



ICAO AIR TRANSPORT SYMPOSIUM

18 – 20 APRIL 2012



Strategies and Tools for Sustainable Air Transport *Session 7: Breaking the mould – business models of new airlines*

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Strategies and Tools for Sustainable Air Transport



About ELFAA

- ELFAA airline members collectively carried almost 190 million passengers in 2011
- +9.5% year-on-year
- 43% of intra-Europe scheduled point-to-point intra-European traffic in 2010,
- forecast to grow to 60% by 2020
- 800 state-of-the-art, environmentally-efficient aircraft with an average fleet age of 4.5 years



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Background

- born of deregulation of market access by EU
- any EU-registered carrier free to operate any intra-EU route
- no limit on frequency between EU points and no governmental control of fare levels



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Evolution

- seizing the opportunity, European low fare challengers, inspired by success of pioneers in US, notably Southwest
- modelled themselves on US trail-blazers



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Commitment to lowest fares

- LFAs' USP is to offer lowest fares
- offer core product requirement, which can be purchased on self-standing basis by all
- offer, on optional basis, service enhancements
- these can be purchased, if desired, by those who value them sufficiently to be prepared to pay for them
- no cross-subsidy of others, who need them, by those who prefer to forgo them



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Over-riding priority

- lowest seat mile costs to support lowest fares
- this requires newest fleet, offering synergistic benefit of new technologies
- ELFAA airlines operate a fleet of 800 aircraft with average age of 4.5 years
- importantly, newer aircraft offer most environmentally-efficient performance



Threats to sustainable growth

Increased competition vs progressive re-regulation

- liberalisation has greatly stimulated demand
- previous over-regulation of aviation replaced by increased competition
- earlier over-regulation of aviation produced no more profitable an industry
- ELFAA advocates primacy of competition over regulation, with
- regulation reserved for vital areas such as safety or to prevent abuse of dominant position

BUT

- competition needs to be extended to all parts of the value chain, including airports and ATM providers
- and should be matched by similar policies towards other competitive modes such as rail
- trend to progressive re-regulation of aviation arrested



Threats to sustainable growth

Need for an environmentally-effective MBM

- LFAs acknowledge that aviation has an impact on the environment
 - while low in relative terms, nonetheless material
- with no all-new short-haul aircraft on the horizon by Boeing or Airbus within the next 15 years,
- challenge to growth is to reverse the relationship between growth and emissions



Threats to sustainable growth

Need for an environmentally-effective MBM

- given the lead time for a technological solution, there is a need for an effective MBM now
- without this, governments will resort to further taxes on aviation which threaten growth
- in imposing taxes, needed to balance budget deficits, Governments will seek to claim high moral ground
- however, taxation of aviation not only threatens growth of aviation but economic recovery and growth



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Threats to sustainable growth

Need for an environmentally-effective MBM

- ELFAA strongly prefers an environmentally-effective MBM over taxation
- while a global cap and trade mechanism the ideal
- we only have months to achieve it



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ELFAA appeals to

- **Governments:**
 - to stem the tide of unproductive taxation of aviation, in the guise of environmental protection
- **Industry:**
 - to work together to find an environmentally-effective MBM, pending technological solutions
- **ICAO:**
 - to deliver by the end of 2012 a proposal for an environmentally-effective global scheme, which offers reduction of carbon, at least equivalent to that achieved by EU ETS, in order to ...



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Ensure the continued successful growth of aviation

- Our customers demand this
- World economies need it
- The environment deserves it



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European Low Fares Airline Association

Thank you!

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