



Assessing Economic Impact Provisional results

European Observatory on Airport Capacity
Brussels, 12 December 2014

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www.iata.org/economics

To represent, lead and serve the airline industry



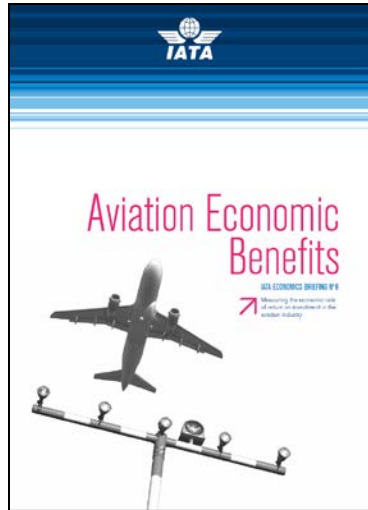
Key points

- Build on existing knowledge and effort
- Components of assessing economic impact
 - Economic footprint (GDP, jobs, tax contribution)
 - Wider economic benefits (productivity)
 - Economic welfare/consumer benefits
- Air transport plays a critical role today in Europe today
- Challenges to growth: airport constraints result in 11% fall in passenger numbers
- Translating activity and operational findings to economic impacts

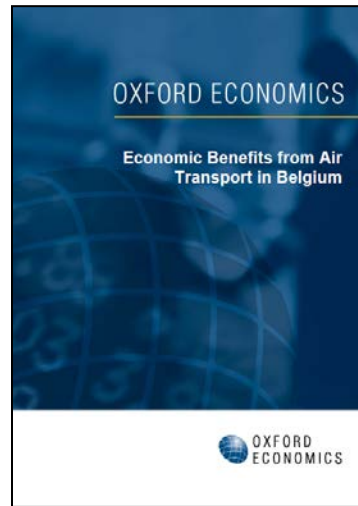
IATA has a long track record



2005



2007



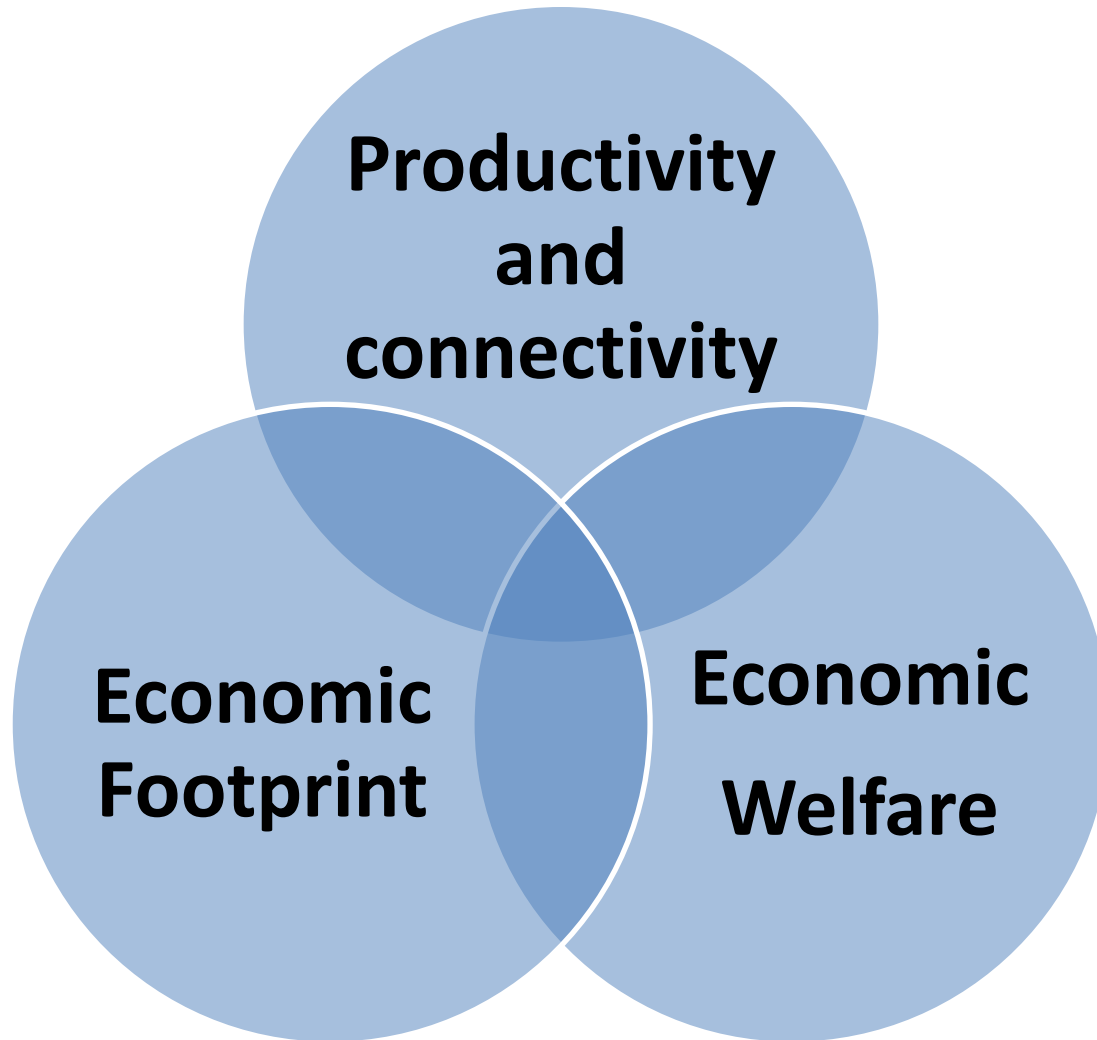
2012



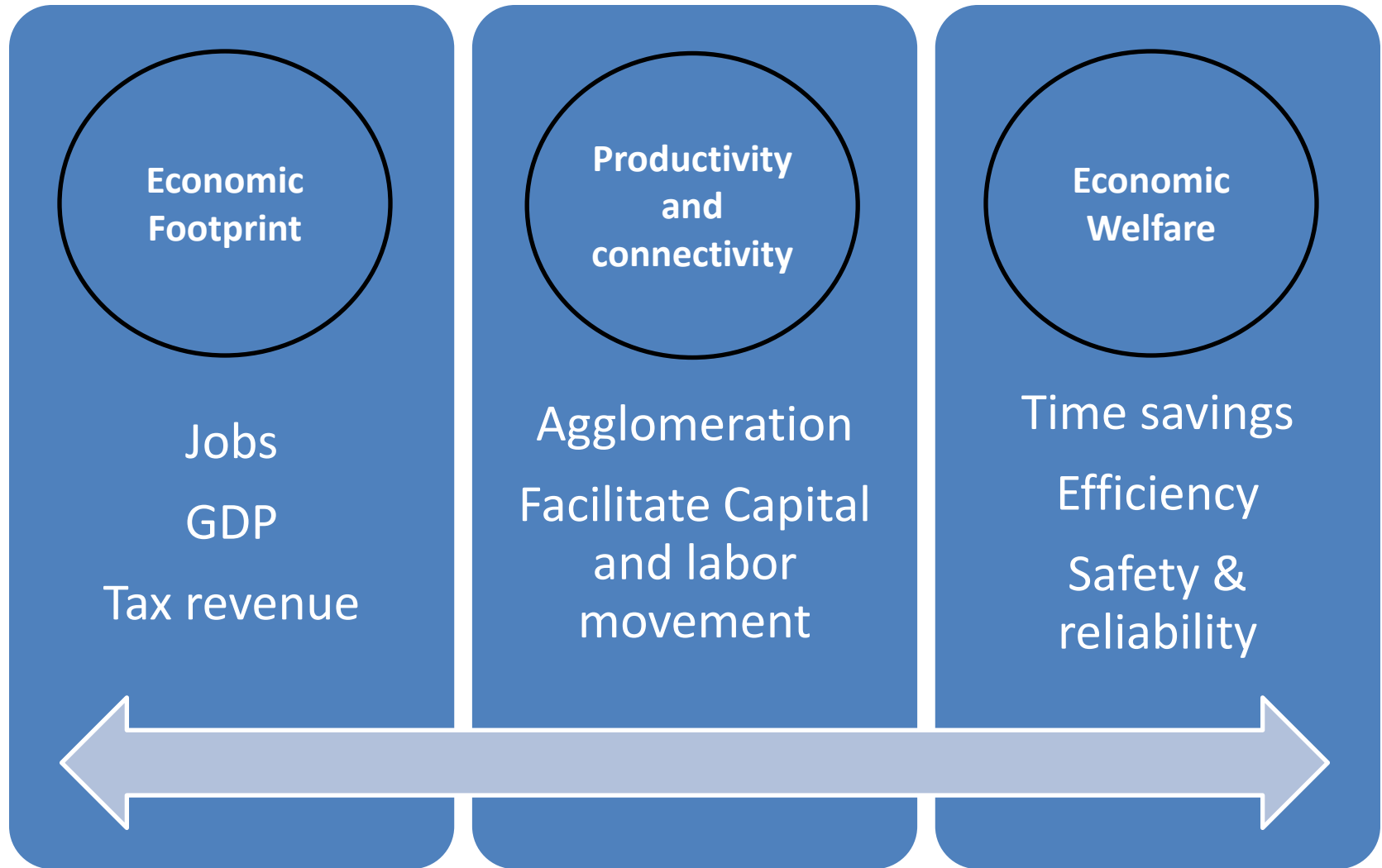
2014

- Economic benefits webpage:
<http://www.iata.org/publications/economics/public-policy/Pages/benefits.aspx>
- Country studies:
<http://www.iata.org/policy/Pages/benefits-country-reports.aspx>

Economic Impacts of Air Transport



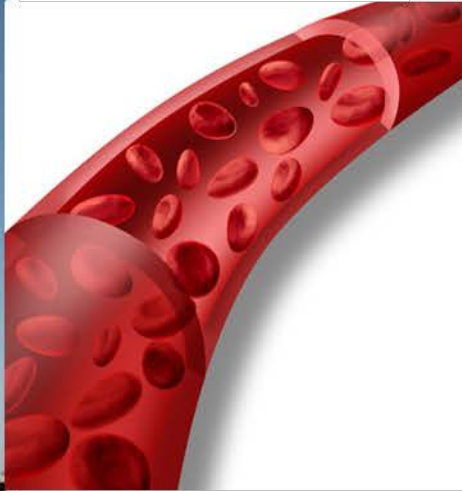
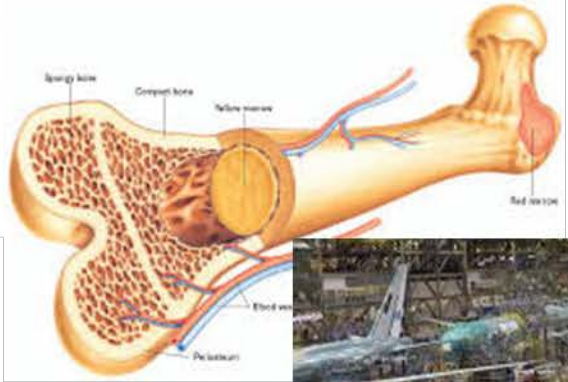
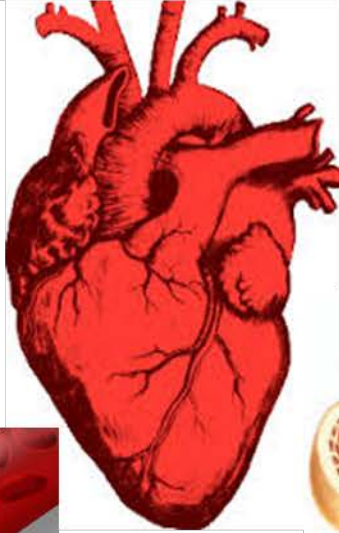
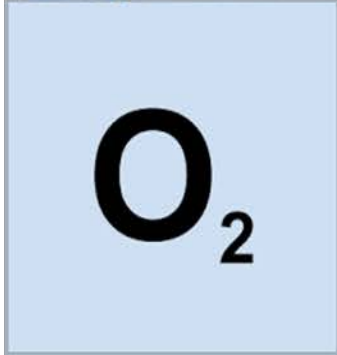
Economic Impacts of Air Transport



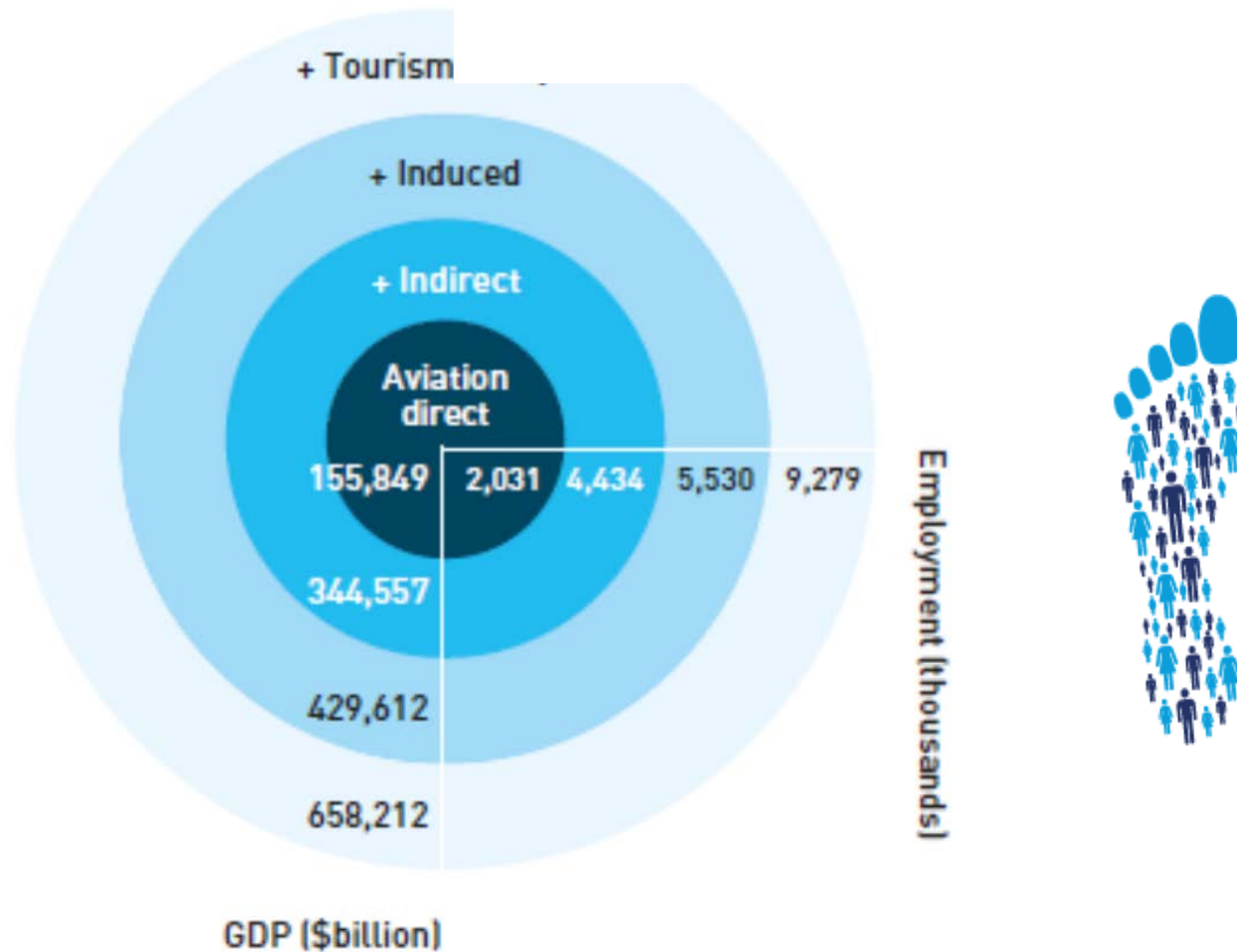


**brussels
airport**

the heart of Europe



Total jobs and GDP generated by air transport in EU28, 2012



Productivity and Connectivity

- Several measures of connectivity exist
- Impact of productivity assessed based on changes in connectivity
- 10% increase in connectivity (relative to GDP) is associate with an increase in economy wide productivity of 0.5% to 0.07%

Economic Welfare

- Massive benefits created to consumers but...
- Costs in Europe due to airspace inefficiency alone in 2014 - EUR 9 billion

Airline Industry Econ Performance Dec 2014

ECONOMIC PERFORMANCE OF THE AIRLINE INDUSTRY

This new semi-annual report replaces the quarterly Airlines Financial Forecast, and takes a broader look at how the industry is adding value for its consumers, the wider economy and governments, as well as for its investors.

Key points

- Consumers benefit from lower oil prices with lower fares, more routes, and spend 1% of world GDP on air transport.
- Economic development big winner from the doubling of city pairs and halving of air transport costs in past 20 years.
- Governments gain substantially from \$123bn of taxation next year and from 38 million 'sunny chair' jobs.
- Equity owners see a far better 2015 with a 7% average airline ROIC, but still earn \$5.7 billion less than they should.
- Fuel use per ATN to fall a further 1.6% y-o-y, saving 12 million tonnes of CO₂ emissions and \$3 billion of fuel costs.
- Load factors forecast to slip as capacity accelerates; new aircraft deliveries represent a \$180 billion investment.
- Jobs in the industry should reach 2.43 million, productivity will be up 4.8% and OVA/employee almost \$109,000.
- Infrastructure use costs are rising, plus inefficiencies in Europe alone add \$3.8bn to airline costs next year.
- In American region performs best with a 6% net post-tax profit margin in 2015. Africa weakest at just 1.1%.

Consumers

Consumers will see a substantial increase in the value they derive from air transport next year. We expect 1% of world GDP to be spent on air transport in 2015, totaling over \$520 billion. Air travel is accelerating, with growth of 7% expected next year, the best since 2010, well above the 3.5% trend of the past 20 years. This is being driven partly by the upturn of the economic cycle. But consumers will also benefit from cheaper travel, due to the fall of fuel prices, with the average return fare (before surcharges and tax) of \$458 in 2015 forecast to be 3.1% lower than this year after adjusting for inflation. Business will also benefit from the cost of shipping freight falling 2.8% next year in real terms. Air freight had been in the doldrums since 2010 but now a moderate cyclical upturn is evident.

Midwest airline industry	2013	2014	2015
Spend on air transport, \$billion	753	789	833
% change over year	1.0%	4.8%	5.5%
% global GDP	1.0%	1.0%	1.0%
Return fare, \$/pass (2014)	496	483	453
% change over year	-1.2%	-3.0%	-5.1%
Freight rate, \$/kg (2014)	2.30	2.27	2.11
% change over year	-0.2%	-1.3%	-7.5%
Passenger departures, million	3,134	3,306	3,530
% change over year	5.3%	5.5%	6.8%
ATN, \$billion	5,793	6,136	6,552
% change over year	3.4%	5.7%	7.0%
Freight tonnes, million	48.3	51.3	53.2
% change over year	2.3%	6.1%	3.7%
World GDP growth, %	2.5%	2.6%	3.2%
World trade growth, %	2.7%	3.0%	4.0%

Source: IATA, ICAO, IHS, International OPA Panel, Capgemini.

2014 end-year report

Inefficiency in European airspace Dec 2013

IATA ECONOMIC BRIEFING DECEMBER 2013

INEFFICIENCY IN EUROPEAN AIRSPACE

Summary and key points

- **Delay and additional time loss.** Eurocontrol estimates the flight delay and additional time lost to be 76.9 million minutes in 2012 (projected) and 66.6 million minutes in 2011.
- **Cost of delay and additional time loss to airspace users and consumers.** Total cost of the delay and additional time loss for airspace users and consumers is estimated at EUR 11.2 billion in 2012 and EUR 12.5 billion in 2011.
- **In addition to inefficiencies due to delays and time losses there is also strong evidence of inefficiency due to suboptimal operational performance.** This can be demonstrated through comparisons of performance among European ANSPs, between the US and European airspace and other regional comparisons.

Delay and additional time loss

- Eurocontrol projected for 2012 ATM flight delays to be 10.8 million minutes. This is an improvement of 46% from 2011 when ATM flight delays totaled 17.9 million minutes. However, the improvement in performance in 2012 needs to be seen in the context of a 2.7% traffic decrease year on year.
- In addition to flight delays, there were also time losses during taxi-out, en route and arrival (ASMA), these time losses were 20.4, 20.5 and 17.2 million minutes, respectively, totaling time losses of 66.1 million minutes in 2012. This marks a reduction in time losses of 4% from 68.5 million minutes in 2011.

Cost of delay and additional time loss to airspace users and consumers

- Eurocontrol estimates that due to the delay and additional time loss airspace users incurred costs of EUR 4.5 billion in 2012 and EUR 5.2 billion in 2011. ATM flight delays account for 19% (EUR 850 million) of the delay and time loss costs in 2012 and 27% (EUR 1.4 billion) in 2011, with the remainder attributed to ANS related time losses.

Table 1: Cost to airspace users

	2011	2012
ANS		
Taxi-out	950	950
En route	400	400
ASMA	1,900	1,900
ATFM		
Enroute and airport	1,400	850
Total cost	5,150	4,500

Source: Eurocontrol PRR 2012; Note: millions of euros

- On top of the cost to airspace users, these delays and time losses also result in cost to consumers in lost time. As summarized in Table 2, the total cost to passengers amounts to EUR 6.7 billion in 2012 and EUR 7.3 billion in 2011. Passenger values of time may differ depending on where in the journey the time loss occurs as well as profile of travelers. This assessment uses the low and recommended value from Eurocontrol's standard inputs for cost Benefit Analysis report as the average passenger value of time.

Table 2: Cost to passengers in lost time

	2011	2012
Total delay and time loss, million plane hours	1.45	1.28
Avg size of plane, seats	137	141
Avg industry load factor, %	78.3%	79.2%
Total passenger hours lost, million hours	156	143
Low end estimate value of time per passenger hour, EUR	47	47
Total cost to passengers in lost time, EUR million	7,317	6,727

Source: Eurocontrol Performance Review Report May 2013 (Delay and Time Loss); Eurocontrol Standard Inputs for Eurocontrol CBA (passenger value of time), OPA Analyzer (number of rights and seats), IATA, September 2013 Financial Forecast (load factors).

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EU+ impact of constraints in 2035

Regulated growth scenario:

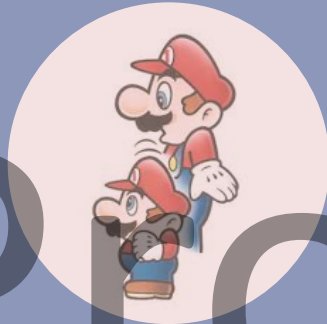
- Aircraft Movement 8% ↓
- Passenger traffic 11% ↓
- Avg. delay 14.2 mn/per flight



Constrained vs unconstrained

- Project economic footprint in-line with pax growth, with efficiency improvements
- Compare differences in levels of air connectivity and impact on productivity
- Translate operational impacts to monetary values

EU prosperity suffers as capacity constraints intensify in 2035



Provisional

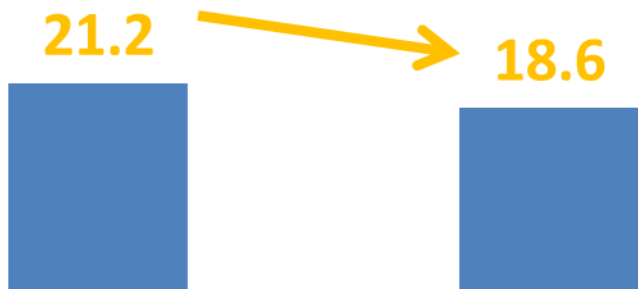
Econ Footprint ↓:
2.5 mn fewer jobs
GDP ↓145 bn EUR

Connectivity 8%↓
Productivity↓
EUR 11bn per yr

Econ Welfare ↓
250 mn delay hrs
Lost EUR 14bn/yr



2035 millions of jobs



Air connectivity 8% ↓



Economy wide productivity
↓ EUR 11 bn per year

Unconstrained

Constrained

Economic footprint shrinks

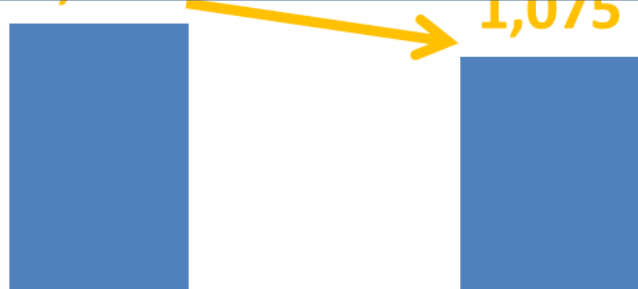


Productivity and welfare suffer



Whoops!

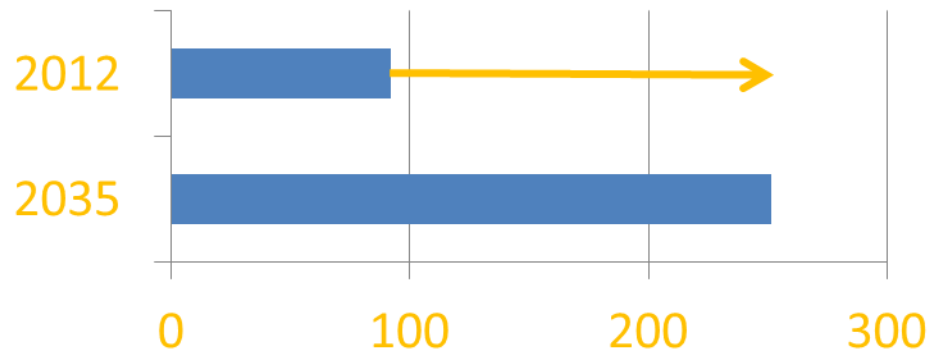
2035 GDP supported EUR bn
1,221



Welfare dips more delay
and time loss, mn hours

Unconstrained

Constrained



Next steps

- Refine and validate projection methodologies
 - Economic footprint
 - Connectivity and productivity
- Coordinate with Eurocontrol on assessing economic welfare impacts