



Development Trends in the Airline Industry

Lance Brogden

IATA Regional Vice President, Africa

Windhoek, Namibia 3 March 2009





State of The Industry

- 2008 was a roller coaster
 - Airlines ended the year with \$8 billion loss and an average oil price of \$100 per barrel
 - The recession will take a further bite out of demand
 - Global passenger traffic will decline 5.7%
 - Cargo traffic will fall 13%
 - Industry revenues will shrink by \$63 billion
 - During 2009 total industry losses will be \$4.7 billion
 - African airlines will lose \$600 million
-



Passenger Growth by Route (Jan 09 vs. Jan 08)

- Within Africa – Premium 18.9% ; Economy 5.6%
 - Within Europe – Premium (22.2%) ; Economy (6.2%)
 - Europe-Africa – Premium (5.2%) ; Economy (3%)
 - Total International – Premium (16.7%) ; Economy (4.7%)
-



An Aviation Agenda is Required

- To weather this recession and emerge stronger on the other side
 - Four key components
 - Safety
 - Improved efficiency
 - An effective approach to the Environment
 - Increased Commercial Freedoms
-



Safety

- Industry-wide in 2008 we had 1 accident for every 1.2 million flights (for IATA members, it was 1 for every 1.9 million flights)
 - In Africa we had 1 for 471 000 flights (none by IATA member airlines)
 - Safety oversight must continually improve
 - IOSA is the first global standard for airline safety management
 - ISAGO is now also being rolled out
-



Efficiency

- Over the past 7 years the Industry has changed tremendously
 - Non-fuel unit cost down 13%
 - Productivity improved 61%
 - Sales and distribution costs dropped 13%
 - Fuel efficiency is up 19%
 - IATA has played a leading role through StB
 - 100% electronic ticketing
 - Fast Travel Program
 - BCBP
 - IATA's Baggage Improvement Program
 - Critical airline efficiency gains must be matched by suppliers
-



Environment

- Sits right next to Safety and Security as a top priority
 - Every drop of fuel is critical to our bottom line
 - Environmental performance is critical
 - Air transport has a vision for carbon-neutral growth; leading to a carbon-free future
 - Four pillar strategy
 - Invest in technology
 - Fly planes efficiently
 - Build efficient infrastructure
 - Use positive economic measures
 - Target is a 25% improvement in fuel efficiency by 2020 compared to 2005
 - Environment must be top of the political agenda
-



Commercial Freedom

- Outdated regulations are a threat to our Industry
 - This weakens airlines that feed the airports
 - Airlines are also suffering from the economic downturn
 - We need the tools to manage the crisis and stop constraining growth
 - Yamoussoukro remains a dream
 - Agenda for Freedom Summit – 14 Governments, including Morocco and Mauritius
-



Commercial Challenge

- 10% increase in air transport connectivity = LT GDP increase by 1.6%
 - Aviation's global economic impact = 7.5% of World GDP
 - Air Transport Industry generates 32 million jobs globally
 - 10% rise in price will reduce demand by 15%
 - Extra taxes on airline tickets, e.g. 'Chirac' Tax, are unacceptable
 - Taxes will inhibit the air transport industry's ability to drive economic development to its full potential
-



Conclusion

- African aviation has come a long way
 - But African airlines are losing market share
 - Airlines must focus on Safety, Efficiency and Environmental performance and 'Match investment with returns'
 - Join forces to ensure that government policies
 - Avoid counter-productive taxation
 - Support further liberalisation and growth
 - Give tools to access markets and consolidate where it makes business sense
 - Make aviation business sense
-



Conclusion continued...

- By doing this together we can continue to build an Industry that is
 - Safe, secure and profitable
 - Environmentally responsible
 - A stronger contributor to the social and economic welfare of the region
-