



Bisignani: crisis

IATA now predicts a loss for its member airlines this year - at least US\$2.3bn, compared with a US\$5.6bn profit for 2007 - entirely due to the increasing cost of fuel. We take this turn as a crisis point for the whole travel industry.

The following is a summary of the (long) speech of IATA's head, Giovanni Bisignani, to his member airlines last month (see also Trends, page 11):

- Since 2001 airlines have improved fuel efficiency 19% and reduced non-fuel unit costs 18%. But just as we started to recover we face another crisis of potentially even greater dimension.
- The spreading impact of the US credit crunch is slowing traffic growth. At best we expect 3.9% this year.
- After enormous efficiency gains since 2001 there is no fat left, and skyrocketing oil prices are changing everything.
- 9/11 brought enormous change to the industry making us tougher, leaner, and more efficient. Now even more massive changes are needed.
- We are most successful when we control our destiny in projects like 'Simplifying the Business' or where government and industry are aligned such as on safety. We struggle when governments do not cooperate with issues such as security, regulation of monopolies, the environment, and liberalisation.
- The IATA Operational Safety Audit is now a condition of IATA membership. Our next AGM will have seats only for IOSA-registered airlines. The goal is to raise the bar on safety, not reduce membership. IATA is spending US\$8mn for safety programs and flight data analysis, and US\$22mn for member audits.
- Unlike safety, security is an uncoordinated mess. Since 2001 airlines and passengers have paid US\$30bn for security measures. For this we get more frustration than value. We are pushed back because fear drives decisions; the infrastructure cannot cope; governments are not cooperating; and nobody is taking leadership. Passengers are suffering because they face a maze of duplication, bureaucracy, and hassle. This must change.
- We developed Simplifying Passenger Travel to make security effective,

efficient, and convenient. Now governments must do their part. They must focus on risk management, harmonise global standards, use technology and intelligence effectively, and pay the bill.

- We also have an unregulated mess with monopoly suppliers. IATA achieved US\$4bn savings on charges, fees, and taxation. But too many airports still live happy days, isolated from commercial discipline, because governments have failed to regulate.



- This year's 'Worst Regulator Award' goes to the UK Civil Aviation Authority. At Heathrow, service is a national embarrassment, but still the CAA increased charges 50% over the last five years, and plan 86% for the next five. Can any airline ask for an 86% fare increase?
- We are in crisis and it's time for governments to get serious. Effective regulation means delivering results on cost-efficiency and good service, not a licence to print money, and abuse monopoly powers.
- IATA's four-pillar strategy is driving progress to deliver reductions in CO₂, by investing in technology, flying planes effectively, building efficient infrastructure, and implementing positive economic measures.
- IATA's efforts achieved 10.5mn tonnes of CO₂ savings. We helped members operate more effectively. We helped shorten 395 routes.
- The industry is united and making progress, but short-sighted governments are pushing us back. With oil at US\$130 per barrel we have the biggest incentive of any industry to improve environmental performance. Governments fail to understand this, they remain fixated on punitive economic measures. We face

a bill of US\$10bn for a misguided and unilateral proposal that will inspire international legal battles but do very little for the environment. These are reckless decisions when the industry is in crisis and oil prices have changed the game completely.

- We have had enough of governments that talk green and quickly take cash but don't deliver real solutions. In 17 years, Europe has not achieved the 12mn tonnes of annual CO₂ savings from a Single European Sky. It's time for governments - including Europe - to understand the dimension of the current crisis and join our commitment.
- Governments should fund research in bio-fuels and new generation airframes and engines. Innovation is the only answer for sustainability.
- Re-regulation or re-nationalisation is not the right answer but it may be the only one unless governments can keep pace with the urgent need for change. Governments must stop treating us and our passengers as cash cows and they must control monopoly suppliers who do the same.
- The so-called 'freedoms of the air' are really restrictions on our business. We cannot fly to new markets without an international agreement. We cannot look beyond national borders to try new ideas, grow our business, access global capital, or merge and consolidate. We fight crisis after crisis with our hands tied because flags, not brands, define our business. This must change.
- For banks, governments regulate safety with liquidity standards and fair business practices. Any bank that meets the requirements can buy a license and start business. So HSBC can claim to be the world's local bank with 10,000 offices in 83 countries. Vodafone mitigated the impact of the US downturn with a 65% expansion in the Middle East and Asia.
- Thirty years after deregulation began we must complete the task. Let's rip up the 3500 bilaterals and replace them with a clean sheet of paper without any reference to commercial regulation. Airlines would be free to innovate, free to compete, free to grow, free to disappear, and free to become financially healthy.

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