Development Trends in the Airline Industry

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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- Outdated regulations are a threat to our Industry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