements to comply international flights to/from the EU were derogated and airlines operating intra-EU flights have to report their emissions and surrender certificates equivalent to that.
- After the derogation of the scheme, competent authorities in Italy, UK, Germany, Belgium and France sent penalty notices for airlines that either didn't comply in 2012 or didn't comply with the new scope of the intra EU scheme.
- A review of the scheme is foreseen in 2016, in light of the outcome of the next ICAO Assembly.

• ICAO:

- Since the ICAO's 38th session which resolved that the council, with the support of member states should finalize the work on the technical aspects, environmental and economic impacts and modalities of the possible options for a global MBM scheme which would be decided upon by the ICAO 39th session, discussions and workgroups have been formulated and ICAO is progressing on the developments of the structure and key design elements of the global scheme.
- ICAO's progress is translated in the formation of a "Straw Man" proposal which sets out a framework for a global MBM. There's a general positive spirit and cooperation amongst all stakeholders to reach a general agreement and to develop a simple carbon offsetting scheme that would require operators to offset the industry's future emissions growth from 2020 onwards.
- Apart of the discussions and analysis undergone within ICAO's working groups, ICAO organized a number of regional meetings (Global Aviation Dialogues (GLADs)) to raise the awareness and knowledge outreach to Member States about the process of developing the global MBM, its importance and what it will involve.

The positive spirit and involvement by all stakeholders progress ICAO's work on the structure and key design elements for a global scheme

- **AACO's work:**

- AACO continues to work with IATA and ICAO through its Environmental Policy Group to develop a global scheme for dealing with the environmental footprint of aviation which can also replace any national or regional initiatives in that field and to ensure the proper application of the two provisions called upon by AACO and its Environmental policy group and adopted in the ICAO resolution; the early mover provision which represents special allowances for airlines which invest in renewing their fleets and achieve better environmental footprint prior to the target of Carbon Neutral Growth beyond 2020 and allowances to fast growth airlines coupled with special treatment for developing nations airlines.
- AACO also coordinates with the Arab Civil Aviation Commission in order to coordinate positions in preparation for the ICAO assembly of 2016.
- The work continues with IATA, other stakeholders and the states to develop a full-fledged global market based measure which should provide a global solution for this global issue.

Consumer Protection

- **Proliferation of Passenger Rights Regimes**

Airlines and passengers have been increasingly facing more confusion in their respective liabilities and rights due to the proliferation of passenger rights regulations.

- **Work at ICAO**

ICAO Council adopted the principles developed by the ATRP which are not descriptive but rather general principles to guide governments when they develop consumer protection regulations.

In AACO's opinion, the ICAO ATRP principles developed so far are a good starting step towards more harmonization and compatibility of consumer protection regulations around the world.

The ATRP principles however should ensure that application of any regulation should avoid extraterritoriality and should include clarifications on situations of overlapping regimes.

- **Safety Nets and Caveats for Consumer Protection Regulations**

- AACO established a consumer protection subgroup stemming from the Aeropolitical Watch Group in order to gather best practices used by airlines in this area to try to streamline these best practices in consumer protection regulations acting as safety nets and caveats to be looked at when developing such regulations

noting that a number of Arab states are undergoing consultations in preparation for adopting consumer protection regulations; hence, the group developed the safety nets and put them in one document to be used by the airlines with their local civil aviation authorities when the need arises, instead of waiting for the governments to enact regulations that would hurt the competitiveness of airlines and at the same time not serve its objective to secure rights for the passenger.

- The efforts of AACO and the AWG Consumer Protection Subgroup resulted in freezing at least one proposal in one Arab country until 2016 and resulted in major reshuffling of other Arab states' proposals.

- On the other hand, AACO is still actively involved in discussions with ACAC and the ACAC Consumer Protection Group on amending the consumer protection material developed by ACAC Air Transport Committee.

Avoiding extraterritoriality and ensuring compatibility of regimes are two principles lacking in ICAO's Core Principles for consumer protection

Best practices for passenger rights gathered in Safety Nets document prepared by AACO's AWG Consumer Protection Subgroup

AACO is working closely with ACAC on consumer protection material

- **Montreal Convention 1999 (MC99)**

AACO continued in 2015 its campaign to promote the ratification of MC99 in the Arab world. MC99 provides a modern, uniform and workable system for carrier liability in cases of:

- death or injury to passengers
- delay, loss or damage to baggage
- delay, loss or damage to cargo

The Montreal Convention 1999 was adopted in 1999 by ICAO and entered into force in 2003. The Convention established a modern, fair and effective regime to govern airline liability to passengers and shippers on international flights; however, only 54% of Parties to the Chicago Convention have ratified it, leaving in place a complex patchwork of potentially applicable liability regimes.

ICAO's 2013 Assembly urged Contracting States that have not yet become parties to the International Air Services Transit Agreement (IASTA) and the Montréal Convention of 1999, to give urgent consideration to doing so;

AACO cooperates with IATA to urge Arab states through the Arab Civil Aviation Commission (ACAC) to ratify MC99.

AACO & IATA advocating for ratification of MC99

Unruly Passengers

- AACO 47th AGM in Dubai adopted a resolution on unruly passengers that called upon governments to ratify and activate the Protocol and to raise public awareness on the consequences of failing to follow crew instructions or commit unruly behavior.
- AACO has joined IATA and other airline associations in adopting a joint position paper urging states to prioritize the ratification, acceptance or accession to the Montreal Protocol 2014. AACO and IATA also wrote joint individual letters to the Directors General of the Arab CAAs highlighting the benefits of the new Protocol to governments, airlines, and passengers alike, and urging the DG CAAs to lobby with their governments to adopt the new Protocol.
- On the other hand, AACO, joined by IATA, coordinated with the Arab Civil Aviation Commission (ACAC) to have the issue discussed at the ACAC level.
- In 2014, the Arab Transport Ministers, in their 27th term, urged the Arab states to join Montreal Protocol 2014.
- In 2015, AACO submitted a working paper to the Third Meeting of the Directors of Civil Aviation – Middle East Region (DGCA-MID/3) that was held on 27-28 April 2015 in Doha – Qatar highlighting the benefits that could result from ratifying MP14 and called upon Arab CAAs to join the new protocol.
- So far, 28 states have signed the Protocol with Jordan, Kuwait, and Sudan as the only Arab signatories. However, Congo is the only state that ratified the Protocol; noting that 22 states need to ratify the Protocol so it comes into force.

AACO & IATA working closely with ACAC and Arab CAAs to ratify MP14

TAXES AND CHARGES

Taxes imposed on air transport are a major hindrance to the role the air transport sector plays in driving economy prosperity, where the returns from the tax fall way below the potential economic gains if such a tax was lower or did not exist. We continue to see hikes in government taxes on the air transport sector to support, most of the time, government treasuries or areas not relevant to aviation such as solidarity taxes, adaptation taxes etc...

We continue to see hikes in government taxes on the air transport sector

Below are few of the developments that took place over the past year:

- Egypt issued a decree that amends Article No.3 of Law No. 46/1978. The amendment increases the departure tax on all ticket classes.
- From 1 October 2014, non-resident foreign travelers leaving Tunisian territory have to pay a departure stamp to the value of 30 dinars (USD 17).
- The Oman Airports Management Company introduced passenger charges on international and transfer passengers from 2 March 2015 at Muscat and Salalah airports.
- Jordan will waive its 40 Dinar (USD 57) visa fee for incoming tourists. Moreover, the kingdom's 15 Dinar (USD 21) departure tax will also be waived for all flights from Aqaba and Amman for visitors to touristic sites who spend a minimum of three consecutive nights in Jordan.
- In the UK, the number of Air Passenger Duty (APD) bands was reduced to two with effect from 1 April 2015. Moreover, from 1 May 2015, children under 12 no longer have to pay airport departure tax when flying in economy class. By 2016, APD will be scrapped for all children (under 16) in all classes of travel.
- Earlier in 2015, Heathrow Airport Limited (HAL) issued a consultation on changing the structure of charges at LHR starting from 1 January 2016. AACO supported the comments that were submitted by IATA to HAL and received a reply from HAL saying that they have now deferred the implementation of the new charges scheme by one year, until 1 January 2017.
- The Constitutional Court of Italy issued a judgment which establishes 0.5 EUR as the maximum rate of the regional tax on noise emissions for civil aircraft, due both by national and foreign aircraft operators to an Italian Region for every take-off and landing in an airport situated in its territory.
- The Russian government reduced value-added tax from 18% to 10%, from 1 July 2015 until 31 December 2017 for Russian airlines operating domestic flights.
- In India, from 1 April 2015, service tax is levied on 60% of the value of the ticket as against 40% before.
- Beginning May 2015, Changi Airport Group (CAG) lowered its service charge by USD 4.5 for passengers transiting in Singapore as of 1 July 2015. Landing fees were also decreased by up to 5% for aircraft weighing over 360 tons.
- Senegal reduced its Fiscal Stamp Tax in February 2015 for departures and arrival from USD 11.8 to USD 3.37.

AACO's WORK

- AACO has always been keen on promoting an environment with reduced taxes on airlines, especially when it comes to taxes introduced by governments to fund projects not related to the aviation industry.
- AACO cooperates with IATA on advocacy efforts for reducing taxes imposed on aviation.
- AACO's AWG amended few years back the Tunis Convention for 'Reciprocal Exemption from Taxes and Customs (Taxes) Charges on Activities and Equipment of Arab Air Transport Institutions' and worked with ACAC to submit the revision to the Council of Arab Transport Ministers.
- The Council of Arab Transport Ministers asked AACO to work with Arab financial authorities under the umbrella of the Arab League of States to study the revision of the Convention.
- Four meetings have been held so far for the Arab financial authorities with the participation of AACO and work is progressing in the direction of revising this convention.

FUEL

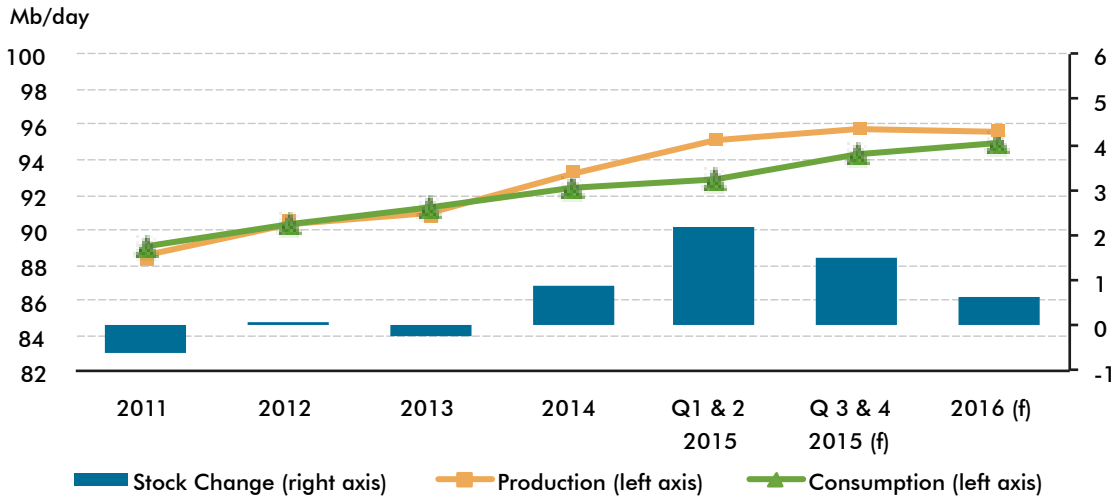
Jet Fuel Outlook

- The dramatic drop in oil prices is among the most significant forces in the global economy today and it dramatically changed the equation of aviation business for airlines and fuel suppliers equally. Experts and analysts did not predict price stability at such level as the aviation fuel price fell from around USD119 a barrel to USD62 in the space of six months from August 2014 till January 2015.
- After four years of averaging around USD 100 per barrel, oil prices (and therefore jet fuel prices) have fallen by about 50%. This was attributed to:
 - Strong production growth in the US
 - Increase/ excess in global supply
 - Weaker global demand, Europe is in recession and China is slowing down
 - Worldwide use of oil products has decreased
 - OPEC's decision in November to maintain production
 - Production significantly exceeded consumption resulting in a large increase in OECD commercial Oil inventories
- In 2014 the growth in consumption (0.6 mb/d) was greatly exceeded by record growth in non-OPEC production (2 mb/day) while in 2013 global oil consumption grew by roughly 1.4 million barrels per day (1.4%), significantly more than the increase in global production (0.6%).

After four years of averaging around USD 100 per barrel, oil prices (and therefore jet fuel prices) have fallen by about 50%

Fig. 30

World Crude Oil Production VS. Consumption



Source US. Energy Information Administration

- Jet fuel still represents a big share of an airline's operating cost; fuel prices continue to be uncertain and uncontrollable. Airlines are benefiting from low oil prices and relying on fuel – price hedging tools to lock in fuel cost hence, reducing any substantial losses caused by near or far future fluctuations in the market.
- For the short run, airlines will benefit from low fuel prices, but continuous low price also signals weaker economic growth affecting the demand especially for markets relying on extremely price sensitive travelers. (In Jan-2015, the IMF has reduced its growth projections previously made in Oct-2014, signaling its expectation of slower growth. The global figure is reduced by 0.3% for both 2015 and 2016).

- Suppliers are adapting to low oil prices by halting upstream projects at USD 80 per barrel, while supporting viable projects at a lower barrel price.
- British Petroleum expects that the world's demand for energy would increase by around 37% between 2013 and 2035. Despite the progress taking place on the sustainable fuels and energy efficient technologies' level; conventional fuels will still cover 54% of total energy consumption as for transport it will stay the main source accounting for almost 90% of demand in 2035.

Activities to Reduce Fuel Cost

- Despite the unprecedented and unforeseen drop in fuel prices, this issue remains a central concern as it remains unpredictable and continues to be a major expense for carriers.
- In order to dissipate this challenge, AACO has established the Fuel Project in 1999 which has seen since then an increase in member airlines.
- Today the project gathers the following 20 Arab airlines: Afriqiyah Airways, Air Algerie, Air Arabia, Air Cairo, EgyptAir, flynas, Gulf Air, Jordan Aviation, Kuwait Airways, Libyan Airlines, Middle East Airlines, Nile Air, Oman Air, Qatar Airways, Royal Jordanian, Saudia, Sudan Airways, Syrian Arab Airlines, Tunisair and Yemen Airways.
- The Fuel Project functions as a framework for members to engage in biddings, bilateral negotiations and campaigns for transparency, waiving taxes – overall tackling high prices – as well as, ensuring quality and safety of industry standards .
- Since fuel prices are complex and depend on a multitude of factors, which may or may not be transparent to airline carriers, workshops are also held upon members' request to better understand jet fuel taxes and fees.
- In October 2015, a forum with technical, commercial and environmental presentations was held to inform AACO members of the latest technologies, including renewable energy sources and alternative fuels, and most importantly to comprehend the drop in jet fuel prices. In addition, AACO members participated and took advantage of networking opportunities at the IATA Fuel Forum in Barcelona in May 19-21.
- The Fuel project ensures that all members are informed in a timely manner of any changes in the industry. The Project also provides necessary assistance so an airline does not miss an opportunity to save on jet fuel.
- As advocacy is also component of the Fuel Project, AACO continues to follow-up on the January 2015 discontinuation of the jet fuel discount with concerned parties in Kuwait. In Manila despite a complicated case of domestic and international jet fuel supply, the Fuel Project was able to waive the taxes for AACO members; savings exceeded USD 15 million.

Despite the unprecedented and unforeseen drop in fuel prices, this issue remains a central concern as it remains unpredictable and continues to be a major expense for airlines

AACO's OTHER ACTIVITIES

ENGINEERING & MAINTENANCE

- AACO launched the MRO Collaboration Project in 2013. The collaboration project comprises seven member airlines, namely Air Algerie, EgyptAir, Emirates, Kuwait Airways, Middle East Airlines, Qatar Airways and Saudia.
- The project began with a consultancy study to investigate collaboration opportunities. ICFI conducted the study, and identified nine collaboration initiatives.
- The project carriers are currently working on two initiatives:
 - Purchasing of Consumables: the Delivery Team working on that initiative successfully concluded in 2014 a milestone of its work related to oils, lubricants and cleaners, and which proved the success of the initiative. The Delivery Team initiated in 2015 work on aircraft sealants.
 - Vendor Audits: The aim of the initiative is to create a pool of auditors to audit maintenance vendors and service providers. The initiative will provide efficiencies to the project carriers as it frees resources to cover a wider spectrum of vendors in addition to harmonizing auditors' requirements and training. The Vendor Audits Delivery Team is developing a proposal to National Airworthiness Authorities for their feedback.

EMERGENCY RESPONSE PLANNING

- In relation to both Safety and Security, and acknowledging the need for collaboration in crisis management and emergency response planning, AACO established the ERP Task Force in 2013.
- The Task Force developed an AACO Emergency Response Mutual Assistance Agreement which can be used by member airlines to assist each other in calamities. The agreement was signed at AACO 47th AGM in Dubai by ten member airlines, namely Air Arabia, EgyptAir, Emirates, Etihad Airways, Gulf Air, Kuwait Airways, Middle East Airlines, Oman Air, Qatar Airways and Saudia. In addition, Afriqiyah Airways acceded to the agreement in 2015.
- Upon signature of the agreement, and recognizing the need for collaboration in crisis preparedness, AACO Executive Committee, upon the recommendation of the ERP Task Force, agreed to transform the initiative into a joint project governed by a Steering Board.
- The ERP Steering Board is currently working on the Emergency Response Planning Manual which governs the use of the mutual assistance agreement. In addition, the Board is working on further fostering collaboration in this domain through members sharing experience and lessons learned during the Board meetings, and through inviting to a joint session local bodies involved in emergency response and the project carriers' local airport managers in the countries where meetings are held. Those joint sessions include a brief on the efforts of airlines in that area, familiarization with the mutual assistance agreement, and meeting and networking among ERP specialists which would prove extremely useful in times of crises.

MARKET INTELLIGENCE

- AACO follows up on market intelligence data and tools in line with its strategy to provide the best solutions for member airlines while ensuring optimization of costs. In addition, AACO follows up on developments in that area and invites providers of such solutions to present their systems to member airlines at AACO meetings and forums alongside the updates on Pax-IS.
- Moreover, AACO and its carriers are involved in the Direct Data Services (DDS) project for direct and indirect data that is being developed by IATA, and which is expected to replace Pax-IS on the medium to long terms.
- There are several gains from the DDS project. First, DDS data comes directly from participating carriers, and hence it includes all airline sales data including direct sales that do not go through GDSs. Moreover, the cost of DDS is expected to be significantly lower than other intelligence tools in spite of including wider data sets which would provide better market visibility and thus allow airlines to increase their competitive edge.
- AACO promotes the use of IATA market intelligence tools to member airlines due to their analytical power and competitive costs.

HUMAN RESOURCES

AACO RTC 2014

- In 2014, the number of participants in courses conducted by AACO's regional training centers reached 896 trainees, with an increase of 36% compared to 2013, through conducting 77 training courses with an increase of 30% in the number of courses compared to 2013. The courses conducted were categorized as follows:
 - 17 Scheduled courses attended by 201 participants.
 - 56 In-house courses attended by 632 participants.
 - 4 Extra courses attended by 63 participants.

The topics which were covered in these courses are as follows:

Finance	Aviation Law /Regulations
Management	Cargo
Passenger Handling	Fares and ticketing
Quality	Ground operation
Safety	Human Performance Development
Security	Sales & Marketing

- AACO RTC was able to save training costs for the Arab airlines which reached USD 1,825,819 through the year 2014.
- AACO RTC was able to provide 180 scholarships in 2014. AACO member airlines used 73 of their scholarships either by registering nominees on the scheduled courses or by covering the costs of conducting in-house courses at their home base.

AACO RTC always encourages members to benefit from their remaining scholarships whether by covering the cost of the in-house courses which allows training the largest number of employees possible and saving the expenses of their travel or registering for the scheduled courses.

- AACO RTC organized four courses attended by (59) participants; these courses were financed from the airlines annual contribution where each carrier was offered one or two free seats on each course.
- In collaboration with Concordia University and ICAO, AACO RTC also conducted the 9th AVSEC PM Program which was hosted by Emirates Airline and attended by (22) participants from several airlines, (9) of them from AACO members.
- For the fourth consecutive year, AACO RTC was able to secure (3) scholarships from the European Aircraft Manufacturer ATR on the Part-Time Executive MBA Program at Toulouse business school specialized in Aerospace Management, and it included participants from Etihad Airways, Royal Jordanian and Oman Air.
- AACO RTC also signed a new Education Partnership with one of the top (25) universities in the world “McGill University’s School of Continuing Studies (SCS)” in Montreal. This partnership offers educational development for AACO members that will help in improving the performance of the human capital in the region.
- AACO has also signed an agreement with the Academie Tuniso Francaise de Formation en Sûreté de l’ Aviation Civile to conduct training courses in Tunisia where nominees from Civil Aviation Authorities are participating.
- AACO RTC has signed a Memorandum of Understanding (MOU) with Emirates Security Group for the purpose of introducing university diplomas in Aviation Ground Handling and Aviation Security Management which were developed in cooperation with Edith Cowan University (ECU) of Western Australia. The study is structured on a distance learning model.
- AACO RTC has signed a protocol of cooperation with the American University of Cairo to conduct training courses in various fields:
 - Engineering management and project Management
 - Project planning and control Techniques
 - Project Development Management and Strategies
 - HR for Project Management
 - Project Budgeting and financial control
 - OSHA General industry safety and health training
 - Cost Management for engineers
 - Quality engineering

Cooperation at Outstations

- Since the launch of the project in 1999, the Ground Handling Steering Board ensured meeting the objective of promoting and increasing the level of cooperation between member airlines at Outstations in order to enhance the quality of services they receive while improving the contractual terms with service providers as well as cost optimization.
- In addition to exploring possibilities of cooperation at outstations, the project also works on addressing any regulation that may harm AACO member airlines, and interacts with the regulatory bodies to advocate the interests of Arab airlines.
- Throughout the years, the Ground Handling Steering Board concluded several agreements at outstations. The current agreements include an agreement with Havas in Istanbul and 20 other Turkish airports, with Aviapartner in Rome, with Azzura at London Heathrow Terminal 4 and with KLAS in Kuala Lumpur.

- In light of its target to constantly expand the project, the Ground Handling Steering Board launches every year negotiations with service providers at airports around the world based on studies that show the benefits of cooperation at those outstations.

PUBLICATIONS

AACO works constantly on enhancing the knowledge base of its members and partners through a number of general and specialized bulletins. These bulletins are distributed to members, partners, regional and international associations, and governmental and non-governmental organizations that AACO cooperates with at all levels.

AACO Annual Report

AACO Annual Report includes a review of the work conducted by AACO projects' steering boards, work groups and task forces, in addition to the latest industry updates in the Arab world and worldwide. This report is distributed during AACO AGMs in printed format, in English and Arabic. Moreover, the Annual Report is available on <http://www.aaco.org/publications>

AATS – Arab Air Transport Statistics

This annual bulletin highlights the major operational developments related to the Arab airlines and airports as well as a synopsis on the world air transport developments at large, in addition to statistical information about general trends of the economy with emphasis on the air transport and tourism sectors in the Arab world. The bulletin includes brief information about each AACO member and partner airline. It is distributed, in printed format, to AACO members, Industry Partners, and Partner Airlines. This publication is published in the English language.

3D Insight “AACO Quarterly Bulletin”

3D Insight “AACO Quarterly Bulletin” is an electronic statistical and analytical bulletin in English. This bulletin is done in collaboration with Seabury Group and it contains a detailed analysis of industry topics affecting the Arab aviation market, in addition to Arab airports statistics, Arab airlines operations data, and Arab fleet data.

TopView

The TopView is an electronic bulletin dedicated for briefing the CEOs of AACO Member airlines about the major industry developments and AACO's activities in a very concise and executive manner. The TopView bulletin is issued every two months.

The Nashra - Industry's Pulse & Arab Aviation

The Nashra is AACO's official monthly bulletin that is distributed electronically in the English language. For a more interactive experience to the readers, The Nashra was re-designed in 2013 and became available also in digital format (E-Magazine) on mobiles, tablets, and PCs.

The Nashra is a monthly recap of aviation in the Arab world on a regional and International level. The main issues covered in The Nashra include:

- Major developments in the Arab aviation industry at various levels within the Arab world and on a global scale.
- Statistical monthly data related to the Arab world on passenger traffic flows, market shares, available capacity for Arab airlines and foreign airlines in the Arab world, and others.

- AACO's Industry Partners news – dedicated to our partners who sponsor this bulletin.
- AACO's Partner Airlines news and statistics – dedicated to our partners who have joined the Partner Airline Program.

The Nashra is distributed to the CEOs and managerial staff of AACO member airlines; Directors General and senior management of Civil Aviation Authorities in the Arab world; Transport, Tourism and Economy's ministers in the Arab countries; worldwide regional and international associations and government organizations; media around the world; in addition to AACO's Industry Partners and Partner Airlines.

Regulatory Update

The Regulatory Update is a monthly electronic bulletin that covers all updates on aviation regulatory affairs in the Arab region and the world for the previous month. This bulletin is sent to the Commercial Directors, Aeropolitical Experts, and Legal Experts of AACO member airlines.

Safe and Level

The Safe and Level is a monthly electronic bulletin that revolves around the major safety developments, accidents and reports in the aviation industry at the international and regional levels. Its circulation is restricted to AACO technical work groups and steering boards. This bulletin is published in English.

Weekly Web News

Weekly Web News is a newsletter circulated by email and includes the weekly update of the latest developments posted on our homepage. The newsletter covers the previous week's news, upcoming AACO events, and scheduled RTC courses.

Fuel Bulletin

The Fuel Bulletin is published electronically on a bi-annual basis. The bulletin covers prominent events and issues related to aviation fuel industry at the technical, environmental, and commercial levels. This bulletin is circulated to members of AACO's Fuel Steering Board and Aviation Fuel Technical Group.

FORUMS AND RELATIONS

AACO cooperates with regional and international organizations, governmental and non-governmental bodies, airlines, manufacturers and service providers, offering a broad framework of cooperation for AACO members, protection of their interests, and support for a better economic environment for their operations.

AACO Community

AACO provides cooperation and networking opportunities amongst 31 member airlines, 62 industry partners, and 3 partner airlines which are non-Arab airlines partners to AACO. Industry partners gather a variety of companies that are involved in the aviation industry in various ways and forms.

AACO provides specialized forums for the AACO Community, in addition to AACO's Annual General Meeting. The list of specialized forums is listed here below:

- Aeropolitical Affairs Forum- Held annually in cooperation with IATA.
- Business Technology Forum- Covers commercial, distribution and IT issues.
- Technical Forum- Covers safety, security, maintenance and all technical issues.
- Aviation Fuel Forum- All fuel related issues.

AACO Relations

AACO coordinates and advocates with IATA and regional associations for the common interests of member airlines.

AACO communicates with ICAO, ACAC, EC, US DoT, Arab Transport Ministers, and Civil Aviation Authorities to advocate in favor of AACO airlines and for the benefit of the Arab air transport industry as a whole.



جدة | Jeddah

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