

# AUSTRALIA PACIFIC AVIATION INDUSTRY SURVEY RESULTS



Australia Pacific  
**Aviation**  
**Outlook Summit**

3-6 August 2009, Four Seasons, Sydney

Exhibitors:

**SITA**



In cooperation with

Centre for  
Asia Pacific Aviation

# Airlines speaking & attending



# Executive Summary

Entering into its 5th year, the Australia Pacific Aviation Outlook Summit will bring together airline and airport CEOs, tourism authorities and regulators to discuss industry trends, challenges and opportunities.

Extensive research is conducted with aviation industry professionals to ensure a top quality conference agenda. The event integrates Australian Aviation with the mainstream of global aviation and assists in setting the agenda for incisive discourse on key developmental issues facing the aviation sector in the Australia Pacific region.



# Survey Methodology

The first Australia Pacific Aviation industry survey that has been conducted, compiled and edited by the Terrapinn Transport & Aviation team.

In October 2008, we asked the aviation community to answer a number of important questions and received in excess of 170 responses.

For more information please contact either:

**John Pozoglou**

General Manager

+61 2 9021 8856

John.pozoglou@terrapinn.com

**Susan Tran**

Conference Producer

+61 2 9021 8882

Sustan.tran@terrapinn.com

**John Burgher**

Senior Marketing Manager

+61 2 9021 8826

john.burgher@terrapinn.com

# Survey Respondents

Over 170 senior level decision makers from the aviation industry have taken part in this survey.

## Participants by industry profile:

Supplier to airline industry	42.50%
Airline	26.10%
Consultancy/Media/Research	17.60%
Airport	17.00%
Government	6.50%
Tourism/EDA	3.30%

## Participants by region:

Asia	33.10%
Europe	22.50%
Australia	16.60%
Middle East	15.90%
USA	10.60%
New Zealand	1.30%

# **Issues, challenges and opportunities**

# Opportunities, challenges

- Of the respondents interviewed, the top three themes related to the future growth and development of the aviation sector were the need for airline restructuring and consolidation, the need for change to the existing regulatory framework and the challenges/opportunities facing LCC's in the current economic climate.
- It is interesting to note that a large portion of the respondents also felt that airlines and airports would need to embrace innovation through technology as a way of improving the passenger experience and maintaining margins.
- The role of Government in setting policy guidelines that incentivise regional aviation industry growth was seen as a major challenge to be dealt with. This point being of special significance given the pending release of the Federal Government whitepaper.
- The survey found that the biggest driver of regional passenger growth was expected to be China, followed by India and the broader Asia-Pacific region.
- The vast majority of respondents (92.9%) felt that the next 12-18 months would see an increase of airline mergers & acquisitions, a decrease in fuel prices (58.6%) an increase in operational costs (65.5%) and a decrease in leisure tourism (74.5%). It is important to note that the AUD has fallen by more than 20% against the USD since the survey was conducted, which should have a beneficial impact on inbound tourism into Australia.
- Respondents were divided on the topic of the low cost business model with 43.6% feeling that it was not sustainable which conflicts with the result suggesting that passengers will be looking to trade down from premium to low cost airlines (80.9%). 72.7% of respondents felt that the next 12-18 months would be a period of significant liberalisation within the global aviation industry.

# The most important issues

Airline restructuring and consolidation	49.1%
Regulatory change	33.3%
Low cost airline business models	33.3%
Technology and innovation for Airlines/Airports	33.3%
The implementation of sustainable policies for international, domestic and regional aviation	31.6%
Airport planning and development	28.9%
Passenger facilitation	23.7%
Airline/Airport marketing and distribution	23.7%
Ancillary revenue	22.8%
Aviation skills shortage	22.8%
Revenue management	21.1%
The rationalisation of aviation security	20.2%
MRO	20.2%
Alliances, code sharing and franchising	19.3%
Leasing	14.9%
Airline access	14.0%
Freight and cargo services	14.0%

*Columns will not add up to 100% as multiple selections were allowed*

# The biggest growth opportunities include?

Passenger growth from:

China	62.2%
Indian subcontinent	52.3%
Asia Pacific	45.0%
Middle East	36.0%
Europe-Asia Pacific Route	24.3%
North Atlantic markets	6.3%
Australia and New Zealand	4.50%

*Columns will not add up to 100% as multiple selections were allowed*

# Next 12-18 months, forecast

	Increase	Decrease
Mergers and acquisitions	92.9%	7.1%
Fuel prices	41.4%	58.6%
Operational costs	65.5%	34.5%
Airline partnerships	96.5%	3.5%
Growth in leisure tourism	25.5%	74.5%
Growth in business travel	26.1%	73.9%
Sustainability of the low cost model	56.4%	43.6%
Passengers trading down from premium to low cost carriers	80.9%	19.1%
Liberalisation of the global aviation industry	72.7%	27.3%
The pool of skilled aviation professionals	54.7%	45.3%

# What new technologies or innovations would you like to hear about

New generation of ATM and drop off at airports  
What's beyond the self services!  
Digital CCTV  
emission trading  
Online distribution / in-seat ancillary revenue  
Passenger processing  
Acceptability and growth of Engine PMA materials  
Security and ATC are a thorn everywhere.  
passenger facilitation  
environmental issues  
BHS  
RFID / Baggage Handling  
WiFi on Aircraft  
ADS-B and communications Data Link  
Customs inbound baggage screening  
Passenger seamless Travel Solutions  
Composite technologies in aircraft interiors

Composite technologies in aircraft interiors  
Aircraft Engines for Next Gen Narrow Bodies  
Airline Passenger Analytics  
connectivity  
self service and web  
Lesser carbon dioxide emission measures,  
fuel efficient aircraft  
IT innovations in the Air Transport Industry  
Greener engine technologies and fuels  
Gate to gate optimized flights  
Direct selling, MRO  
ATF related innovation, 'Go Green' innovations  
Navigation, advance passenger info, global  
Citizenship  
Fuel  
cabin maintenance /savings and improvements  
Bio fuels  
Boeing and airbus ULR developments

**AIRLINES**

# Airline profitability & performance

- Respondents felt the biggest issues affecting the future of airlines were rising fuel and operational costs (64.9%), weakening passenger numbers (59.5%), competition from more carriers (35.1%) and restrictive regulation (35.1%).
- Lack of access to traffic rights within other regional markets (32.4%), insufficient airport infrastructure capacity (29.7%) and restrictions on routes and airline ownership (21.6%) were also seen as key factors impacting on future airline profitability and performance.
- Most respondents felt that airlines were adequately capitalised, had sufficient planes to service demand and were well positioned to ensure safety while keeping a cap on rising costs (13.5%).
- Over 50% of respondents felt that airlines would partner with other airlines, reduce capacity, change their business model and redefine existing networks in a bid to protect revenue and margins in the next 12-24 months.

# Factors affecting the profitability and operational performance

Rising fuel price and operational costs	64.9%
Weakening passenger numbers	59.5%
Competition from more carriers	35.1%
Restrictive regulation	35.1%
Lack of traffic rights to key markets	32.4%
Airport infrastructure capacity	29.7%
Restrictions on route, capacity and airline ownership	21.6%
Ageing fleet	13.5%
Reducing the carbon footprint of the airline industry	13.5%
Access to capital	13.5%
Ensuring safety while minimising costs	13.5%
Pilot skills shortage	8.1%

*Columns will not add up to 100% as multiple selections were allowed*

# What strategies will airlines adopt to protect revenue and increase profit margins in a slowing economy?

Redefine networks	58.8%
Partner with other airlines through global alliances	55.9%
Reduce capacity	52.9%
Change business models	52.9%
Cut routes	44.1%
Source opportunities in ancillary revenue	41.2%
Mergers and acquisitions	32.4%
Cut ticket prices	11.8%
Downgrade fleet	2.9%

*Columns will not add up to 100% as multiple selections were allowed*

**AIRPORTS**

# Airport Profitability & Performance

- Insufficient airport infrastructure capacity was seen as the single biggest factor impacting the profitability of airports (52.4%).
- Weakening passenger numbers and the reluctance of passengers to spend as much on duty free shopping and other ancillary services were also seen as factors influencing immediate profitability (42.9%).
- Interesting to note that at a regional perspective, many of the airports were competing for airline customers as part of a broader economic development strategy, with 38.1% of airport respondents citing increasing airport competition as having an impact on future growth prospects.
- When asked which airlines they were most interested in securing, airport respondents named Air Asia X, Jetstar, Tiger and Virgin as the most favoured.
- A very high percentage of airports (88.2%) said they would look to augment revenue through non-aeronautical sources such as retail.
- Airports are increasingly looking for ways to partner with airlines (52.9%) and engage with tourism bodies and EDA's to market destinations (52.9%).

# What factors are affecting the profitability of your airport?

Airport infrastructure capacity	52.4%
Weakening passenger numbers	42.9%
Restrictive regulation	38.1%
Competition from other airports	38.1%
Ensuring safety while minimising costs	9.5%
Access to capital	19.0%

*Columns will not add up to 100% as multiple selections were allowed*

# Which top three airlines would you like to attract to your airport?

Air Asia X

Air France

Alliance

American Airline

Bangkok Airways

British Airline

British Airways

China Southern

Delta

Emirates

Etihad

JAL

Jetstar

Kingfisher Airlines

KLM

Lufthansa

Thai

Tiger

V Australia

Virgin

# What strategies will airports adopt to protect revenue and increase profit margins in a slowing economy?

Diversify into non-aeronautical revenue streams	88.2%
Actively source partnerships with airlines	52.9%
Engage with tourism bodies and economic development agencies to market destinations	52.9%
Refine brand position and marketing	29.4%

*Columns will not add up to 100% as multiple selections were allowed*

**Tourism/EDA**

# The top 5 challenges EDA/Tourism authorities are facing

Global financial turmoil and impact on discretionary spending	57.1%
Weakening passenger numbers	42.9%
Impact of higher oil prices	28.6%
Lack of industry coordination	28.6%
Developing an effective marketing campaign	14.3%

# **Suppliers to the airline industry**

# Suppliers who participated come from these sectors

Technology	50.0%
Engineering	36.7%
Aircraft manufacturing	20.0%

*Columns will not add up to 100% as multiple selections were allowed*

# Their primary product lines include?

MRO solutions	24.4%
IT and software providers	20.0%
Aircraft manufacturer	11.1%
Aircraft leasing	11.1%
Ground handling solutions	11.1%
Passenger processing	11.1%
In-flight entertainment	8.9%
Aircraft interiors	8.9%
ERP solutions	6.7%
Financing and investment	6.7%
Airport design consultancy	6.7%
E commerce systems	4.4%
Pilot trainers	4.4%
Catering	4.4%
Aircraft facilities	2.2%
Marketing	2.2%

*Columns will not add up to 100% as multiple selections were allowed*

# Their biggest challenge in doing business with the airline industry

- Communicating the value of your product offering 40.9%
- Differentiating your product from competitors 31.8%
- Budget constraints 25.0%
- Securing face to face meetings 11.4%
- Brand awareness 6.8%

*Columns will not add up to 100% as multiple selections were allowed*

# **Fax back this form to reserve your seat and take advantage of early registration savings for Australia Pacific Aviation Outlook Summit 2009**

## **REGISTRATION FORM – Fax back to +61 2 9281 3950**

- YES, please register me to attend.
- YES, please send me a brochure.
- YES, I would like to sponsor. Please contact me.

Name \_\_\_\_\_ Job title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

Tel \_\_\_\_\_ Fax \_\_\_\_\_

Email \_\_\_\_\_