



# Lifting barriers to air transport growth?

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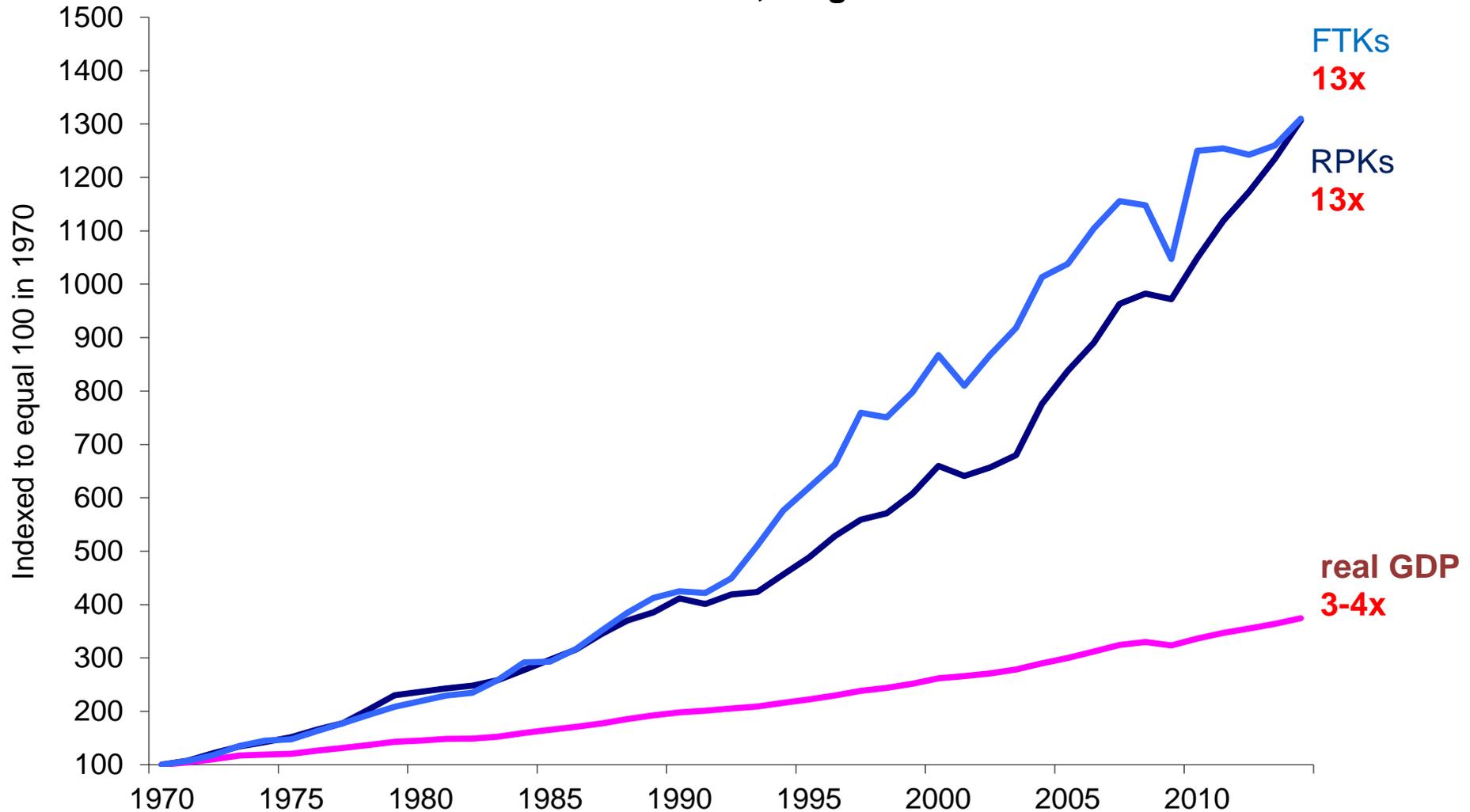
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To represent, lead and serve the airline industry



# What barriers to growth?

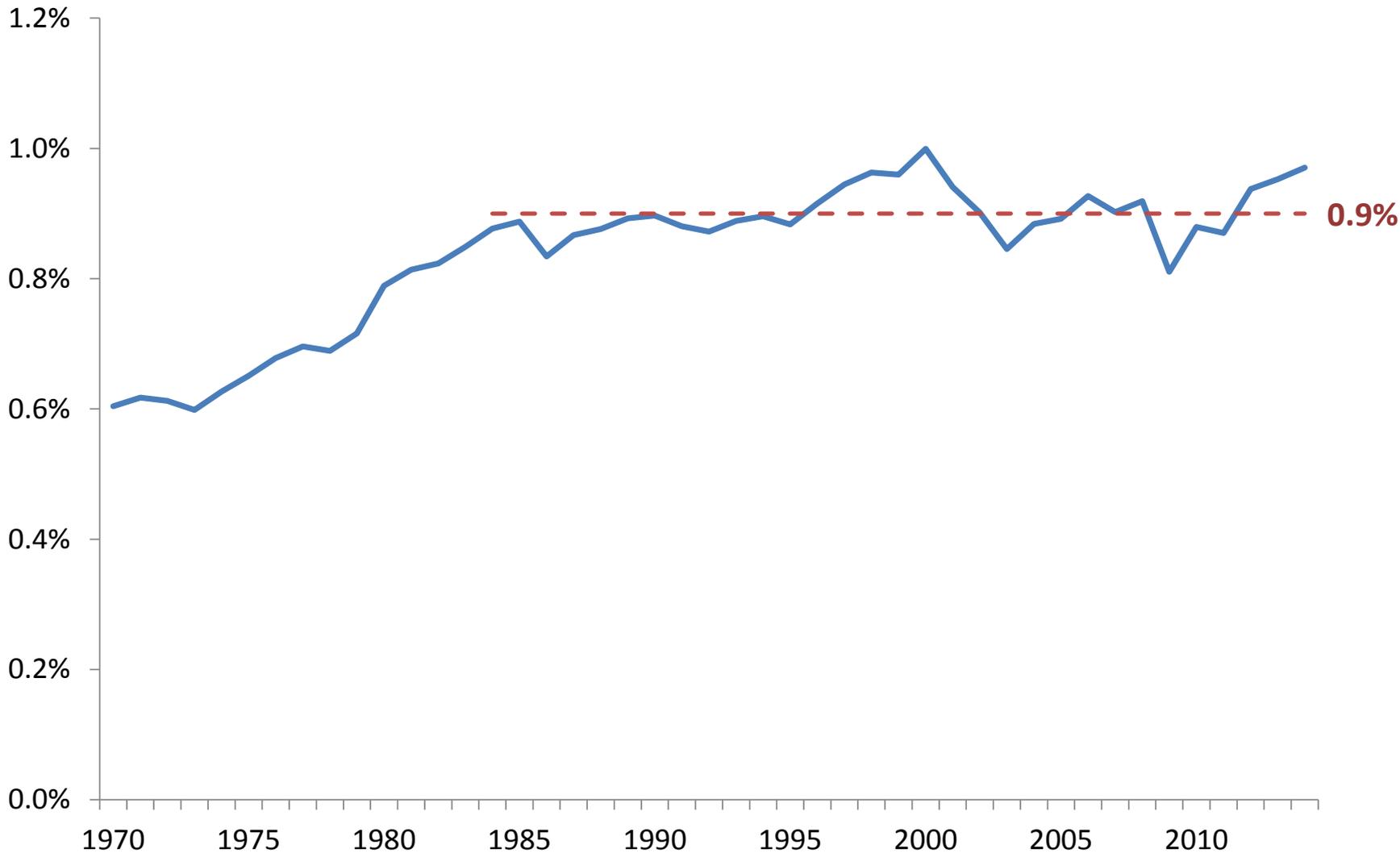
World scheduled air travel, freight and world real GDP



Source: ICAO, IATA, Datastream

# Air transport spending 'budget' is not rising

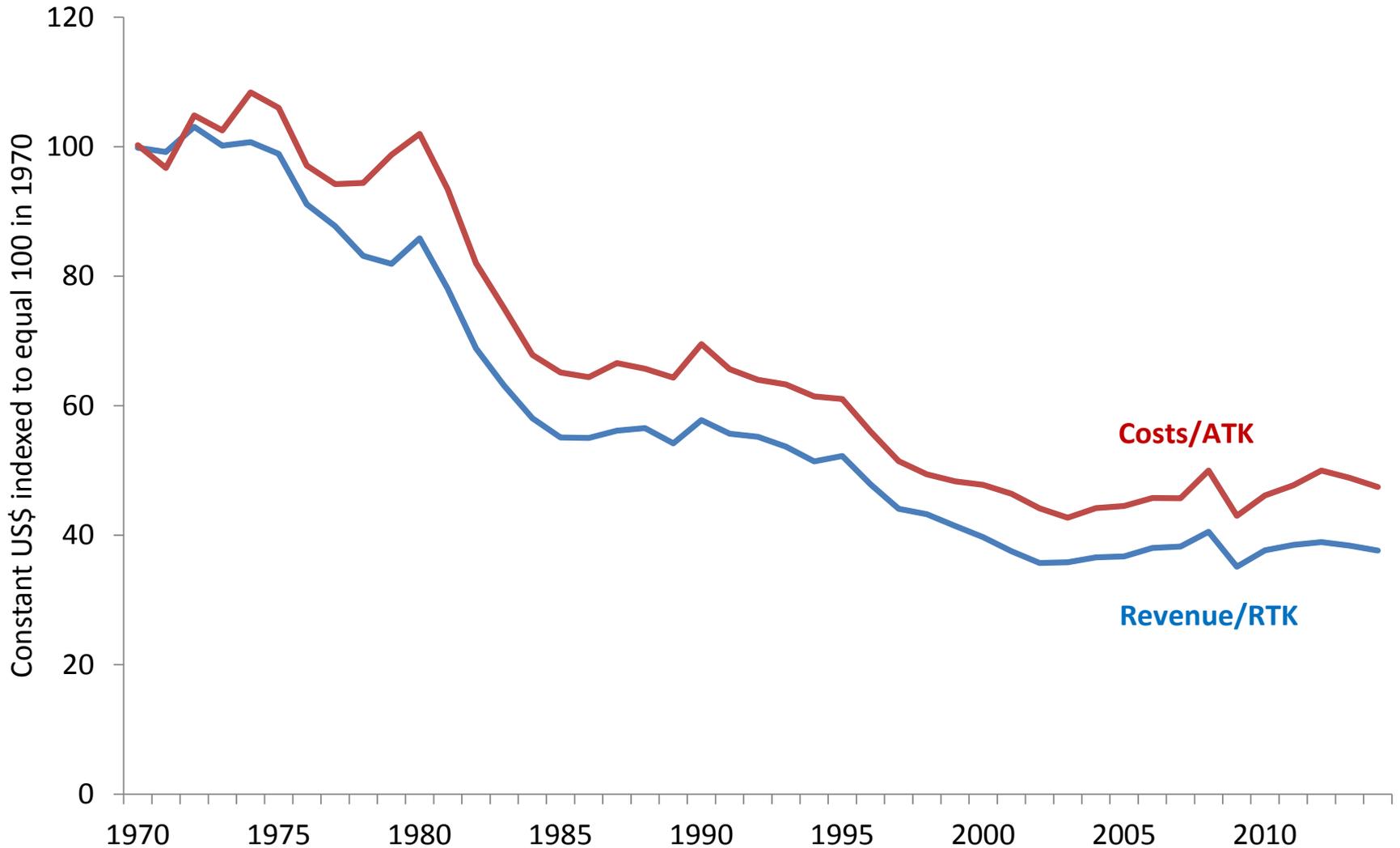
Spending on air transport as % of world nominal GDP



Source: ICAO, IATA, Datastream

# Barriers to lower costs?

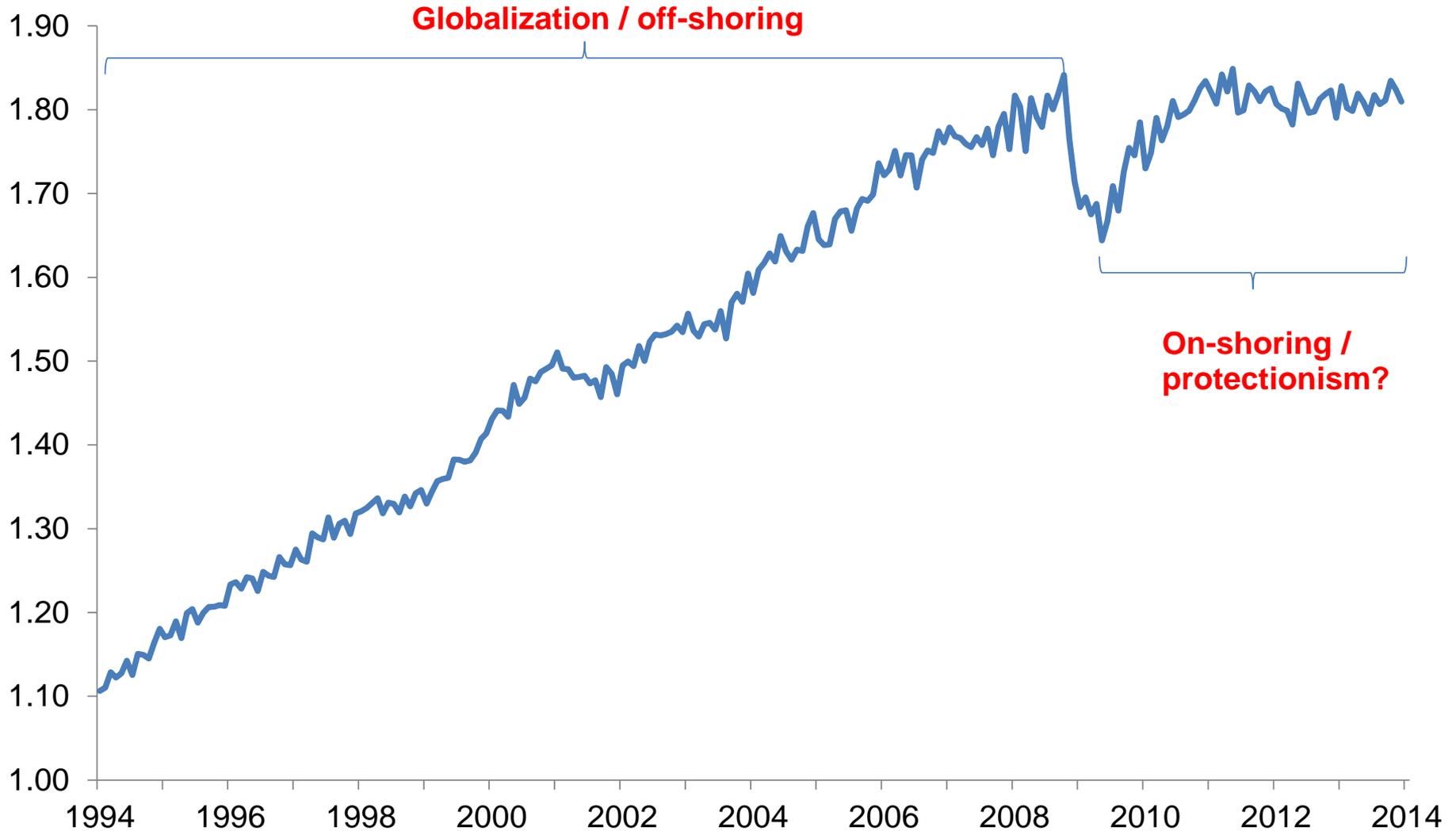
## The real cost of air transport



Source: ICAO, IATA, Datastream

# Barriers to cross-border trade?

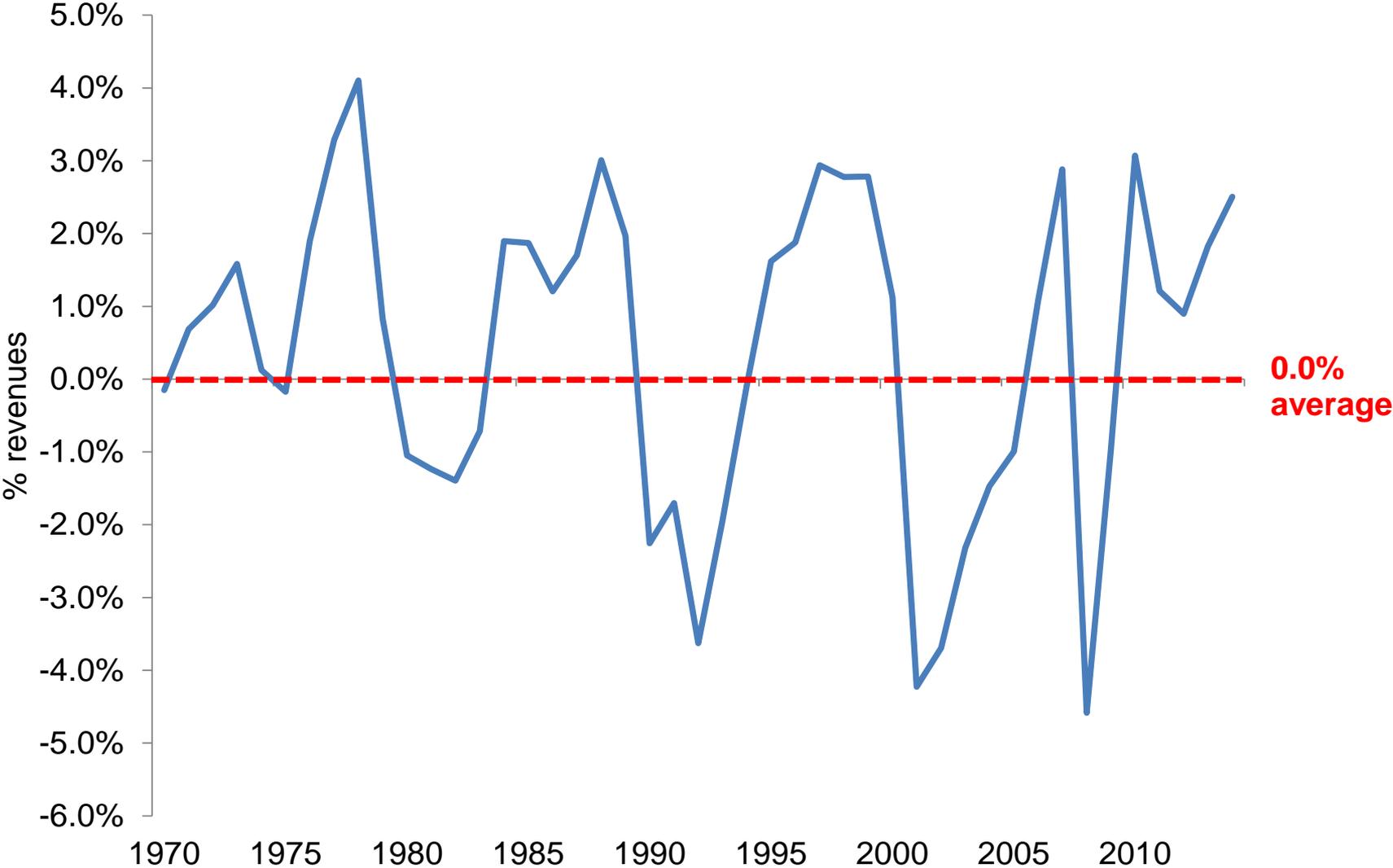
International trade volumes relative to domestic industrial output (WT/IP)



Source: IATA, Datastream

# Barriers to commercial success

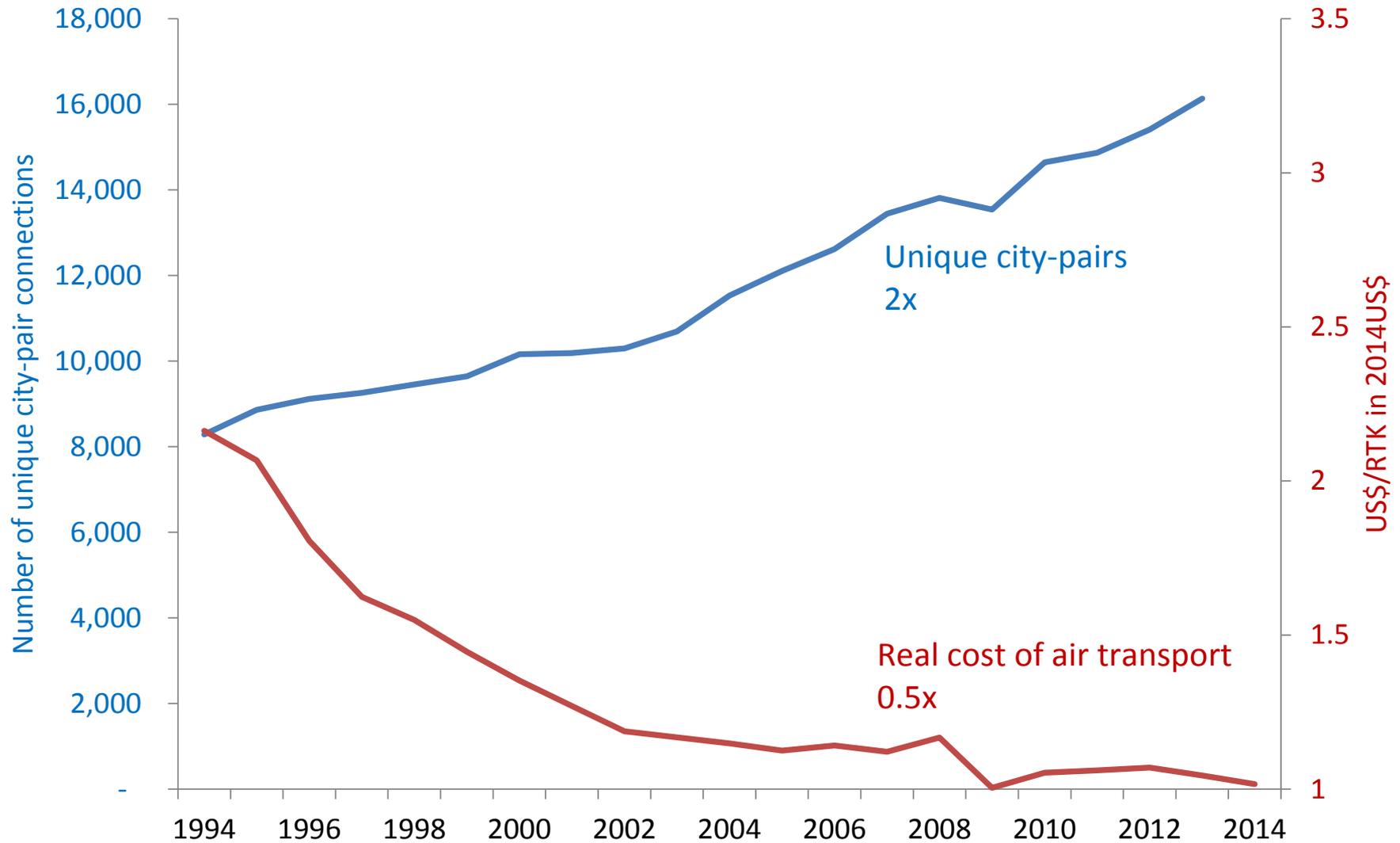
Commercial airline industry net post-tax profits as % of revenues



Source: ICAO, IATA

# Substantial wider economic value

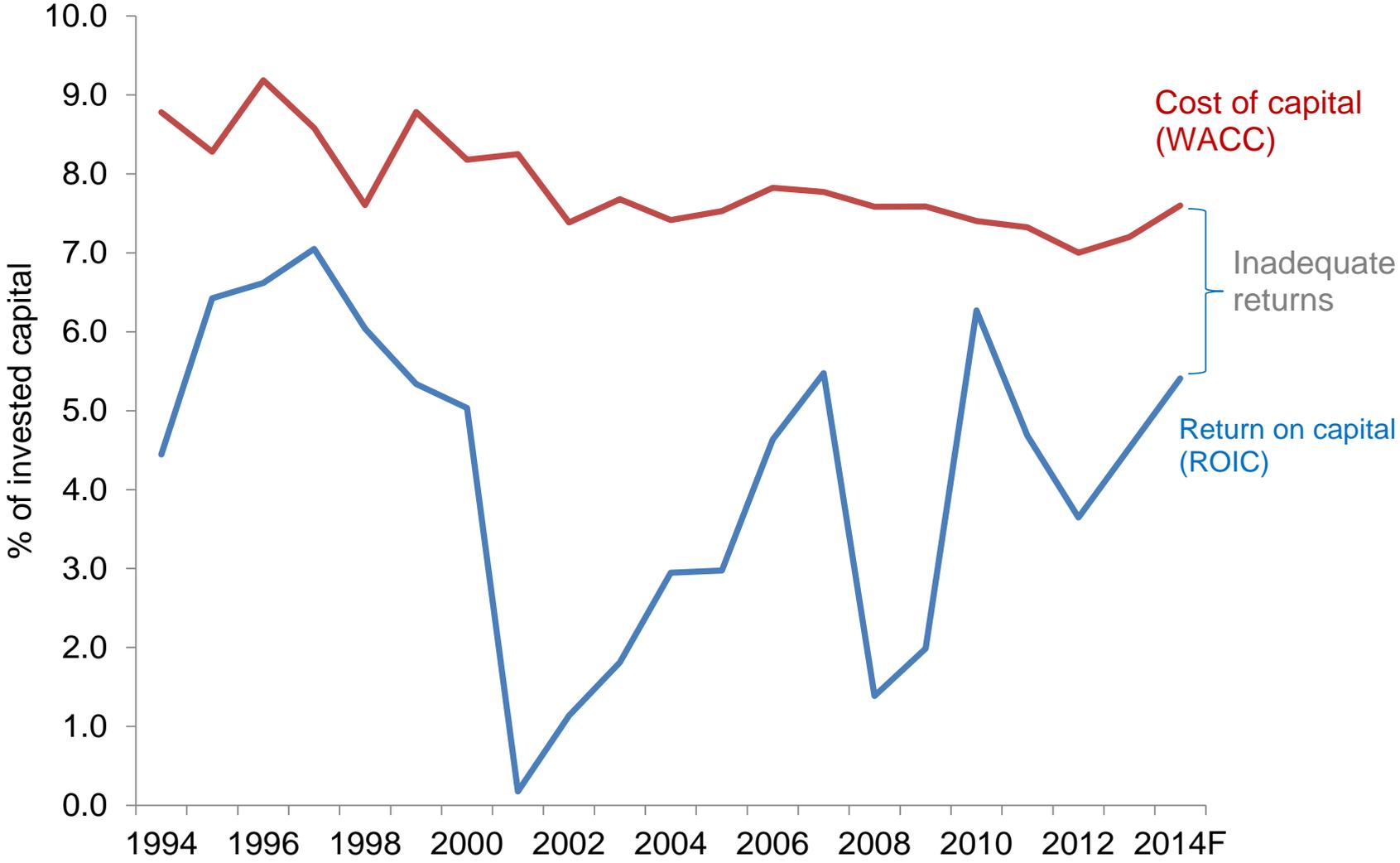
## Unique city-pair connections and real transport costs



Source: Boeing, SRS Analyser, ICAO, IATA

# But barriers to future investment?

## Return on capital invested in airlines and their cost of capital



Source: McKinsey, IATA

# Barriers to normalization

- Barriers to growth or to ‘normalization’?
  - Air transport costs have stopped falling
  - Globalization has halted
  - Inadequate investor returns
- Trade policy turned on its head
  - Markets assumed closed not open in air transport
- Slot problems symptom of wider policy failure
  - Focus on cause i.e. inadequate capacity
- There is an ownership & control barrier but competition law?
  - Getting economies of scale and scope in a 2<sup>nd</sup> best world
- What do we mean by a ‘level playing field’?
  - Transparency + better rules to define what we mean
- Smart regulation not convergence
  - CBA + common sense test, not convergence on bad