



Businessday, Nigeria – 12 January 2010

Future of airline industry after December 25

By K Jayshankar



Just when the airline industry was hoping that with global economic revival being predicted its woes would end, we have the latest episode of a terrorist bomber on the plane. It is not only passengers who are crying foul but the airline industry as well, as once again the adverse impact will hurt their economics severely.

Take a look at the numbers: the intensity of competition in the airline industry is too well known to need repetition. Yet, the contours of the industry have been changing because the past few years have seen the end of the prestigious 'national carrier' syndrome, with many governments not hesitating to leave the space entirely to private players.

While varied estimates have been offered from time to time, interestingly, the International Air Transport Association (IATA) was candid enough to admit in the course of the past year that the losses of the airline industry may be as high as US \$11 billion in 2009. Even in the face of reduction in oil prices this was a gloomy picture, with trends clearly showing that passenger demand was weak and fares had to perform face reduction. Consequently, analysts were touting a grim outlook for the industry as a whole.

At the end of the day, a commercial airline is essentially in the service business. Of course, like all businesses, the financial challenge is central to its survival. While various rounds of downsizing have already crippled the morale of employees in many airlines, high operating costs have already strained fleet management. Constant reports of cancellation of orders for fresh aircraft, especially for the much delayed new generation large aircraft like the Dreamliner and the Airbus 380, speak volumes about the cost-cutting measures undertaken by prudent airlines in their quest for survival.

Trimming the service offerings - especially for the passengers both in the air and on the ground - has already brought enough woes to passengers. Additional cost reduction steps have only served to hurt passengers further. No longer can an airline pretend to attract customers with fancy in-flight service when cost has become the primary driver and business survival the main objective. Besides, leisure travel had already become a victim of global panic due to the spread of the flu epidemic.

This was despite the effort of Resorts who had crashed their price points to offer higher value packages in their bid to attract recalcitrant customers.

Given this context, the last thing anyone wanted was more terror in the sky. The unfortunate events aboard Northwest Airlines flight 253 from Amsterdam as it got ready to land at Detroit on Christmas Day has once again opened a can of worms which will haunt all bona fide travellers across the world.

Understandably, there will now be an increase in screening mechanism at airports everywhere. Flight delays are only one part of the story. What is more vexing for a traveller is the inevitable interrogation on the ground. The American government has already initiated more measures to screen passengers before boarding a flight. Their decision to put passengers from some countries under special watch has already raised hackles in these places.

Is this justified or not? This debate is raging and the US will not win any new friends with its tough new measures.

Before we jump to the 'victim syndrome' position and begin castigating Obama for following the so-called Bush-line in this matter, spare a moment to consider the horrendous thought as to what would have happened if the Detroit Bomber had actually succeeded. Terrible as it sounds, I am afraid it would have unleashed a fresh wave of panic and a significant dent in the confidence of global travellers. Worse, it may well be predicted that large global corporations would simply issue travel advisories tantamount to virtually shutting off all but the bare essential travel, much like a déjà vu of the post 9/11 days of 2001.

The fact is that air travel is going to be tougher in the coming days. Security authorities will veer towards added caution with the desire to eliminate any chances of threats. This is not a pleasant thought for regular travellers and all those who are squeamish about 'pat-downs' at the security gate. The other technology option of a full-body scanner is not only considered a very expensive option and impractical to implement at all airports globally, but has also raised major accusations about privacy violation. After all, an airport is not the place for a full exposure medical examination!

Is there any practical balance possible between the need for security and safety and hassle-free travel which every traveller desires? As yet, the answer is unclear. So then are we conceding another round to the terrorist who has once again put us on the back foot and instilled the fear of flying in us? While the debate continues to rage whether democracy can stop terrorism, I would endorse the view that the current watchword should be caution. Hysterical reactions from either side of the issue are meaningless. What of the airline industry? The short answer is that it will continue to fly uncertain and turbulent skies for some time.

*Jayshankar is a certified Management Consultant and managing Director of Empowered Learning Systems Pvt. Ltd., India.
jay@empoweredindia.com*