

Panel: Towards a global vision of sustainable air transport

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Good morning, Ladies and Gentlemen,

Air transport is a cyclical sector, indeed, it knows developments and declines leading to the restructuring of the market after each cycle. This sector is closely linked to fluctuations of the market, like fuel price, gross domestic product, and inflation; this indicators has known a significant change in recent years, moreover, the high and ever rising oil prices mixed with the high price volatility have hastened the bankruptcy of legacy carriers that failed to reduce costs.

To save the legacy carriers, decision makers give every reason in order to pump tax money in the air transport industry. But they forget the current and long-term burden on taxpayers. And by giving priority to the political and national dimension more than economic dimension we reduce the sense of social responsibility; taxpayers tend to avoid paying taxes.

And the apparent failure to reduce costs and improve efficiency is reflected in airline management choices, management avoids facing strong pilots' syndicates, workers and other industrial unions. Executives give more attention to avoid strikes over than concerns of competition and passenger demand, that leads firms to sign labor contracts that maintain a high and increasing costs and low productivity. And thus tricks used by companies to trade are not integrated into the framework of sustainable development and are not efficient for reducing cost. We can't make sustainable air transport improvement by high prices for business aviation, by frequent flyer plans, by the hub and spoke approach, or by payment of so attractive commissions to travel agents and international alliances.

All these factors led to a wide range way for the entry of low-cost airlines, which seem to be the only model able to survive, in the last years, Low-cost carriers have raised significantly the competition bar and have consequently swept the market and seized control of it, furthermore, there is a high expectation of the emergence of new models, therefore, the legacy carriers will be facing a struggle for survival especially in the following crisis times.

Basically, the good competition is based on careful listening to the consumer requirements whose lifestyle and expectations are quite irregular; it's also founded on cost reducing and optimal aircraft turnarounds, on the complexity reducing and optimal aircraft turnarounds time, on high use of aircrafts and labor, and finally on reducing the complexity of the global aviation network based actually on the hub and spoke approach.

For all these considerations, we must first improve the actual business models by controlling the costs and revenues, and any new business model for airlines must be based on operating efficiency and must make travel the less costly in the market. Airlines must also identify limited routes that will cover all the regions, and have to fly point to point and to forget the use of the hub and spoke approach that is fully inefficient.

Airlines have to make good choice of profitability indicators and ratios to assess the financial situation of companies in order to suit development with the strategic objectives, the companies should also be prepared to avoid the crises at any time, this requires management to move more quickly, and to have more flexible business models.

Consequently, to achieve flexibility, we must create separate processes for dealing with routine activities and complexity, and split operations in order to identify the most important expectations of passengers and to abort services that are not interesting for customers or for which passengers are not willing to pay, so we will reduce the complexity of operations and the number of activities with the achievement of the most important needs of customers, this procedure will also enable us to make a good customization, and to meet the needs of all types of customers. So we will achieve a sustainable air transport.

Thank you!