

Industry Monitor

The EUROCONTROL bulletin on air transport trends

- **European traffic down 3% in September.**
- **Air France-KLM and Lufthansa posted higher 3Q12 operating profit compared with the same period last year.**
- **Qatar Airways is to join oneworld and is the first Gulf carrier to become a member of a global airline alliance.**
- **Oil prices reduced slightly to €86 per barrel in October. International Energy Agency predicts oils prices to fall to €69 by 2017 due to global production capacity increasing and economic slowdown keeping demand growth sluggish.**

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EUROCONTROL statistics and forecasts

[European flights](#) decreased by 3% in September year-on-year, on the low side of the forecast range (see [Figure 1](#)). Low-cost and Charter were the only segments to show flight growth compared with September last year, with 3.2% and 2.5% respectively. Cargo decreased by 9.2%, business aviation by 6.2% and Traditional Scheduled by 5% versus 2011 levels (EUROCONTROL, October).

Based on preliminary data from airlines for delay from all causes, [36% of flights were delayed on departure](#) in September, a 3 percentage point decrease on September 2011. Analysis of the causes of delay shows a decrease of 0.8 minute per flight from reactionary delay and ATFCM en-route delays fell by 0.7 minutes to 0.4 minutes per flight. (see [Figure 2](#)) (EUROCONTROL, October).

On 29 October, [Hurricane Sandy](#) is estimated to have cut 40% of west-bound and 9% of east-bound Atlantic flights compared with the same weekday in 2011 (EUROCONTROL, 31 October).

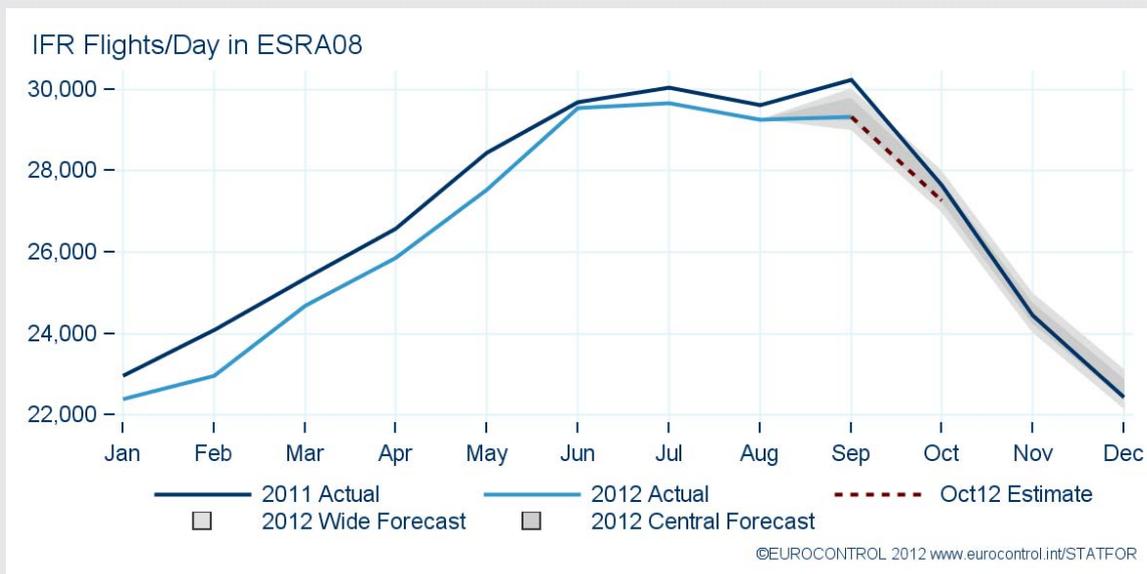


Figure 1: Monthly European Traffic and Forecast.

Passenger airlines

Capacity, costs and jobs

[Low-cost Norwegian Air Shuttle](#) set up a new subsidiary, [Norwegian Long Haul](#) to accommodate its first B787-8 Dreamliner to be delivered in April 2013 and to launch long-haul operations from Oslo and Stockholm to Bangkok and New York in summer 2013. Norwegian ordered eight Dreamliner aircraft for its planned long-haul operation. The airline will also open a new base at Gatwick from spring 2013 with three B737, expanding its offer with flights to several Mediterranean destinations and the Nordic region from London. A new operations base will also be established at Alicante in the spring of 2013 (Norwegian, 25 October).

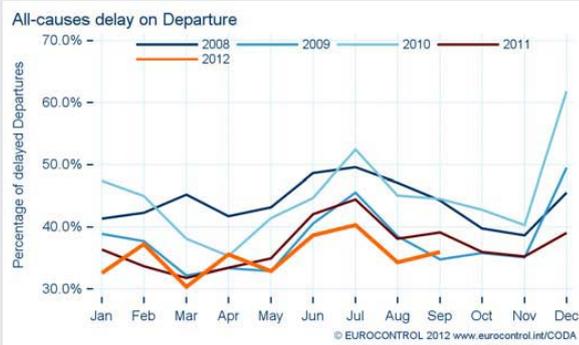
It is reported that [Turkish Airlines](#) ordered 15 A330-300 aircraft to be delivered between 2014 and 2016. The aircraft will be operated on medium- and long-haul routes from the carrier's hub in Istanbul. On the other hand, Boeing confirmed that Turkish committed to order 15 777-300 aircraft (Airbus, 9 October & Boeing, 23 October).

[Austrian Airlines](#) is reportedly planning to order two B-777 aircraft for delivery between 2014 and 2015. The airline will thereby increase its long-haul capacity by circa 25% (ATW, 9 October).

[Air Malta](#) and the Airline Pilots Association signed a collective agreement on secured pilots' salaries increase until 2015 thereby ensuring increased operational flexibility for the airline resulting in better management of its operational costs (Air Malta, 16 October).

[airberlin](#) reportedly launched 'Turbine 2013', a new cost-cutting programme in reaction to a further worsening of the economic environment and which aims to achieve an operating profit in 2013. In 2011 the airline launched its 'Shape and Size' programme targeting improvement in earnings by €230 million by the end of 2012 (Reuters, 18 October).

Percentage of flights delayed on departure



Breakdown of average delay per flight

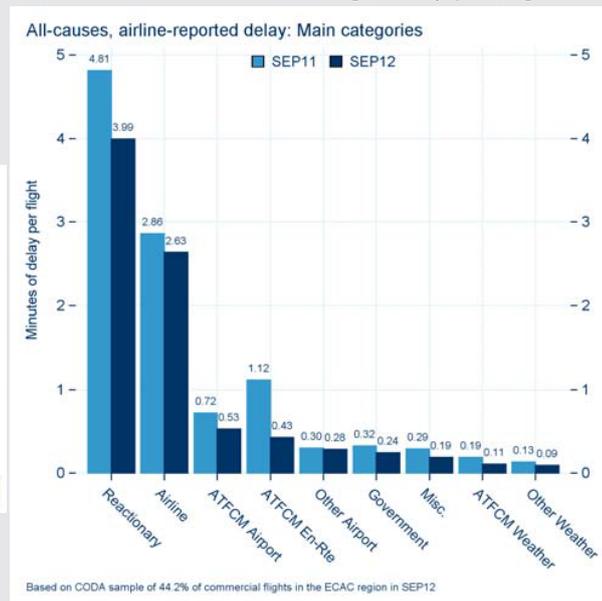


Figure 2: Delay Statistics (all causes, airline-reported delay – preliminary data for September 2012).

Ryanair closed its 11 routes to Verona airport on 12 October, ending a dispute with Verona airport's new management concerning contract terms. **Meridiana** responded by launching new flights from Verona to Gatwick and Palermo (Ryanair & Meridiana, October).

SAS announced a positive development in 3Q12 resulting from its 4 Excellence strategy programme that led to reduce its unit cost by 6% and increase passenger revenues by 9%. The airline signalled the need for further efficiency improvements to secure its long term competitiveness and is looking at a range of further cost-cutting options (SAS, 30 October).

Aegean Airlines reached an agreement to buy **Olympic Air** which will become a subsidiary of Aegean, with both airlines maintaining their brand names and logos. The acquisition is subject to approval by EC on competition grounds (Aegean Airlines, 22 October).

Synergy Aerospace reportedly retained as the sole bidder selected by the Portuguese government for privatization of **TAP** ([IM144](#)). Synergy Aerospace is the majority owner of Latin American airline group Avianca-Taca (Reuters, 18 October).

Serbian government is reportedly planning to form a new debt-free national airline claiming that **JAT Airways** is unsustainable. Serbia would also plan to renew an old contract with Airbus for the lease of 12 aircraft that have never been delivered and for which the state would guarantee €140 million to the new company (Serbia Times, 22 October).

Aigle Azur signed an agreement with Hainan Airlines Group (HNA) for the latter to acquire 48% stake of the airline. The deal will allow Aigle Azur to operate long-haul flights between France and China (Aigle Azur, 23 October).

Start-up Norwegian airline, **FlyNonstop** is reportedly to launch eight international routes from Kristiansand (Southern Norway), effective April 2013 (routesonline, 18 October).

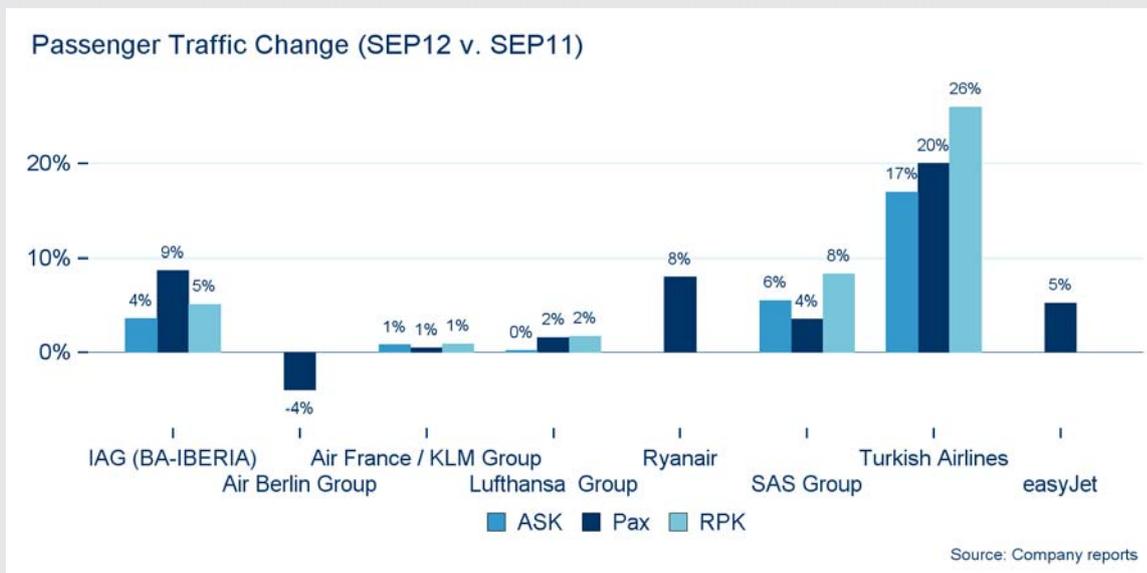


Figure 3: Main carriers' traffic statistics.

Routes, Alliances, Codeshares

Tarom is reportedly planning to open a second base in Romania by mid-2013 starting with flights from Iasi International to Fiumicino, Charles De Gaulle and Heathrow, but also to Verona, Turin, Munich, Amsterdam and Frankfurt along with new domestic services (ATW, 2 October).

EasyJet expands at Edinburgh and Manchester with 11 new routes from the two airports. The airline is to add two A319 aircraft at Edinburgh for new destinations to Berlin, Hamburg, Prague, Copenhagen, Reijkjavik and Dubrovnik and one additional aircraft at Manchester, serving flights to Venice, Reijkjavik, Antalya, Mykonos and Santorini (EasyJet, 11 October).

Wizz Air Ukraine opened a new route from Kiev to Kutaisi, the second-largest city in Georgia with a A320 aircraft and a three weekly frequency for the winter season (Wizz Air, October).

Flybe applied to the US Department of Transportation for permission to display **US Airways** and **United Airlines'** codes on its flights operated within the EU and European Common Aviation Area and points beyond the EU operated by Brussels Airlines (US Department of Transportation, 12 October).

Flybe Nordic signed a Memorandum of Understanding with **Finnair** to operate 12 Embraer E190 on behalf of Finnair, effective 28 October. (Flybe, 12 October).

Vueling is to expand its network to 100 destinations from Barcelona in Summer 2013, launching 28 new routes out of El Prat airport and increasing to 43 (from 34) the number of aircraft based at the airport. New routes from Barcelona include Gatwick, Frankfurt, Stuttgart, Düsseldorf, Turin, Casablanca, Dresden, Rennes, Rhodes, Kos, Banjul, Helsinki, Sofia and Luxembourg (Vueling, 17 October).

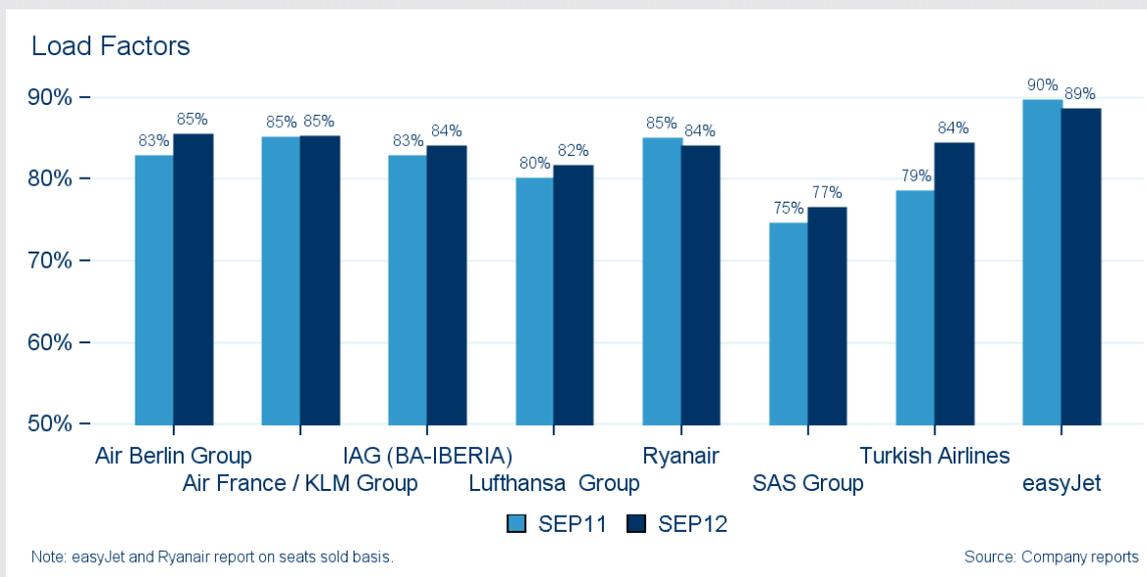


Figure 4: Main carriers' load factors.

Italian competition authority awarded [easyJet](#) the rights to fly on the key route between Milan Linate and Rome Fiumicino thereby breaking Alitalia's monopoly on services between the two airports. easyJet will operate five daily services from early 2013 (easyJet, 26 October).

Low-cost [flydubai](#) launched new routes to Bucharest and Skopje in October thereby expanding its network to 15 destinations in CIS, Central and Eastern Europe, including Azerbaijan, Armenia, Georgia, Romania, Russia, Serbia, Turkmenistan, Ukraine and FYROM.

[Wizz Air](#) launched six routes from Skopje to Milan, Eindhoven, Dortmund, Munich, Malmö and Basel (flydubai & Wizz Air, October).

[Qatar Airways](#) is to join oneworld and will grow from 119 to over 170 destinations in the next three years. (Qatar Airways, 4 & 8 October).

[Czech Airlines](#) increased frequencies on an important number of its short-haul destinations with the start of the winter schedule 2012-2013. The airline has also resumed regular service from Prague to Berlin and Stuttgart (Czech Airlines, October).

[Air France-KLM](#), [airberlin](#) and [Etihad](#) have implemented a strategic partnership designed to strengthen their route network thanks to mutual code-share agreements (Air France-KLM, 8 October).

It is reported that [Ryanair](#) submitted a request to the Transport Ministry of Russia to operate flights between the two countries after a decision by Russian government to open its domestic market to foreign low-cost airlines. [easyJet](#) has been granted the rights to fly between Gatwick and Moscow Domodedovo from Spring 2013 (The Moscow Times, 22 October & easyJet, 25 October).



Figure 5: Carbon prices.

Failures

Strategic Airlines Luxembourg suspended its charter operations on 3 October after its only operating tour operator, Olympic Holidays ended its contract with the carrier.

Islas Airways (Canary Islands) announced it temporarily suspended operations on 16 October to reorganise the airline which has been experiencing economic difficulties and recently cancelled a number of flights (Islas Airways, 16 October).

India Civil Aviation Authority suspended **Kingfisher's** operator's license until the airline submits a reliable revival plan (Kingfisher, 20 October).

Charter airline **Hello** based in Basel suspended its operations on 21 October following the cancellation of an important contract with German TUI (Hello AG, 21 October).

Civil Aviation Authority in Italy (ENAC) revoked **Blue Panorama's** license with a view to allow the airline to restructure its business. In that way, the operations of the airline remain unaffected (ENAC, 23 October).

Financial results of airlines

Air France-KLM operating profits for 3Q12 rose 27% to €506 million on 3Q11, explained by a "good summer season" at passenger business, although cargo business was further impacted by the economic slowdown and overcapacity in the sector. Moreover, Transform 2015, the carrier's cost cutting programme is having a significant impact on costs (Air France-KLM, 31 October)

Lufthansa managed to increase its operating profits by 6% in the third-quarter to €649 million on the same quarter, prior-year. The carrier is struggling to reduce costs in its saving programme SCORE and is freezing spending, bundling procurement, and combining its loss-making European short-haul unit with its low cost carrier **Germanwings**, among other measures. (Lufthansa, 31 October).



Figure 6. Brent and kerosene prices.

Traffic statistics: September update

[Figure 3](#) and [Figure 4](#) compare September 2012 figures with September 2011 figures. In addition to the number of passengers (PAX), passenger capacity is measured in available seat kilometres (ASK) and traffic is measured in revenue passenger kilometres (RPK).

Environment

EC proposes measures to limit the amount of first-generation **biofuels** from energy crops and proposes to restrict it to 5% although EC maintains its target of 10% biofuels by 2020. To reach that goal EC is to give incentives for second- and third- generation biofuels that are not in competition with food production. The proposal also stipulates a 60% greenhouse-gas-saving threshold to be applied to new biofuels installations (EUROPA, 17 October).

The price of carbon contracts for 2015 remained stable at 9€/tonne in recent weeks ([Figure 5](#)).

Aircraft Manufacturing

Boeing delivered its first 787 built in South Carolina to Air India. The manufacturer has delivered 28 Dreamliner to date and announced the production rate in the South Carolina factory will increase to three 787s per month by the end of 2013. The manufacturer reported 12 deliveries during 3Q12 (Boeing, 5 October, and 4 October).

Airports

[Swedavia](#) which operates Sweden's main airports is the world's first airport group to obtain the highest level of the CO2 Emissions Neutral certification under the Airport Carbon Accreditation Programme. To achieve this distinction, the group had to reduce its own CO2 emissions, engage third parties at its airports to reduce their carbon footprint and purchase green certificates (ACI, 10 October).

[Gatwick](#) airport is working on the option for a second runway and will be launching a work programme to evaluate various runway options and assess environmental and economic impacts. Gatwick currently serves 197 destinations (Gatwick Airport, 17 October).

[British Airport Authority \(BAA\)](#) which operates [Heathrow](#), [Glasgow](#), [Aberdeen](#), [Southampton](#) and [Stansted](#) airports dropped its name in favour of the individual airport names, claiming that it does not represent all British airports and that the company is no longer a group; Heathrow accounting for more than 95% of the business. BAA sold its stakes in Gatwick, Edinburgh, Budapest and Naples airports and is selling Stansted airport (BAA, 15 October).

Portugal state-owned airport operator [ANA](#) is reportedly attracting eight potential investors including [Fraport](#), [Aéroports de Paris](#), [Turkish Airport operator TAV](#) and [Singapore's airport](#). The sale of the airport is part of a privatization programme that Portugal has submitted to secure a bailout package from EU and the International Monetary Fund (Reuters, 26 October).

Turkish government is reportedly to announce a tender competition to build [Istanbul's third airport](#) in the north of the European side of the city with a capacity to handle 100 million passengers a year compared with Atatürk's current capacity of 34 million passengers (Anadolu Press Agency, 30 October).

Regulation

[The European Court of Justice \(ECJ\)](#) ruled that airlines must compensate passengers when they have been denied boarding because their flight was rescheduled as a result of a strike at the airport two days beforehand. Under EU rules, passengers on flights starting or ending in EU are entitled to a compensation for being denied boarding, but until now, strikes were not considered grounds for compensation. Airlines cannot cite extraordinary circumstances such as a strike to avoid paying compensation (ECJ, 23 October).

It is reported that [Russian and Czech Aviation Authorities](#) signed a new air service agreement to add one more designated carrier from each country to operate the Moscow-Prague route. Russian carriers [Transaero](#), [S7 Airlines](#) and [Utair](#) and Czech carrier [Smart Wings](#) are expected to apply for the Moscow-Prague service. (ATW, 1 October).

[EC](#) concluded that the financial arrangements for the construction of [Munich](#) airport's terminal 2 do not constitute state aid and therefore decided that loans by public entities were in line with EU state aid rules. In 1998 [Lufthansa](#) and Munich airport created jointly owned companies for the construction of the new Terminal 2. In 2008, following a complaint from [Ryanair](#), EC initiated an investigation regarding alleged state aid to these companies (EUROPA, 3 October).

Oil

Oil prices softened slightly to €86 per barrel in October. Converted indices for Kerosene and Brent are shown in [Figure 6](#).

International Energy Agency (IEA) forecasts oils prices to fall from €83 (\$107) in 2012 to €69 (\$89) by 2017 due to global production capacity increasing and economic slowdown keeping demand growth sluggish. Global demand is expected to grow at an average rate of 1.1 million barrels a day over the next five years; this is a downward revision of 100,000 barrels a day compared with IEA's previous medium-term report (IEA, 12 October).

Fares

Deflated ticket prices in Europe increased by 1.5% in September year-on-year, based on preliminary values (EUROSTAT, 16 October).



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