

Industry Monitor

The EUROCONTROL bulletin on air transport trends

- **European air traffic increased by 2.5% in November**
- **European traffic is forecasted to grow 3.6% in 2011**
- **IATA revised upwards airlines' profits, including in Europe**
- **Single European Sky performance targets agreed for 2012-2014 period**
- **Oil prices climb to around \$92 per barrel in December**

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EUROCONTROL Statistics and Forecasts

European flights increased by 2.5% in November on 12 months before (see Figure 1). The traffic growth rate has slightly slowed down with the start of the Winter timetable (EUROCONTROL, December).

During November, preliminary data shows **average delay per delayed flight** (for departures and from all causes) increased by 28% on November 2009 to 34 min. The **percentage of flights delayed on departure** (>5 min) amounted to 41% in November, up 6 percentage points (pp) compared to 2009. The **ATFCM delays share** of all delays decreased by 4 pp to 25% in November (compared to same month last year) but significantly down from the Summer peak (EUROCONTROL, December).

EUROCONTROL forecasts an increase of 3.6% ($\pm 1.5\%$) in the number of flights in 2011 (EUROCONTROL, 23 December).

Other Statistics and Forecasts

According to **IATA**, global airlines are expected to make \$15 billion net profits in 2010, a \$5 billion upwards revision from the September forecast, explained by better economic conditions. In Europe, where economic recovery remains uneven, airlines are expected to make \$400 million profits (from \$1.3 billion losses in previous release). The forecast is for \$9 billion global net profit for 2011 (IATA, 10 December).

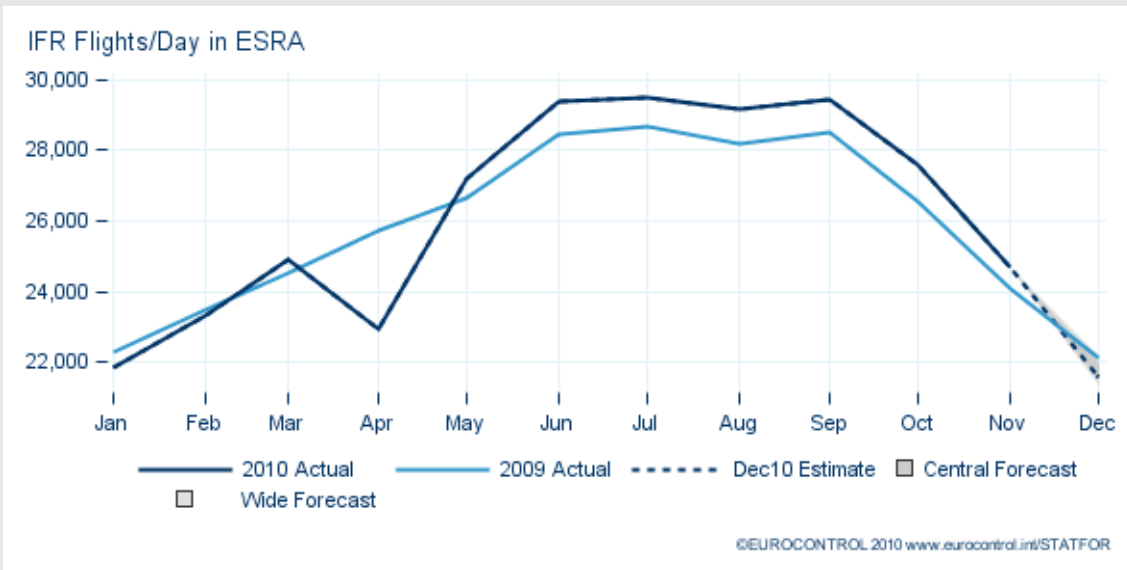


Figure 1. European Traffic.

Airbus expects a demand for nearly 26,000 aircraft by 2029, a 1,000-unit rise in single-aisles market compared to the previous release, on account of industry recovery from the downturn. The manufacturer forecasts the passenger and freight markets to grow at average rates of 4.8% (RPK) and 5.9% (FTK) by 2029 (Airbus 13 December).

Passenger Airlines

The year 2010 will have been a year of **disruptions** for air transport industry, a balance between **natural** and **man-made** episodes. In December, most noticeably:

- Spanish airspace has been closed on first week-end following the decision of controllers to walk out over employment condition (Aena, 4 December),
- a nationwide strike in Greece grounded all flights on 15 December (Reuters, 15 December),
- heavy snowfalls, leading to several **airport closures**, disrupted traffic at many European airports at the beginning and at mid-December (Euronews, December).

Capacity, costs and jobs

Finnair underwent a 10-day cabin staff strike in December as the Finnish union protested against savings measures notably aiming at reducing crew rest time between long-hauls. The airline, operating between 30% and 40% flights during the period, estimated the losses of the industrial action to amount €20 million (Finnair, 9 December).

Thanks to investors, the bankrupt **Hamburg International (IM123)** will resume operations securing key staff, customer contracts and slots. The charter airline is to operate under the name of **Hamburg Airways** (Hamburg International, 6 December).

As planned in the Climb 2011 restructuring programme (**IM121**), **Lufthansa** started to revamp its short-and medium haul cabins introducing "Europakabine" on 180 aircraft. With slimmer seats and additional rows, the airline will improve seating capacity and cost efficiency reducing weight by 30% on previous configuration (Lufthansa, 15 December).

British Airways announced the increase of fuel surcharge on long-haul tickets from mid-December to reflect the recent increase in oil prices. Depending on the class fare, the

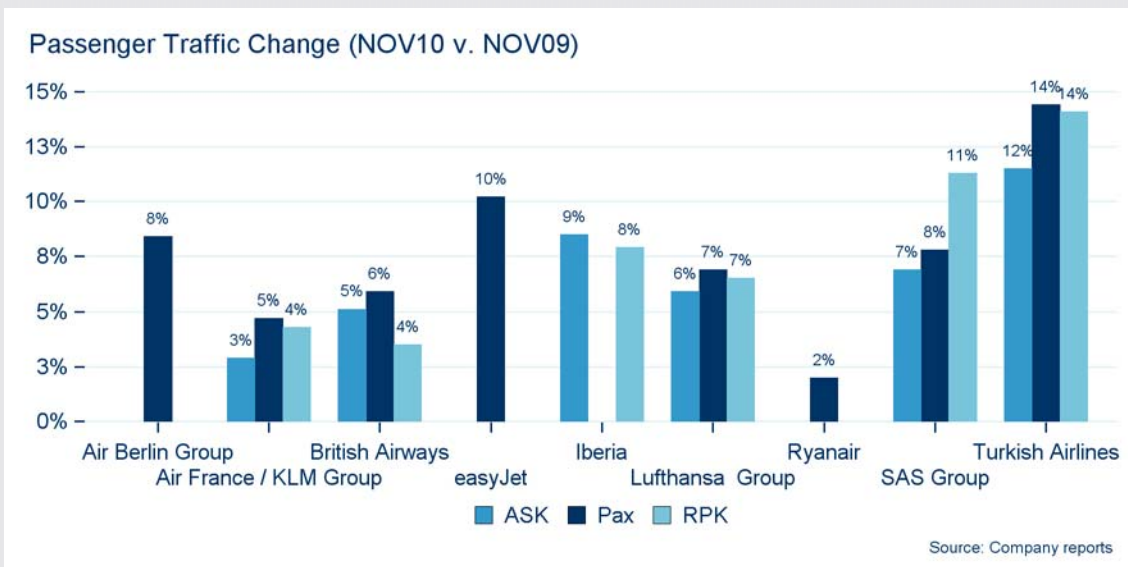


Figure 2. Main carriers' traffic statistics.

surcharge ranges from £76 to £108 for journeys over 9 hours and from £63 to £88 for journeys less than 9 hours (British Airways, 14 December).

Codeshare, Alliances

Following the launch of their trans-Atlantic joint business in October ([IM122](#)), [American Airlines](#), [British Airways](#) and [Iberia](#) will add 317 new codeshare agreements to the 2,700 already existing ones. All together, the new airline's customers will have access to 5,200 daily flights from the end of 2010 (British Airways, 17 December)

Routes

From summer, [Germanwings](#) will open a twice-daily service (on weekdays) between Maastricht-Aachen and Berlin-Schönefeld. The Dutch airport, close to the German border, may be preferred by the airline's passengers as it remains exempt from the German tax. At the same time, Ryanair and Air Berlin have outlined reductions in their timetables in Germany next Summer. (Germanwings 26 November, Ryanair 14 December, Air Berlin 18 November).

[Vueling](#) will open its second international base ([IM124](#)) in Amsterdam Schiphol in April, basing 1 A320 and opening 10 European routes (Vueling, 6 December).

[Ryanair](#) will open 3 bases on the Canary Islands (Gran Canaria, Lanzarote and Tenerife) in summer stationing 2 aircraft in each of them. From February, the budget airline will progressively operate 35 new routes to/from the Canary Islands (including also non-base Fuerteventura) on top of the 77 already existing ones (Ryanair, 1 December).

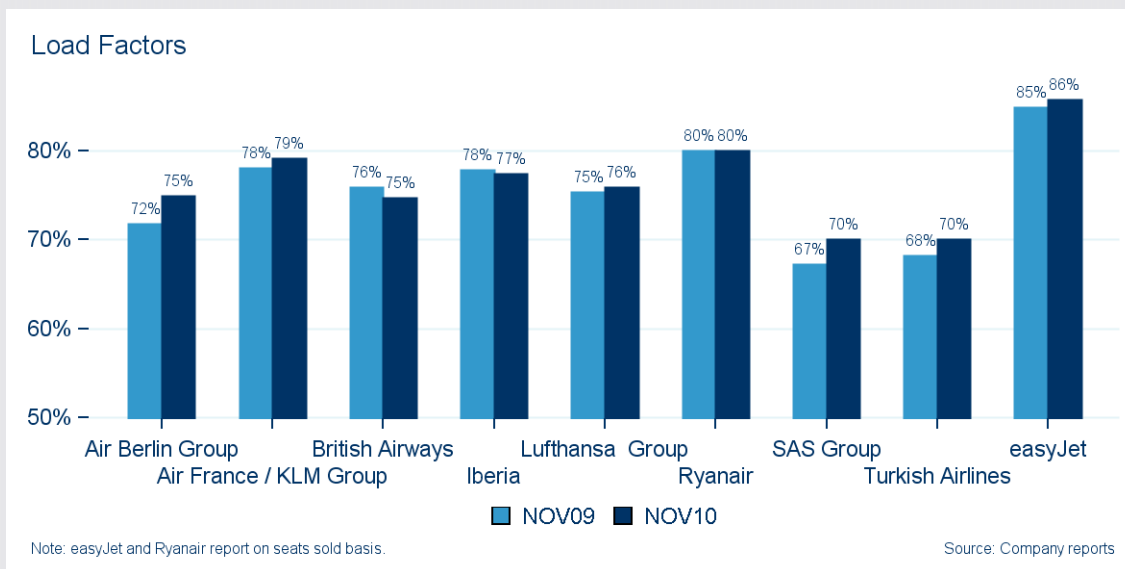


Figure 3. Main carriers' load factors.

Following the delivery of its fifth A380, **Lufthansa** plans to operate the superjumbo twice-weekly between Frankfurt and New York from 18 February (replacing 1 B747 and 1 A330 currently serving the route). The German carrier intends to increase the A380 frequency to New York by mid-April (Lufthansa, 13 December).

Air France, already serving New York with one of its A380, will operate a second US destination with a daily flight to Washington from June (Air France, 30 November).

Easyjet will expand its summer capacity by 13% (compared to summer 10—which includes volcano episode) with increasing frequency on existing routes (Manchester, Amsterdam, Barcelona, Geneva, Paris CDG) and opening 11 routes across Europe amongst which 6 new routes from Gatwick. The low-cost carrier will notably open a route to Amman following the recent EU-Jordan civil aviation agreement (see Regulation) (easyjet, 16 December).

Traffic Statistics: November update

Figure 2 and Figure 4. Carbon prices. Figure 4 compare November 10 figures with November 09 ones. Passenger capacity is measured in available seat kilometres (ASK) and traffic is measured in revenue passenger kilometres (RPK).

Aircraft Manufacturing

As part of the single-aisle product strategy, **Airbus** will develop new engines for its A320 family models. The A320NEO programme, available for the A320, A321 or A319, will offer two engine choices and incorporate “sharklets” on wingtips. The manufacturer estimated the new engine enabling to save 15% on fuel, equivalent to 3,600 tonnes of annual CO2 per aircraft. The A320, first model to be proposed with the NEO version, is expected to enter in service in Spring 2016 (Airbus, 1 December).

Boeing will boost its 777 production to 8.3 airplanes per month in Q113, a second increase following a previous announcement earlier this year to raise the rate from 5 to 7 in mid-2011 (Boeing, 20 December).



Figure 4. Carbon prices

Airports

Aberdeen Airport received the official green light for its main runway extension. The project, to start in March and to be finished by summer 2012, is expected to cost £10 million to provide a 124 m extension (BAA, 29 November).

Regulation

Following approvals ([IM117](#)), the EU signed two new air services agreements with **Jordan** and **Georgia**. The agreements, establishing “Common Aviation Areas” between the EU and Jordan as well as the EU and Georgia, aim at opening the respective partners’ air markets. Other agreements of this type with Ukraine, Israel, and Lebanon are under negotiation (Europa, 3 and 15 December).

As part of the 2011 budget measures, **Irish Ministry of Finance** announced the reduction of Air Travel Tax from €10 per departing passenger to €3 from 1 March (budget.gov.ie, 7 December).

Single European Sky committee agreed on the **performance targets** for the EU’s ANSPs over the 2012-2014 period. The package of measures is expected to result in more than €1 billion savings over the period along with following axes:

- **Environment:** straighter and shorter routes and a more efficient use of European airspace to save 500,000 tons of CO₂ and 150,000 tons of fuel per annum,
- Reducing the delays and better adapting the **capacity**: an improvement of the average en route Air Traffic Flow Management delay so as to reach a maximum of 0.5 minute per flight in 2014, and ;
- Decreasing the **unit rate** from €59.29 per service unit in 2011 to €53.93 per service unit in 2014,

Safety improvements remain the top priority of the package (Europa, 3 December).



Figure 5. Brent and Kerosene prices.

Environment

From April, Lufthansa will begin a 6-month trial operating a scheduled commercial flight using biofuel. One of the A321's engines will be powered by a 50/50 blend of biofuel and traditional kerosene. The test, which will enable to study the effect of biofuel on engine maintenance and engine life, is likely to save 1,500 tonnes CO₂ during the trial (Lufthansa, 30 November).

Fares

Preliminary data show that deflated ticket prices in Europe decreased by 1.7% in November year-on-year (Eurostat, November).

Oil

Oil prices closed at around \$92 per barrel on 21 December (Brent). Converted price indices for Kerosene and Brent up to December are shown in Figure 5 (Brent and WTI cushioning).

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