

The Present and Future of the World Aviation Market

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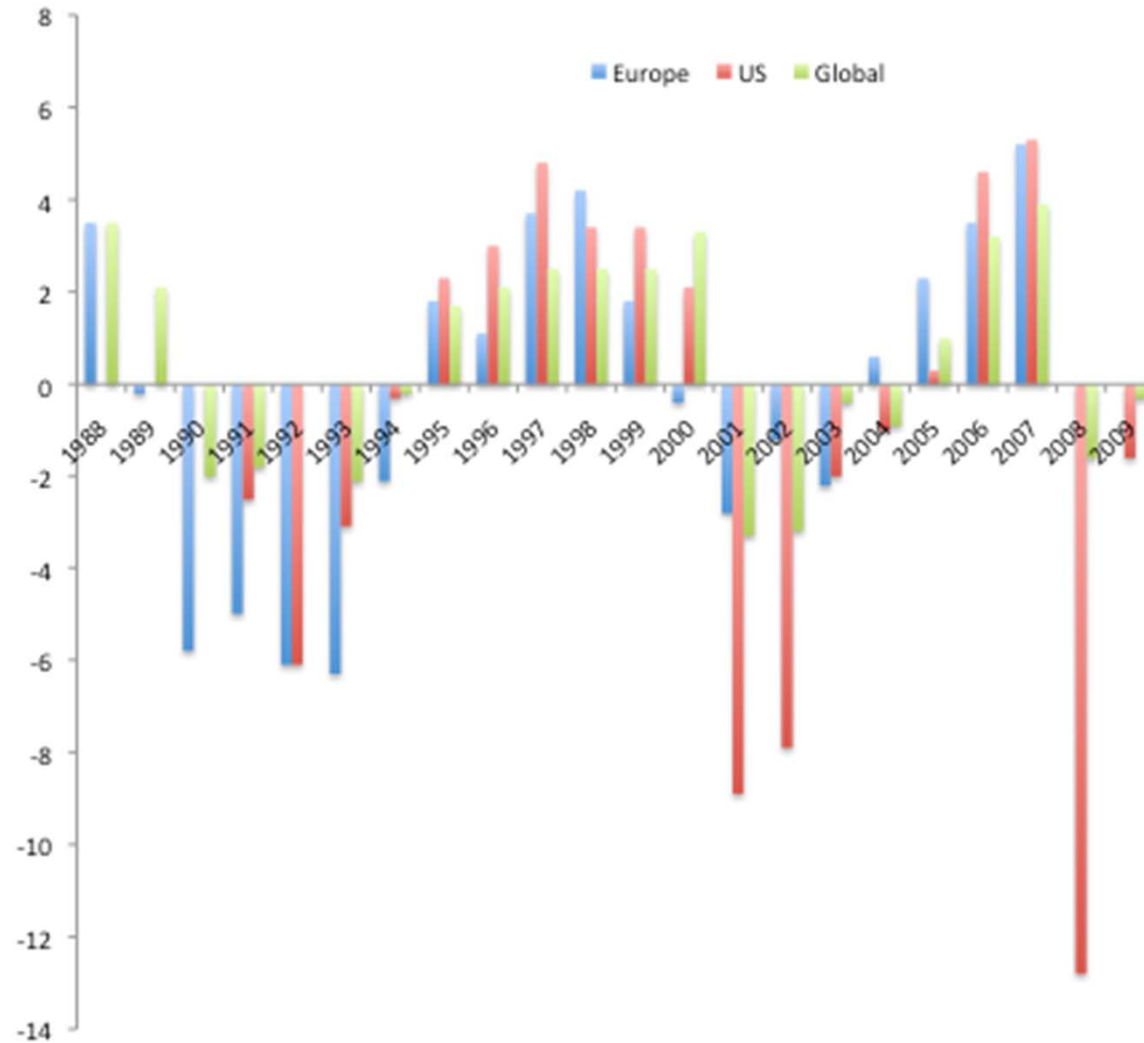
Features of the air transportation sector

- Large industry
 - 19,400 passenger aircraft in service
 - 44,000 airports
- Carries freight and passengers over medium and long routes
 - Carriers about 35% of world trade by value
- Increasingly international in orientation
 - Sector is becoming more deregulated
 - More efficient long-haul jets
 - globalization
- Important for key industries
 - Tourisms
 - Exotics
 - High value/low volume manufactures

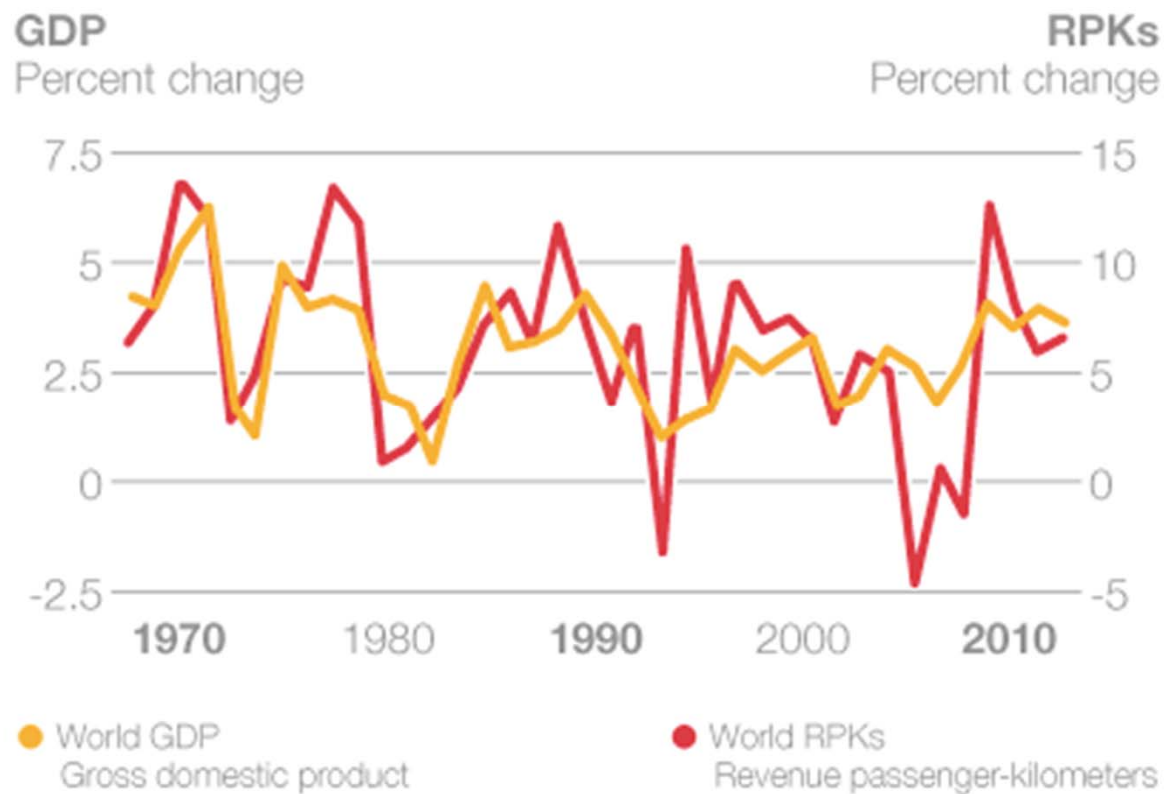
The industrial trends

- Steady increase in traffic
- Fastest growth in new markets/slower growth in the US and Europe
- Growth in air cargo traffic
- Global alliances of major carriers
- Emergence of “mega” carriers with mergers
- Increased hub-and-spoke travel over long distances
- Rise of low cost carriers

Airline operating margins



The importance of the global economy in fluctuations



Boeing projections (rpk)

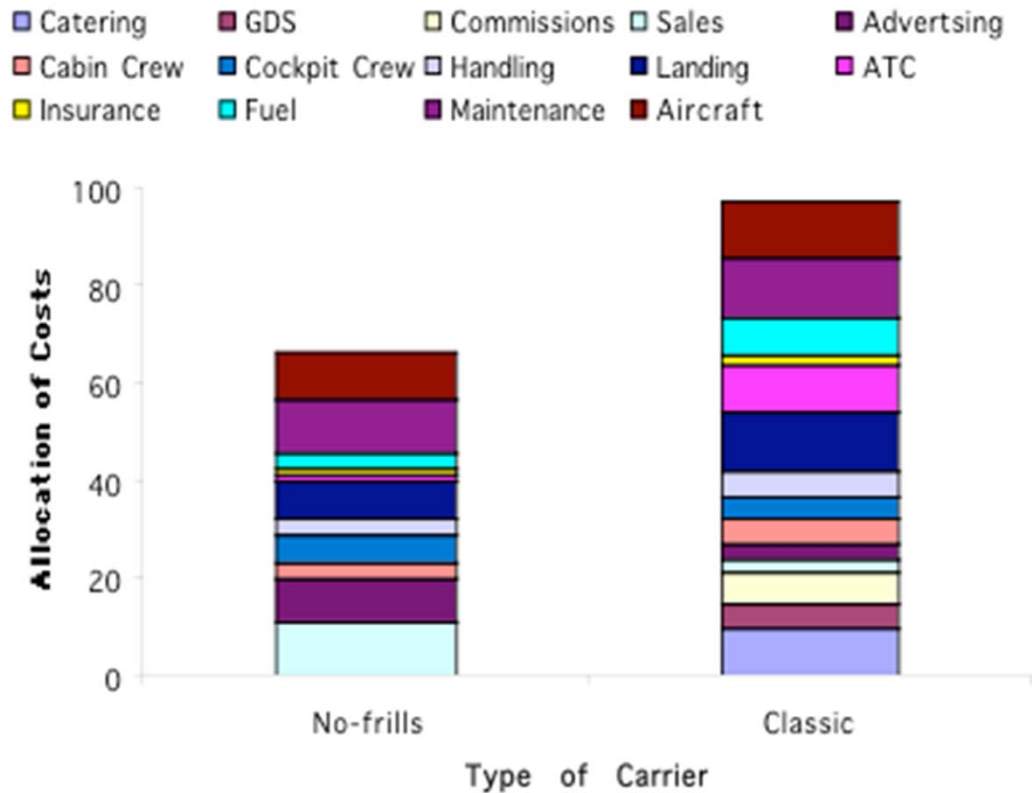
2010 to 2030

	Africa	Latin America	Middle East	Europe	North America	Asia Pacific
Asia Pacific	8.1%	5.7%	7.2%	5.9%	5.1%	7.0%
North America	6.4%	5.4%	7.3%	3.6%	2.3%	
Europe	4.6%	4.8%	5.4%	4.0%		
Middle East	6.4%	–	5.0%			
Latin America	6.0%	6.8%				
Africa	5.1%					

Some highlights

- Rapid growth in Asia/Pacific region and Middle East
- Over next 20 years, 78% of demand for new airplanes will come from outside North America, about 34% being in the Asia Pacific region.
- Low cost carriers' fleets to grow at an annual rate of 5.7%.
- The global aircraft fleet will grow at an annual rate of 3.6% to more than 39,500 airplanes in 2030.

Costs of low cost carriers against traditional carrier



Tourism

- Major industry
- Air transportation is the main carrier outside of Europe
- Growth in:
 - More frequent locations
 - Shorter duration vacations
 - Longer distance vacations
 - Vacations for older people
 - Vacations to more distance locations
 - New origin markets
 - Self organized vacations

Low cost carriers and tourism

- Charter services involving inclusive tours were the low cost carriers of the past
- Modern low cost carriers are diverse but normally:
 - Short haul routes
 - Standardized fleets
 - Radial services around bases
 - Basic service
 - Pay as you go
 - Infrequent services
 - Secondary airports
 - Little cargo

European low cost carriers that ceased to exist (2003 to 2005)

Aeris	BuzzAway	Hellas Jet
Agent	Dream Air	Hop
Air Bosnia	Duo	Jet Magic
Air Andalucia	Europe DutchBird	Jetgreen
Air Catalunya	EastJet	Jetsky
Europe Air Exel	EU Jet	Jet X
Air Freedom	Europe Exel Aviation Group	Low Fare Jet
Europe Air	Fairline Austria	Maersk Air
Air Littoral	Fly Eco	Now
Air Luxor	Fly West	Silesian Air
Air Madrid	Flying Finn	Skynet Airlines
Air Polonia	Free Airways	Spirit Of Balkan
Air Wales	Fresh Aer	Swedline Express
Airlib Express	Germania Express	V Bird
BasiqAir	GetJet Poland	VolareWeb
BerlinJet	Go Fly	White Eagle
Bexx Air	Goodjet	Windjet

Why the problem with low cost carriers in meeting long-distance tourism demands?

- Overall costs of long distance tourism are high limiting to higher income groups
- Economies of scope and density are important and these means feeder services
- The need to use major airports
- Combined leisure/business traffic is important
- Combined passenger/freight traffic is important
- Indivisibilities lead to higher down times

The challenges

- Global economic depression
- Lack of adequate infrastructure
- High fuel prices
- Environmental regulation
- Terrorism