Setting the Scene for the Symposium

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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 naircraft ordering program during economic upturn
Profitability over economic cycle

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  - 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 biofuels?
- Or should we leave it for airlines and other private sectors to deal with the problem?
Fuel price fluctuation

- When fuel price fluctuates 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?
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.
Strategies and Tools for Sustainable Air Transport

Thank you!!!

Merci !!!