

Air transportation in numbers

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Introduction

Air transportation is the fastest means of connecting people and businesses; it is an important instrument that advances economic development. The benefits from air transport can only be noticed if there is enough investment in infrastructure capacity (like airports, roads, etc.). These Investments will facilitate the airline industry to provide the necessary connections to worldwide markets that businesses on the island need and can prosper from. In 2013 the air traffic control of Curaçao has handled a total movement of 45,481 flights, which is a drop of about 3 percent in comparison to 2012 (47,096 flights).

Besides economic benefits, air transport also provides significant social benefits by facilitating communication between different parts of the world and by providing greater access to remote areas. Various studies¹⁴ have concluded that air transport contributes significantly to a country's economic development and it will continue to do so for the foreseeable future. The Central Bureau of Statistics also collects data regarding air transportation, of which in this article a general view will be given in numbers on the industry in Curaçao for the years 2012- 2013.

Indicators in air transportation

To measure these activities some general indicators are used worldwide and also in Curaçao.

Air Transport Activities indicators that are available in most countries are

Passengers

- Domestic air passengers
- International air passengers

Cargo

- Domestic (inbound) air cargo (tons)
- International (outbound) air cargo (tons)
- Domestic (inbound) mail (tons)
- International (outbound) mail (tons)

Movements (flights)

- Number of international flights
- Number of domestic flights
- Number of other flights
- Total number of flights

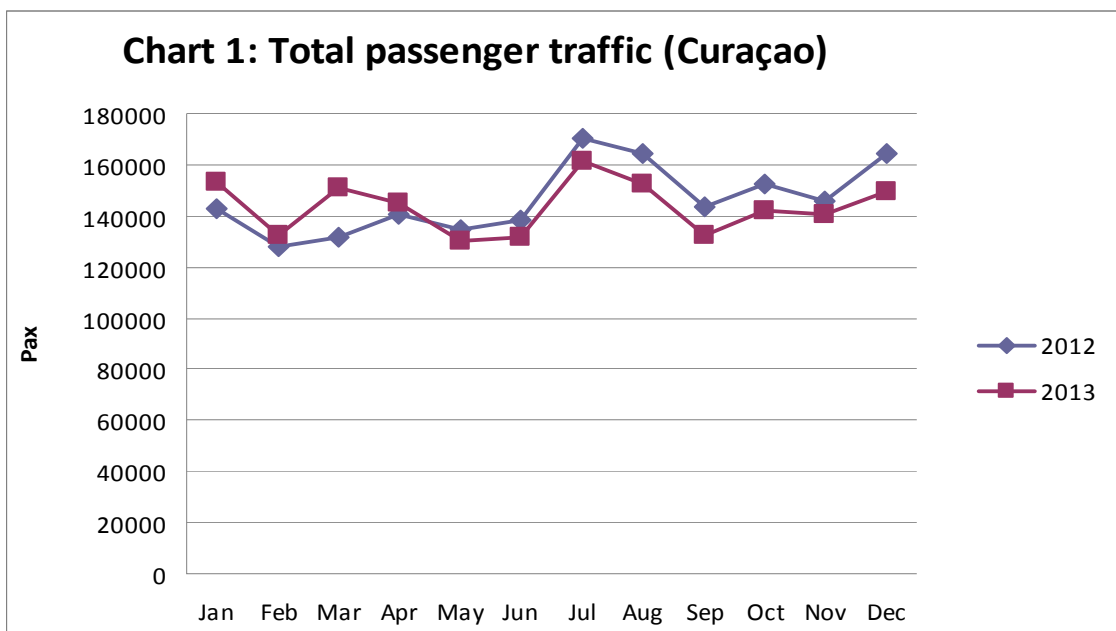
¹⁴ IATA Economics Briefing No.3: Airline Network Benefits, Mark Smyth and Brian Pearce; IATA Economics, January 2006

This data is reported by international airports regarding arrivals and departures. For this short analysis the indicators that will be taken into consideration are not detailed but aggregated for passenger, cargo and movements.

Air passenger transport

The total passenger traffic includes domestic, international, transfers and direct transit passengers. Over 3 billion passengers have been transported globally in 2013 according to IATA (International Air Transport Association). Locally the total passenger traffic for 2013 is 1,721,501, which is 2 percent lower than in 2012. A reason for the reduced demand for air travel is due to the economic stagnation around the world.

The tourism sector contributes about US\$2 trillion to global GDP¹⁵. It centers on air transportation of which 51% of international tourists travel by air. The stay over tourist for Curaçao is generally dependent on air transportation for their stay. In 2013 there have been a total of 440,063 international visitors.



Aircraft Movements:

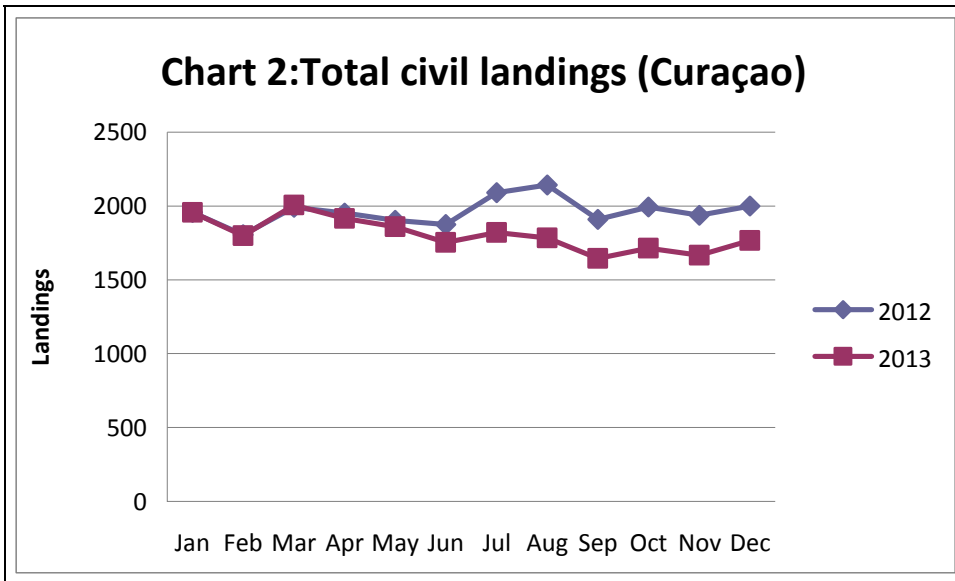
Civil landings

Aircraft movements indicate the takeoffs and the landings of an aircraft. A non-military or civil landing refers to all aircrafts that are not military associated such as scheduled passenger flights, non-scheduled passenger flights/seasonal passenger flights, cargo, general aviation, ambulance and other (ferries, divers, test/ training, returned, local). Landing in airport jargon is actually the last part of a flight, where an aircraft returns to the ground.

To measure economic impact, the landing is used as an indicator. The aircraft landing dataset contains data about aircraft landings with monthly landing counts. For 2013 there has been a drop of about 8% compared

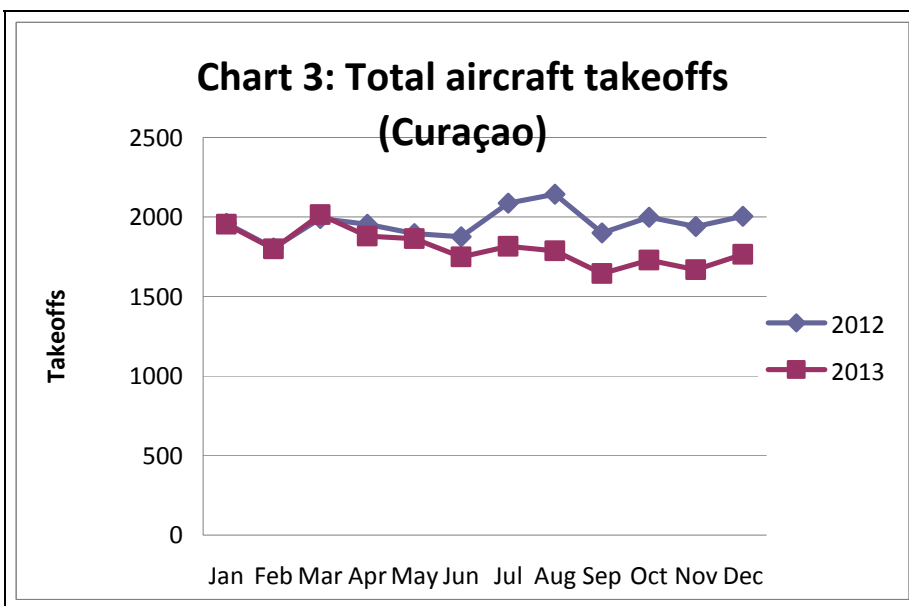
¹⁵ *Economic Impact 2012, World*, Olivia Ruggles-Brise and Eva Amiable; World Tourism & Travel council, 2012, page 7

to 2012. In the first 5 months a correlation is seen between the two years, but after that the landings have declined over the rest of the year 2013 (Chart 2).



Takeoffs

A takeoff is the phase of flight in which an aircraft goes from the ground to flying in the air. This usually involves starting with a transition from moving along the ground (taxiing) on a runway. In 2013 there have been a total of 21,674 takeoff flights, which is about 8 percent less than 2012. In comparing chart 3 for 2012 and 2013 it shows that aircraft takeoffs have decreased in the last 7 months of the latter year.

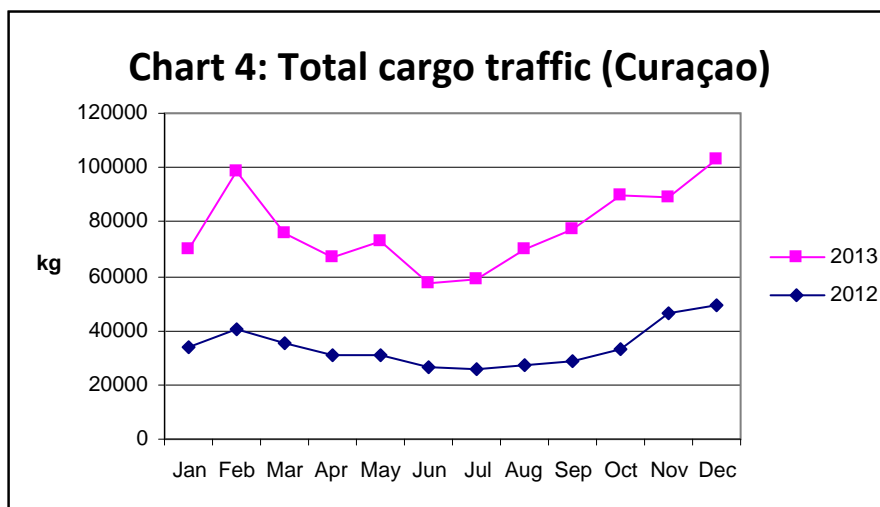


Cargo transportation

The cargo transportation refers to the inbound and outbound cargo, cargo that is in transit and mail cargo. The cargo demand has remained stagnant around the world, with airlines having transported 51.6 million

tons in 2013. The industry sees the reasons in “on-shoring” of production, which is decreasing cargo business. This seems to be driven by the rise in protectionist measures by governments aiming to stimulate domestic economies, and the rise of labor costs in previously low labor-cost locations¹⁶.

The cargo movements for Curaçao in contrast to world developments have shown an increase of about 27 percent compared to 2012. Curaçao is greatly dependent on imports; this may be the reason for the high cargo movement.



Global air transport

The global air transport industry has recuperated from the losses in previous years and had an estimated US\$12.9 billion profit for 2013. The key drivers, according to IATA, were improvements to the industry’s structure and lower jet-fuel prices. However, the industry’s 1.8 percent net profit margin in 2013, and 2.6 percent expected for 2014, remains below the weighted cost of capital (WCC). (WCC is the rate of return a company expects to compensate all its different investors. The weights are the fraction of each financing source in the company's target capital structure.) As such, investments in airlines still remain risky for investors. Furthermore, profits depend to a large extent on the cost of jet fuel, a factor which cannot be controlled by airline management.

The Latin American and Caribbean Air Transport Association (ALTA) have announced that its member airlines carried 132.4 million passengers in 2013, up 6.4 percent versus the same period of the previous year (table 1).

A revenue passenger kilometer (RPK) is a measure of the volume of passengers carried by an airline. Traffic (RPK) has increased in 2013 with 7.3 percent; capacity (ASK) improved with 5.8 percent. Available Seat Kilometers (ASK) is a measure of an airline flight's passenger carrying capacity. It is equal to the number of

¹⁶ Airline Financial Outlook Strengthens, \$12.9B Global Net Profit Expected in 2013, Press Release IATA No.: 69, 12 December 2013

seats available multiplied by the number of kilometers flown. An available seat kilometer is the fundamental unit of production for a passenger-carrying airline.

Regarding the cargo, the freight ton kilometers (FTK) has increased in 2013 with 4.1 percent.

Table 1. Latin America & Caribbean Airport data*			
	2012	2013	Change (%)
Passengers	124,437,052	132,412,121	6.40%
RPK (millions)	188,167	201,897	7.30%
ASK (millions)	246,462.30	260,820.30	5.80%
FTK (thousands)	3,975,286	4,138,210	4.10%

**Note: Reporting airlines are Aerolíneas Argentinas (includes Austral), Aeromar, Aeromexico, Avianca, Copa Airlines, GOL, Insel Air, LAN Group, TACA Group, TAM, TAM Mercosur, and Volaris.*

Emerging and developing countries have experienced strong growth in 2013. While air traffic in terms of available seat kilometers (ASK) grew modestly in the US and Europe, growth of over 12 percent was maintained in the Middle East and China, as well as 7.4 percent in Latin America, while traffic in Africa and the Asia-Pacific Region grew at 5.2 percent.

Closing remarks

Continued growth is forecasted in emerging countries, which requires investments in airport and air traffic control infrastructure. However, the industry remains vulnerable, especially to rising fuel cost and sudden economic downturns. Airline fleet renewal, international alliances, and effective yield management are necessary to weather future recessions. Airport transportation numbers are important for these decision makings.

Airport transportation numbers have been lagging in 2013 compared to 2012. The total passenger traffic and aircraft movements have experienced minor setbacks. Only in the cargo transportation Curaçao have experienced an increase.

Regarding Curaçao's general airport transport, it is not falling behind it has the same focus these coming years to improve the quality of the air transport experience. 2013 has not been the best year compared to 2012, but by attracting more and other airlines it certainly can raise the volume of transport on all levels.