



ICAO AIR TRANSPORT SYMPOSIUM

18 - 20 APRIL 2012



Setting the Scene for the Symposium

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and

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Air Transport Sustainability

- Profitability Mgt over Economic cycle
- Fuel prices
- Liberalization and Open Skies
- Climate change, EU aviation ETS, and ICAO role
- Infrastructure Financing
- Are taxes, charges, fee grabs suffocating air transport users ? (security charges, taxes, airport fees, fuel surcharges, etc.)



Profitability over economic cycle

- US airlines loss of \$42.4 billion in 2001-2005 more than wiped out profits made since 1960s; IATA data showed that US airlines alone lost \$26.3 billion in 1968-2005
- Globally, airlines lost \$8 billion in 2008 alone; when profitable, most profits come from Asia-Pacific and developing countries where regulatory protection of airlines are still in place
- Airlines management seem never learn lessons from booms and busts of the industry over economic cycles; all seem to flunk economics 101 test
 - need better risk analysis aircraft ordering program during economic upturn



Profitability over economic cycle

- Airlines management seem never learn lessons from booms and busts of the industry over economic cycles; all seem to flunk economics 101 test
 - need better risk analysis ordering program during economic upturns
- Does the empty core problem cause even a well managed airlines to lose money (when too many airlines compete) ? Should govts become more forthcoming for approving airline mergers and anti-trust immunized alliances as US and EU appear to be doing ?



Climate Change

- Air transport sector is well aware of being a bad boy on the block when it comes to CO₂ emission per passenger km (5 times more CO₂ intensive than rail mode);
- European ETS aviation legislation is here to stay until ICAO and global aviation community comes up with a measurable solution (Jos, Delbeke, DG for Climate Change, Feb, 2012)
- What should the eventual outcome be at the end of legal/trade/diplomatic actions for a global deal ?



Climate Change – cont'd

- Should governments take the initiatives for alternative fuel R&D development such as bio-fuels ?
- Or should we leave it for airlines and other private sectors to deal with the problem?



Fuel price fluctuation

- When fuel price fluctuates fluctuate as in recent years (\$140 - \$40 per barrel!),
 - will any fuel hedging program work?
 - Should there be a more efficient program than the current fuel surcharge system, about which passengers are not happy ? (because of the non-transparency in fuel charge setting - airlines bury them with taxes, airport fees and levies, etc.))



Liberalization /Open Skies significant contributor to air traffic growth

- While GDP/per-capita income growth accounts for 2/3 of air traffic growth, the liberalization-Open Skies has been the second most important factors for the past air traffic growth (Oum, Fu and Zhang study for ITF (2010))
- Instead of relying on the inefficient bilateral ASA system, should we be looking for more efficient multilateral regulatory system as telecom-IT industries have accomplished via GATS ?



Infrastructure Financing

- European airports/air space congestions; congestions and capacity constraints in top 25 airports (FAA study)
- Aviation and Airport Trust Fund is near bankruptcy (nearly zero uncommitted balance); US alone needs \$80 billion for airport capacity expansion in the next 5 years (ACI-NA forecast)
- What are the means by which we can deal with the enormous funding needs including NextGen Aviation system funding needs?



Rapidly Increasing Fees/Tax grab

- States and airports are increasing security fees, taxes, and other money grabs; Including ridiculous level of fuel surcharges, **these combined charges are often higher than airfares !**
- How do we deal with the increasing tax and fee grabs (now , including free setting of CO2 emission tax (e.g., UK's "stealth tax")) on international aviation ? Should we allow them to escalate and choke off air transport demand?
- Should we allow airlines to bury their fuel surcharge with taxes/fees when issuing airline ticket ?



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Strategies and Tools for Sustainable Air Transport

Finally,

- I believe that this joint ICAO-ATRS symposium is an ideal forum to examine and debate on these questions identified in my short speech;
- I Look forward to participating in the exciting sessions in the next few days; I hope this Symposium will contribute significantly to shaping global aviation policy debates for achieving efficient and sustainable air transport system



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Strategies and Tools for Sustainable Air Transport

Thank you!!!!

Merci !!!!

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