

## Analyzing Operating Costs

Airlines seek to reduce fuel consumption, driven by rising oil prices

The study examined the operating costs of airlines and how they can reduce them. It found that fuel and labor are the biggest expenses for airlines, accounting for over 50% of total costs in 2008. Labor costs, traditionally the biggest expense for airlines, are slowly decreasing and now rank lower than fuel which accounted for 30% of the total, according to the study. The authors attributed the increased fuel spending to higher oil prices rather than higher consumption.

Airlines are trying to face rising costs by saving fuel, the report said, noting that IATA has identified four fuel-saving areas: flight operations, dispatch, maintenance and engineering and ground operations. The application of these fuel-saving principles could save airlines around the world \$8 billion over four years, according to IATA estimates.

**The acquisition of more efficient aircraft helps reduce fuel consumption but lower-cost savings related to flight operations can also save fuel, the report noted. For example, airlines can opt to delay engine startup or engine shutdown during long taxi phases saving hundreds of kilograms of fuel. Finally, a continuous descent approach or CDA saves the most fuel, the report found, but its application remains limited to airports that have defined procedures and paths adapted for CDA, and that is not easy for large airports with heavy traffic, the report said. Airlines have many ways to reduce their fuel consumption but they have only been concerned with the problem for a short time, the report said.**

**Dealing with the rising fuel price represents the biggest challenge facing airlines today and offers the biggest cost-saving opportunity, the study concluded.**