ASA World Study on The State of the Aviation Services Industry

EXECUTIVE SUMMARY

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Executive Summary

Introduction

This report presents the findings of the State of the Ground handling industry study commissioned by the Air Services Association (ASA World). The objective of the study was to set out the state of the industry and key numbers, provide an analysis of value chain, deliver a media analysis, and highlight challenges and solutions for sustainable growth.

Methodological approach

The methodology used to address the terms of reference was based on:

- Desk research followed by analysis of material collected to understand the issues, find sources of information and collect data;
- Stakeholder engagement, through a survey targeted at ground handling industry members and bilateral interviews of ground handlers in senior and PR/Communications roles;
- Analysis of desk research and survey data and modelling; and
- Economic analysis of the contribution of the ground handling industry, using an income approach.

Note that obtaining data and information on the ground handling industry remains difficult. This reflects that there are no ground handling industry databases, or a central repository for information and the ground handling industry is governed by confidential bilateral contracts between ground handlers and their customers.

Estimates have been made as part of this study (with the detailed approach provided in Appendix A), based on data provided in the stakeholder survey and supplemented by information obtained through desk research.

Key findings

Ground handing industry performance

The entire aviation industry has been challenged by the COVID-19 pandemic, but as of 2023, aircraft traffic had recovered to 94% of the aircraft turnaround activity seen before the pandemic in 2019.

Over the years and more so since the pandemic, there has been an increase in the level of productivity across all regions (17% on average over the 2014 to 2023 period), with the exception of Africa.

This is largely caused by a drop in the number of employees since the pandemic. Whilst staff numbers have gradually recovered to reach 88% of the 2014 value by 2023, they have not exactly recovered in par with the demand for ground handling activities. Revenues have been on a recovery pathway too but not completely at the same pace as turnaround, because of a falling revenue per turnaround experienced at an average rate of -3% year on year (although this is not the case for all ground handlers or all geographies).

The lack of data means that findings related to global costs and profitability are limited. Based on analysis of company reports, there is a diverse range of outcome: in some markets handlers margins remain extremely thin. In others they have not yet necessarily returned to pre-pandemic levels and are in the range of 5 to 7%.

Related to capital expenditure, the pressure on revenues has led to ground handlers reducing possible sources of costs including investments with a clear negative trend experienced in two European countries, which can be seen as a worrying sign for the sustainable future development of the sector.

Contribution of the ground handling industry to the wider economy

The ground handling industry generated US$ 64 billion of turnover in 2023, globally. It is estimated to represent 7% of the commercial aviation value chain as well as being one of the key components of a well-functioning, safe and punctual aviation industry.

The sector directly employs 1.1 million staff across the world (including through subcontracting) in a variety of jobs. The geographic spread of these jobs follows quite closely where the aircraft to handle are. When indirect and induced jobs are included (that is jobs generated within the ground handling supply chain, and jobs generated through the expenditure of its employees and those in the supply chain supported by the ground handling industry respectively), then total jobs amounted in 2023 to close to 3 million people worldwide.

The economic contribution of the ground handling industry is measured in Gross Value Added (GVA), i.e. the economic value added by ground handling companies to the economy (calculated as its revenues less the cost of intermediate purchases to produce its output). Globally the industry directly generated US$ 38 billion of GVA in 2023, whilst its total contribution including indirect and induced GVA amounted to near US$ 100 billion (99.5 billion).

Challenges and potential solutions

The ground handling industry faces a number of challenges, but these are generally not new. However, the increased focussed of its customers on prices as they have been trimming their own costs over the last 15 years, has been making these challenges more acute than in the past, further compounded by the shock of the pandemic.

In a very competitive industry (where markets are contestable), with relatively low barriers of entry (although not in all activities) and high degree of labour intensiveness, the competition is focussed on costs rather than on innovation, meaning that access to a large pool of skilled and cheap staff is key. However, recruitment and retention have been particularly problematic.

In sharp contrast with the rest of the aviation industry where safety is not "self-regulated" between two commercial entities but by relevant authorities, the lack of consistent training of handlers and its consequences on the ground handling industry safety record remains an issue. Introducing requirements for mandatory higher level of training, as is currently being done in Europe, could possibly play the role of a back-stop mechanism to raise safety standards as well as support some improvement in staff working conditions.

In addition, the limited ability of handlers to invest in new capital assets for financial reasons or something from a lack of available infrastructure on the ground to do so further slows the green transition of the ground handling industry.