

GLOBAL AIRLINE INDUSTRY

Upper Great Plains Transportation Institute
NDSU Transportation and Logistics Program

By: Steve Leon

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2009 World Route Map



Outline



- Evolution of International Airline Flying
- History of Global Air Transport Regulation
- Freedoms of the Air
- Bilateral and Multilateral Agreements
- Airline Alliances

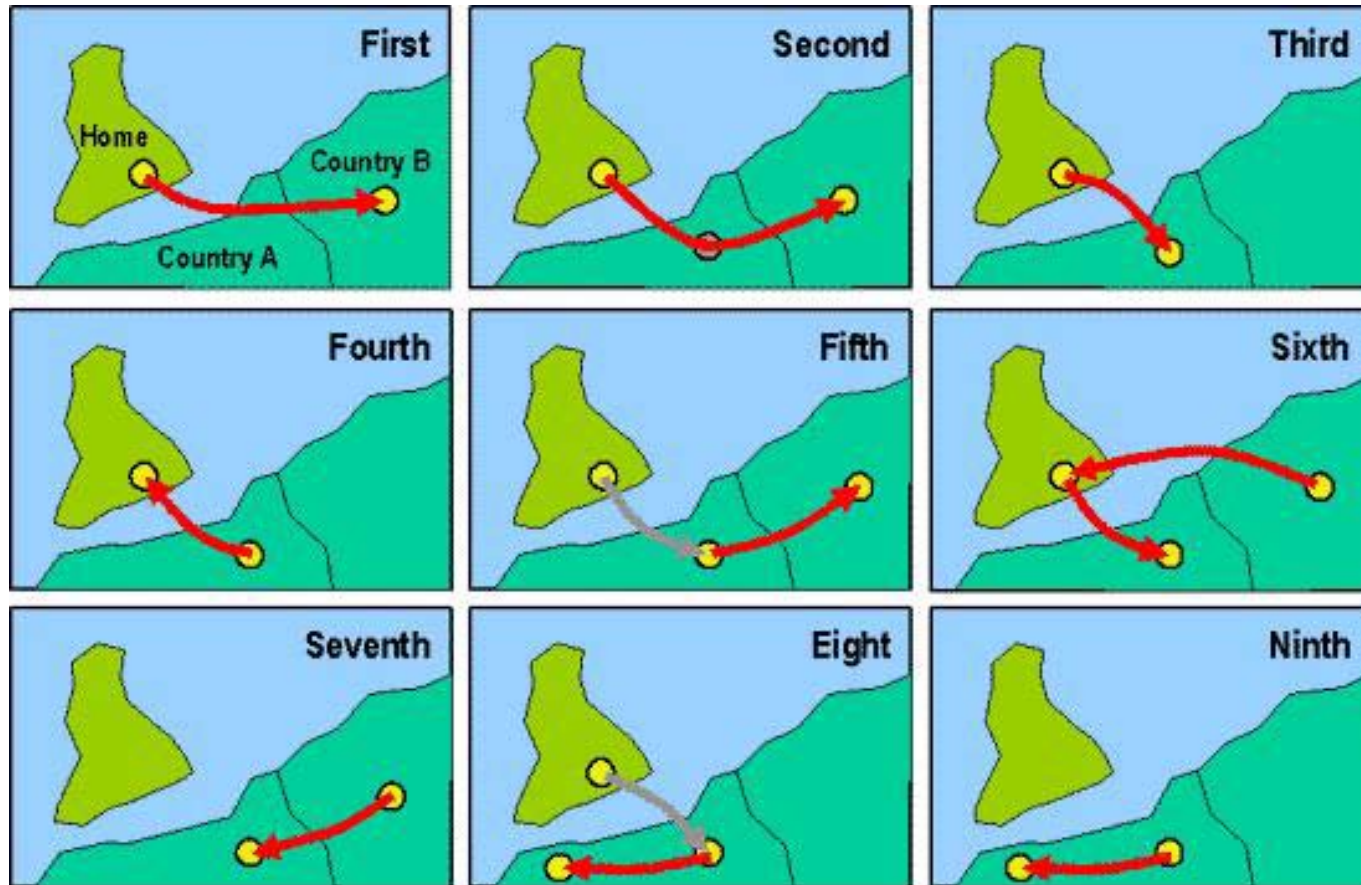
History of Global Air Transport Regulation

- Sovereignty in Airspace
 - Who should own the airspace over a nation?
- Paris Convention of 1919
- Havana Convention of 1928
- Warsaw Convention 1929
- The Chicago Conference of 1944
 - Formation of ICAO
 - Freedoms of the Air

International Associations and Organizations

- International Civil Aviation Organization
 - Represent and work for States
- International Air Transport Association
 - Represent and work for Airlines
- What do they do?
 - Facilitate Dialogue
 - Clearinghouse of Information
 - Coordinate Activities

Freedoms of the Air



Freedoms of the Air (1st)



Freedoms of the Air (1st)



Freedoms of the Air (2nd)



Freedoms of the Air (2nd)



Freedoms of the Air (3rd & 4th)



Freedoms of the Air (5th)



Freedoms of the Air (6th & 7th)



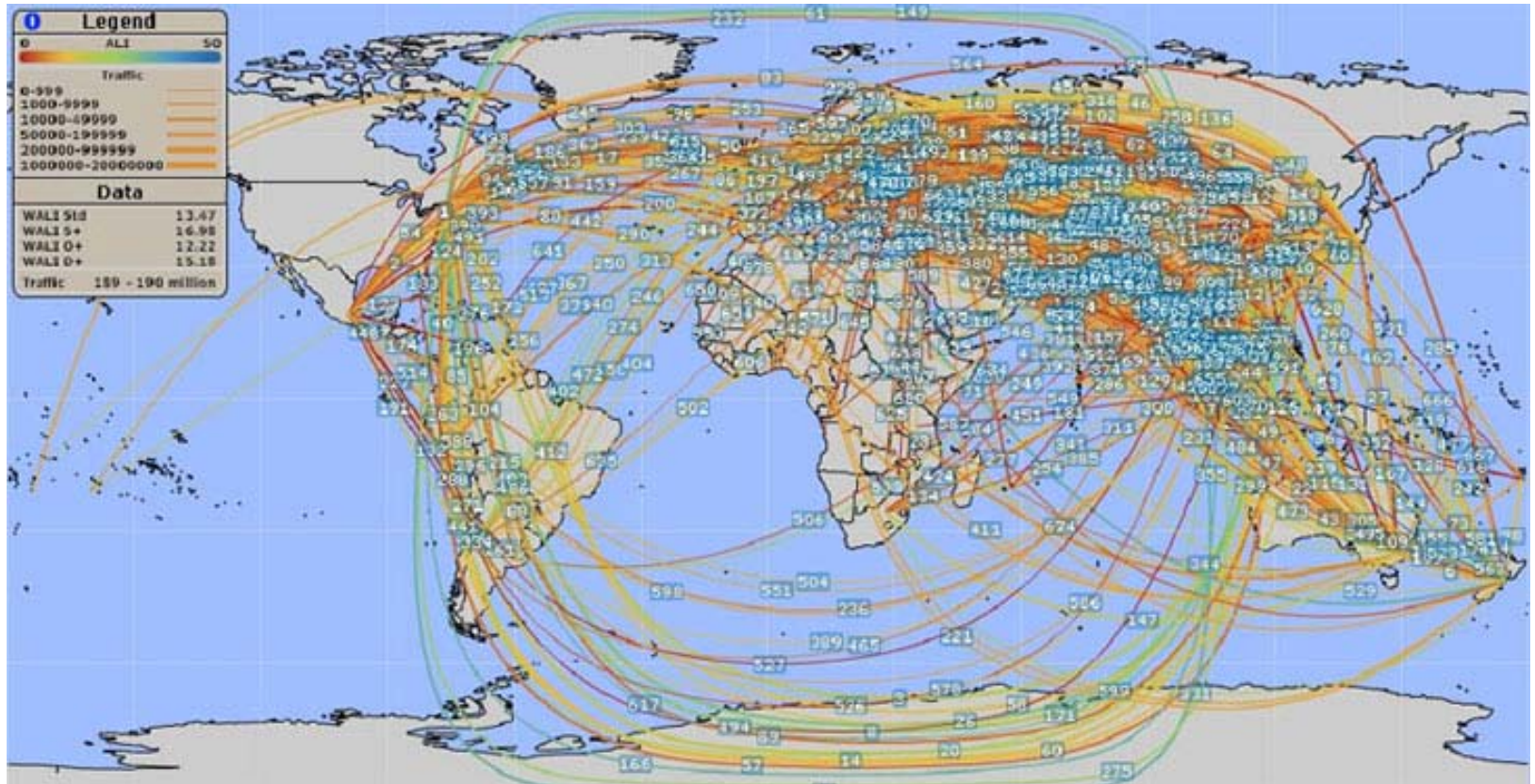
Freedoms of the Air (8th & 9th)

▣ Cabotage



Bilateral Agreements

- Bermuda Agreement of 1946



Bilateral Agreements

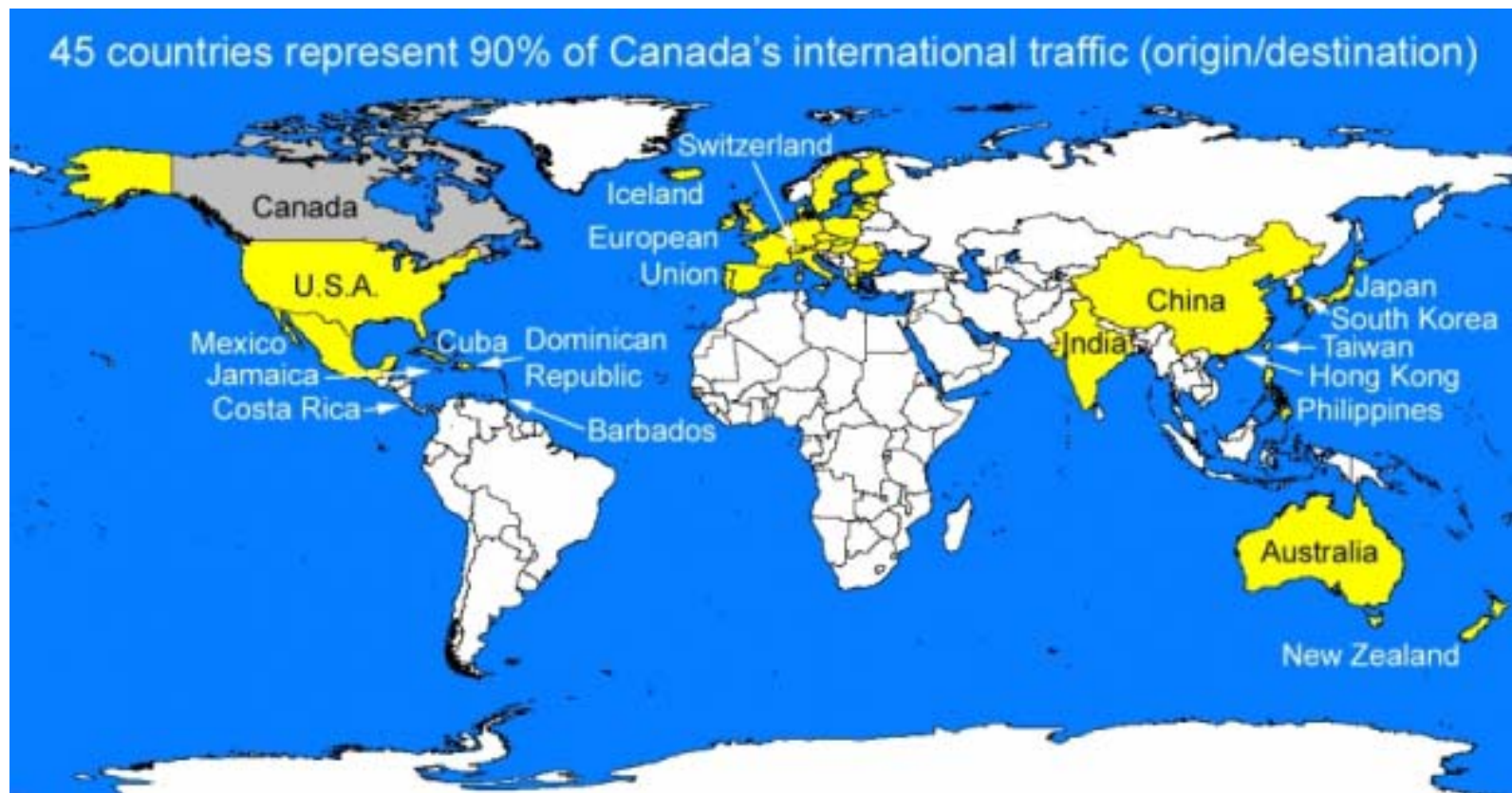
- **An agreement between 2 countries**
 - Aircraft Size
 - Number of seats/Market Share
 - Frequency
 - Choice of Airports
 - Designation of Air Carriers
 - Rates to Passengers
 - Ownership and Effective Control

Open Skies

- **Pricing Determined by Market Forces**
- **Free Market Competition**
- **Cooperative Marketing Arrangements**
- **Safety and Security**

Open Skies

□ Canada- 71 Open Skies Agreements



Open Skies with US

Year	Month	Country	# of Open Skies Agreements
2008	October	Laos	94
2005	May	Maldives	67
2005	January	India	65
2004	July	Indonesia	63
2001	November	Sri Lanka	56
1999	April	Pakistan	33
1998	April	Korea	30
1998	June	Malaysia	24
1997	March	Taiwan	16
1997	February	Brunei	15
1997	January	Singapore	14

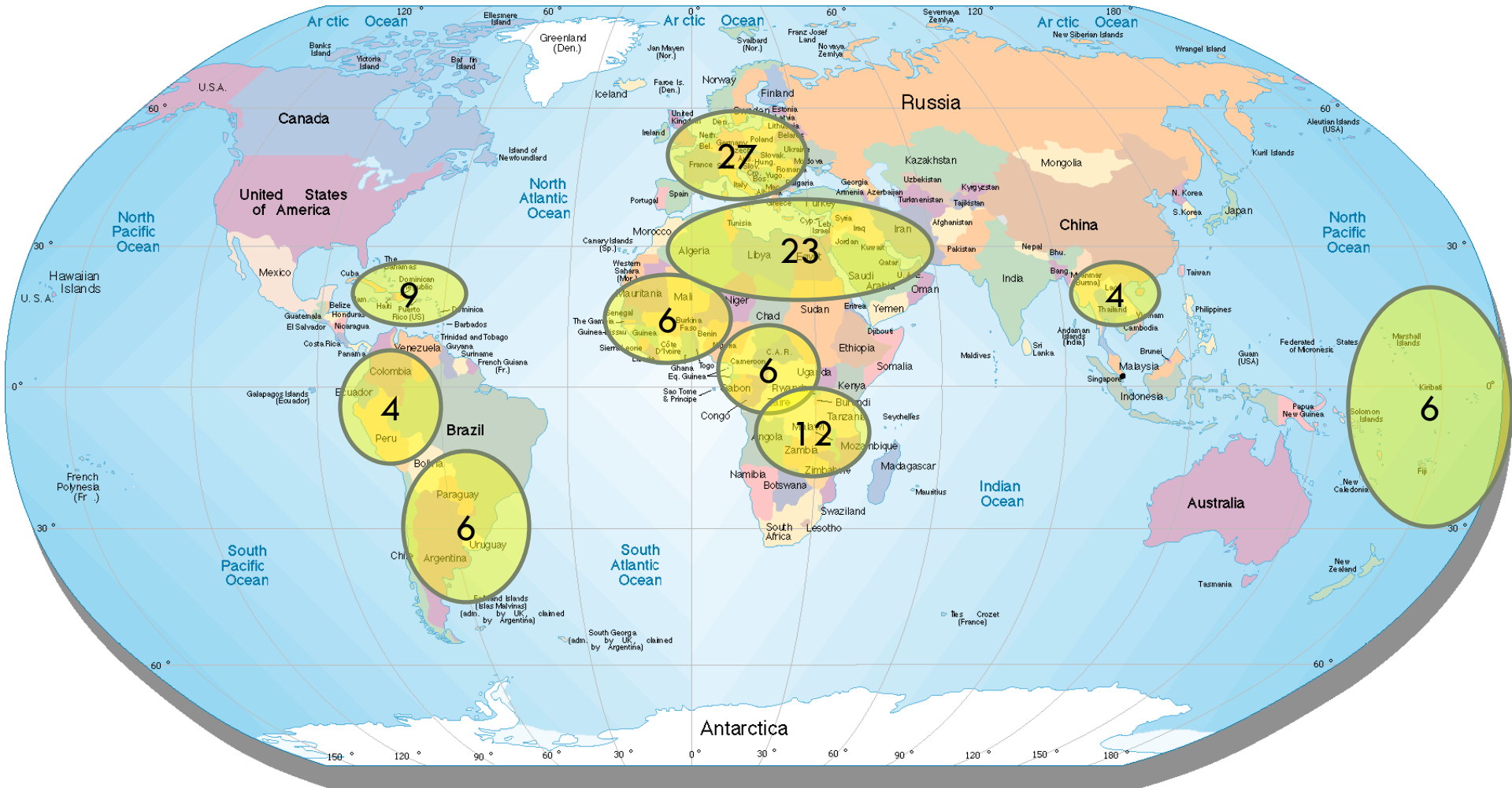
Multilateral Agreements

- Further Expands Bilateral Agreements
 - Multi-country agreements
 - Increase FDI and access to investment
 - Eliminates traditional ownership provisions
 - Streamlines trade between countries
 - Extends Cabotage Rights

Multilateral Agreements

- Single Aviation Market within the European Union (EU, then European Community) (27 States)
- Decision on Integration of Air Transport of the Andean Community (CAN, then Andean Pact) (Four States)
- Banjul Accord for an Accelerated Implementation of the Yamoussoukro Declaration (Six States; the Multilateral Air Services Agreement for the Banjul Accord Group was signed amongst seven States in 2004)
- Agreement on the Establishment of Sub-regional Air Transport Cooperation among Cambodia, Lao People's Democratic Republic, Myanmar and Viet Nam (CLMV)
- Multilateral Air Services Agreement (MASA) of the Caribbean Community (CARICOM) (Nine States)
- Regulations for the implementation of Liberalization of Air Transport Services of the Common Market for Eastern and Southern Africa (COMESA) (12 States)
- Agreement on the Liberalization of Air Transport of the Arab League States (Six States; Intra-Arab Freedoms of the Air Program Arab Civil Aviation Commission (ACAC))

Multilateral Agreements



National Airlines

- State Owned or Liberalized
- Deregulated or Not
- Proud
- Protected from Cabotage (8th and 9th Freedoms)
- Substantially Owned and Effectively Controlled
- Foreign Direct Investment
- Cross Border Mergers

Global Airline Strategies

- Fly Route or Not
- Airline Alliances
- 6th Freedom Airlines-Middle East
- UK-US
 - London Heathrow-The Tale of Two US Airlines
- Single Aviation Market
 - EU and Australia-New Zealand
- Changes in the Caribbean

Global Alliances

- Form and Level of Integration
 - ▣ Marketing Agreements/Code Share
 - ▣ Marketing and Sales Integration
 - ▣ IT integration/Reservation Systems
 - ▣ Baggage Handling Integration
 - ▣ Pricing Decisions
 - ▣ Optimization of Schedules
 - ▣ Passenger Dispute Resolution
- Who Flies What and When?

Global Airline Alliances



STAR ALLIANCE™

22

Members and 3 regional carriers



Revenue
\$141bn



Number of aircraft
3,332



Passengers annually
506.6m



Employees
398,555



Countries served
160



12

Members



Revenue
\$98bn



Number of aircraft
2,269



Passengers annually
330m



Employees
295,352



Countries served
142



9

Members and 3 associates



Revenue (2007)
\$137bn



Number of aircraft
2,496



Passengers annually
462m

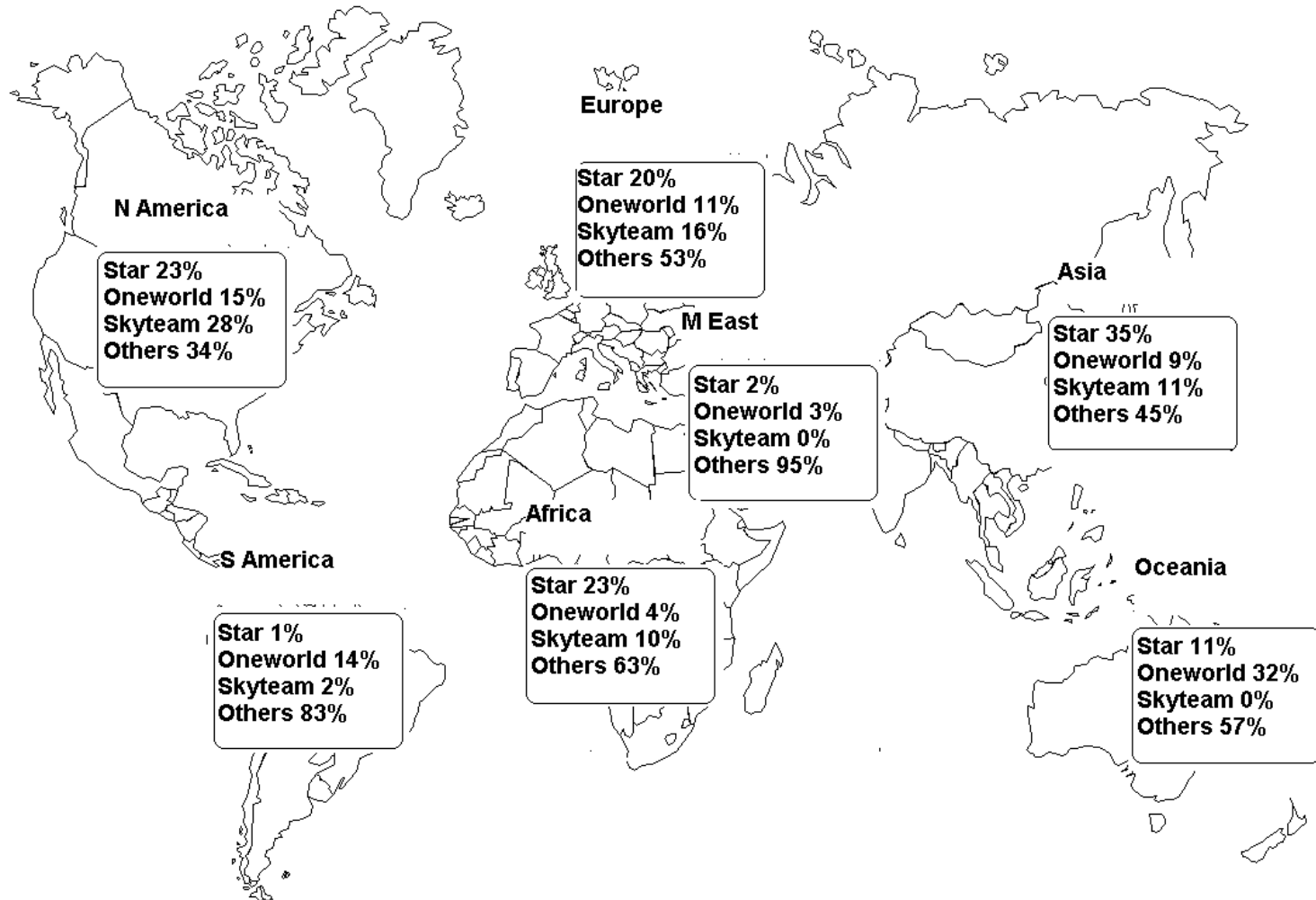


Employees
356,998



Countries served
169

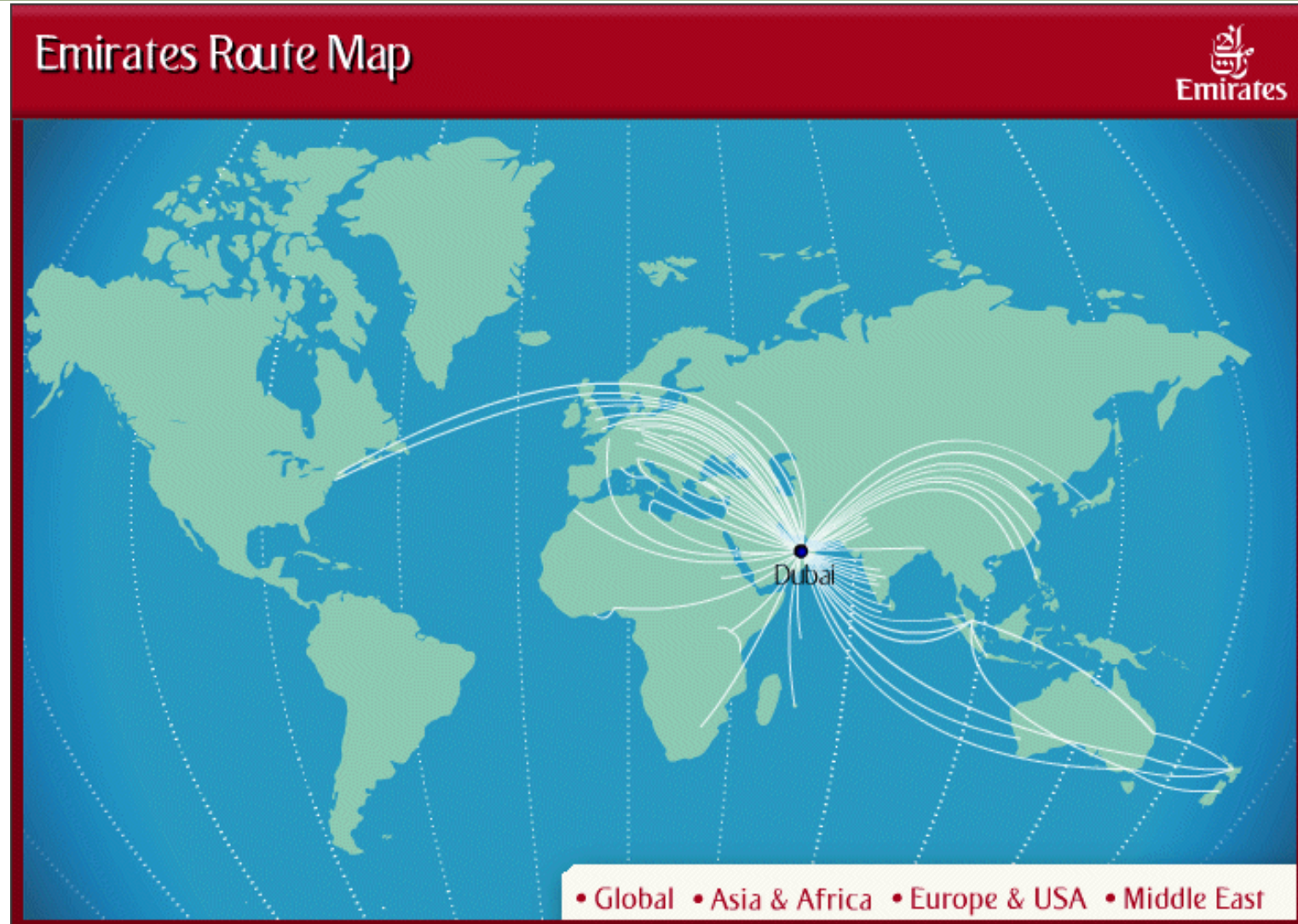
Airline Alliance Market Share By Network Capacity 2007



Airline Alliance Market Share

	Star Alliance	Oneworld	SkyTeam	Rest of Industry
Passengers per year	586.60 million	462 million	328.63 million	489 million
Destinations	1071	905	673	
Revenue (Billion US\$)	141.71	97.9	99.78	113
Market share	29.3%	20.6%	23.2%	26.9%

6th Freedom Airline



United Kingdom-United States



United Kingdom-United States



Single Aviation Market

- Single Aviation Market
 - EU-Australia-New Zealand
 - Substantially owned and effectively controlled
 - Cabotage is Allowed
 - 7th Freedom Restrictions Removed
 - Mergers

Caribbean

- Caribbean Airlines takeover of Air Jamaica's operations
 - New Owners: Trinidad and Tobago
- A most important issue is the “open skies” bilateral agreement between the United States and Jamaica
 - Air France-KLM
 - Substantially owned and effectively controlled

Caribbean





Thank You!

Questions?