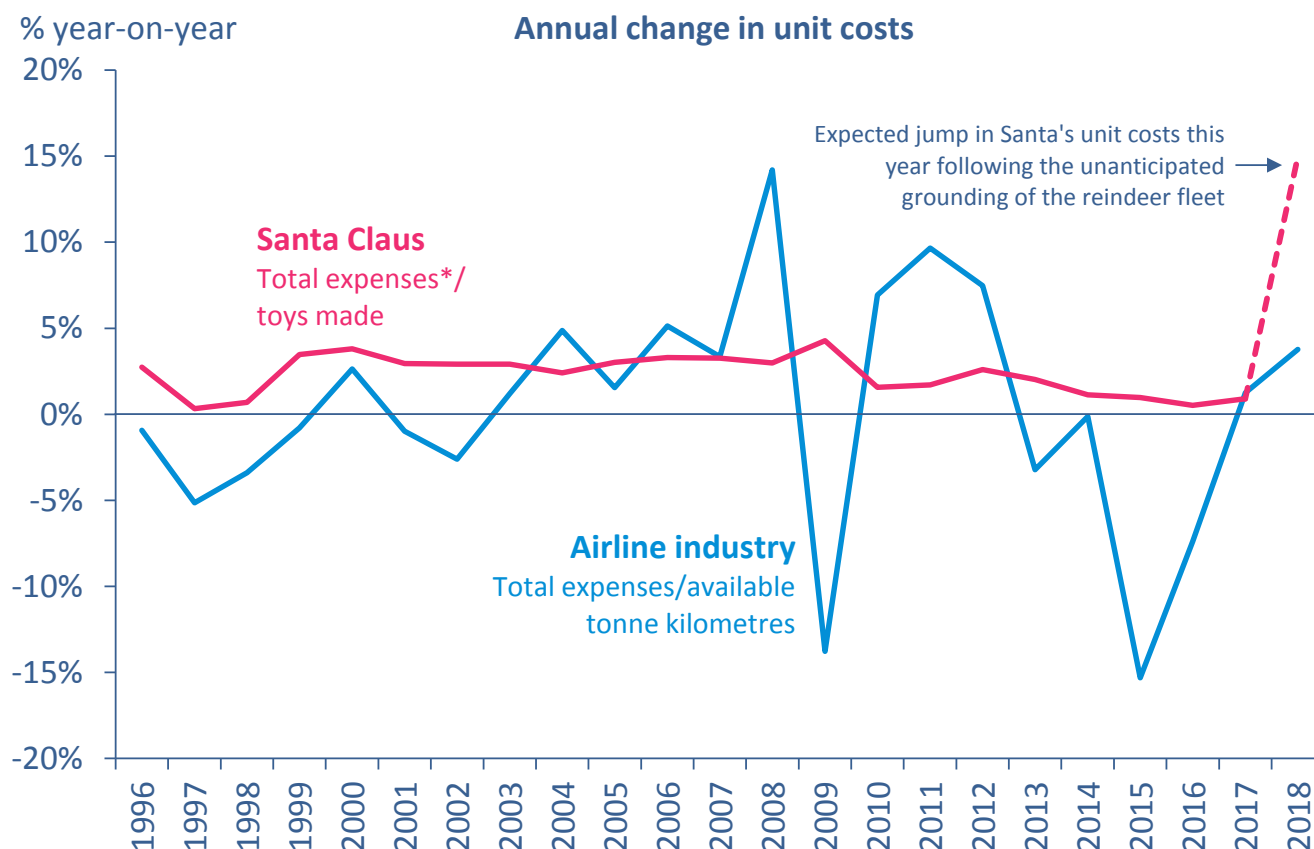




IATA ECONOMICS' CHART OF THE WEEK

21 DECEMBER 2018

WHAT LESSONS CAN SANTA CLAUS LEARN FROM THE AIRLINE INDUSTRY?



Sources: IATA, Santa Claus

*proxied by labour costs per hour worked in the manufacturing sector in the EU

- Santa Claus and his team have not been immune to the rising cost pressures that have affected the airline industry this year. In years gone past, Santa has been able to freeride on the goodwill of people around the world to provide carrots to feed his reindeer and thus power his sleigh. As a result, his main expense item has just been the labor costs for the elves in his workshop, which has been a lot more stable than unit costs in the wider airline industry over time.
- However, the recent [discovery](#) that reindeer are unable to distinguish between red and green means they are no longer cleared for night flying. As a result, Santa will have to find an alternative means to propel his sleigh this year. We understand that a number of options are under investigation, but whatever they decide upon, it will add an unwanted expense to Santa's operations. We expect a similar-sized jump in Santa's unit costs as that seen for the industry in 2008.
- Managing cost pressures is nothing new to the airline industry, so what lessons could Santa learn from it? Three ideas stand out. The first thing he could consider is investing in new technology: the current sleigh has changed very little in nearly 200 years, so adopting the latest composite materials and production techniques would be an obvious place to start. Second, given that around 5% of fuel burn in the industry is wasted by airspace and airport inefficiencies, Santa would be well advised to ensure that his flight routing is optimized. Exact details of how the team manages to visit every house in the world in one evening are unknown, but the process hardly seems efficient. Finally, Santa may also learn from the so-called 'super-connector' airlines, whose success in recent decades has underlined the strategic advantage that geography can deliver. In this context, is Santa's remote North Pole base still fit for purpose?
- *Chart of the Week* will return in 2019. Season's greetings to all!

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