



### Barbs from Bisignani

In the past we have criticised Giovanni Bisignani, head of IATA, in his previous positions – head of Alitalia followed by the then-airline-owned OTA (online travel agency) Opodo.

We have also criticised some early comments in his time at IATA – as being protectionist and illiberal.

But there has been an enormous about-turn. We now feel he is leading IATA, and thus airlines, into an era of great change, with great confidence – and with sound ideas and policies. We now believe he is a great leader for aviation. At IATA's June AGM, he delivered his state-of-the-industry report. Some paraphrased excerpts follow.

• **Myths.**

- *Air transport is a major cause of global warming.* Wrong. We are 2% of CO2 emissions – but support 8% of GDP.

- *International air transport is excluded from Kyoto and doing nothing.* Wrong. We were concerned about the environment long before Kyoto. Fuel efficiency improved 70% over 40 years.

- *Aviation is the most polluting form of transport.* Wrong. Modern aircraft consume 3.5 litres per 100 passenger kilometres. Show me a hybrid car that can achieve that.

- *Air transport is a luxury.* Wrong. We are a necessity. 80% of our emissions are from trips over 1500km for which there is no economic alternative.

• **Governments.**

- **Taxation:** Airlines are the heart of a US\$3tn value chain; 29mn jobs. We make the global village a reality – 2.2bn passengers will fly this year. But we are taxed like luxuries or tobacco.

In 2005 France proposed an aviation tax to support poverty development – although the proposal is not effectively flying anywhere outside of France.

But there is more. Austria wants to tax aviation to solve Europe's budget problems. India proposes a 12% tax on business travel. Sweden, to help the environment, plans to further tax

aviation to reduce demand. In the US, taxes add 26% to a US\$200 ticket.

- **Liberalisation:** Governments must let us get on with business. We need the same commercial freedoms that other industries take for granted. We are a responsible competitive industry producing enormous benefits. Governments have a leadership role in safety, security, environment and regulating monopolies. Full stop.

We don't need governments to negotiate our markets. Consumer demand is more effective.

An agreement between the US and Europe on open skies would liberalise 105,000 seats each day and set the stage to address ownership. The European Commission is pushing in the right direction. But fear and local politics are excuses for the US not to move forward. Responsible governments anticipate and lead change.

The bilateral system served us well over 60 years. Now let's organise a spectacular US\$12bn retirement party. That is the amount of additional profit that it would add to our industry. And the positive impact on the global economy would be enormous.

Liberalisation is long overdue. And if the US and Europe are not willing to maintain leadership, fast-moving India and China are not afraid to drive change.

• **Profits.** Sometimes we have been chasing growth instead of profitability. We changed after 9/11. But we are now benefiting from a strong global economy. Record aircraft orders could be our achilles heel if we stop managing capacity carefully.

Wake-up: Focus on efficiency. Don't let a strong revenue environment distract us from further change.

• **Unions.** Enormous productivity increases since 2001 have too often followed long battles or bankruptcy protection. Cooperation, not conflict, will secure long-term employment.

Wake-up: For unions to share success, they must be part of the solution.

• **GDSs.** GDSs have not kept pace with change. Deregulation brought down fees in the US; elsewhere fees skyrocket.

Wake-up: Deliver value-for-money.

• **Infrastructure.** Despite four years of shouting politely, many monopoly infrastructure partners still need a wake-up call. Aeronautical revenues per passenger at airports and air navigation service providers increased 27% since 2001. Meanwhile airlines reduced non-fuel costs 13%. That 40% reality gap needs bridging urgently.

The Single European Sky is a singular European embarrassment – 20 years of discussion – and still going on. And we are still paying a US\$3.4bn bill for inefficiency. That's the cost of 35 providers when one could do the job.

• **Airports.** Many hide behind their monopoly position. Some are good partners – Singapore's Changi is cost-efficient and popular with passengers.

The world's most expensive airport is now New York Newark. There is no excuse for being about 60% more expensive than Chicago's O'Hare.

Charges at Paris CDG increased 27% since 2001. And the government approved 5% annual increases through 2010. A shortsighted government is fattening the airport for privatisation. We have taken the French state to court.

• **The Customer.** Customers should be angry.

Their choice is restricted by an outdated bilateral system. Their cheap tickets are expensive because politicians add taxes. Their time is wasted because governments cannot organise direct, environmentally-friendly routes. Their money subsidises airport inefficiency because governments have failed to regulate monopolies.

Wake-up: Speak-up. Let's shout together – politely but loudly – for better value and for better treatment from governments and industry stakeholders.

An annual subscription to People-in-Travel, costing US\$100, is delivered only via email in PDF format. A small extract from PinT is normally included in the Asia Pacific and Europe editions of Travel Business Analyst.

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