

Industry Monitor

The EUROCONTROL bulletin on air transport trends

- Eurozone crisis continued to impact flights in Europe, down 3.2% in May 2012 compared with May 2011.
- In its revised outlook for 2012 IATA predicts European carriers' losses to be €900 million as opposed to €450 million in its March forecast.
- Nine northern European Air Navigation Service Providers formed Borealis Alliance to improve efficiency and to reduce costs and environmental impact of air travel.
- Oil prices fell to €77 per barrel in June, the lowest for 18 months.

EUROCONTROL statistics and forecasts	1
Other statistics and forecasts	2
Passenger airlines	2
Environment	6
Airports	7
Oil	7
Aircraft Manufacturing	7
Regulation	8
Fares	8

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EUROCONTROL statistics and forecasts

European flights decreased by 3.2% in May on the same month of last year, which is also the average growth for the year so far (see [Figure 1](#)). Madrid and Rome Fiumicino saw bigger-than average declines of 11% and 5% respectively, while Istanbul Atatürk grew by 13%. The low-cost and charter segments showed positive growth of 0.6% and 3.2% on May 2011, whereas business aviation, scheduled and cargo all fell 5.9%, 4.5% and 2.3% respectively (EUROCONTROL, June).

Based on preliminary data from airlines for delay from all causes, 33% of flights were delayed on departure in May, resulting in a 2 percentage point decrease on May 2011. Analysis of the causes of delay shows a notable decrease in reactionary delay which fell by 1 minute per flight. Airline-related and ATFCM en-route delays also fell (see [Figure 2](#)) (EUROCONTROL, June).

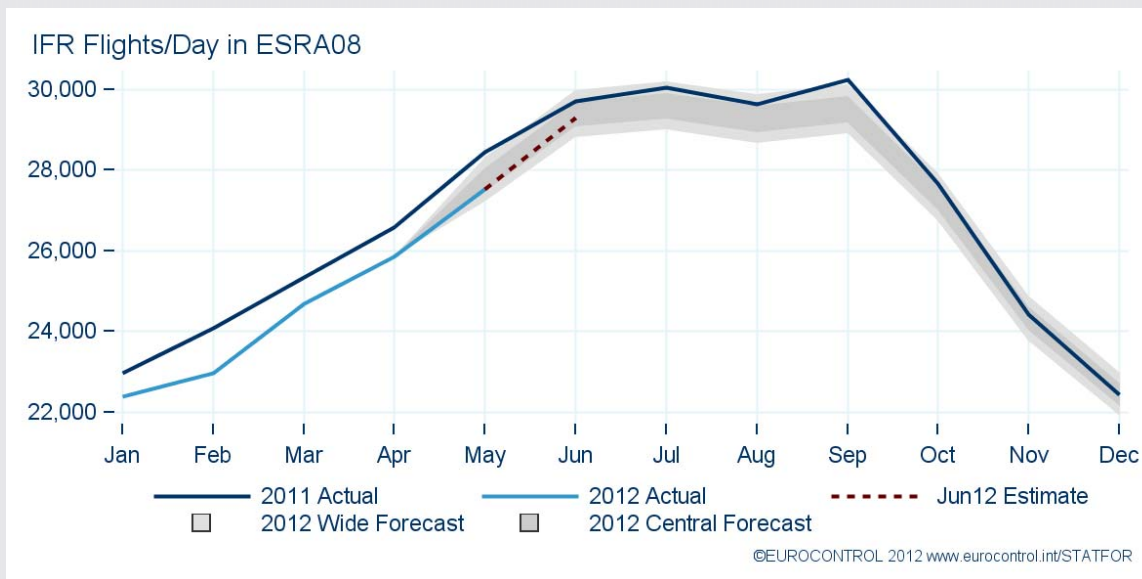


Figure 1: Monthly European Traffic and Forecast.

Other statistics and forecasts

IATA released its revised outlook for 2012 in which it says that European carriers' losses are now expected to be €900 million compared to €450 million in its March forecast ([IM139](#)). On the other hand, global industry profits remain unchanged at €2.4 billion after an upward revision in profits at North and Latin American carriers which offsets the cut in European and Asia-Pacific carriers (IATA, 11 June).

ACI reported that European airports saw a 2.1% increase in passenger traffic in April 2012 compared with April 2011, whereas total cargo traffic decreased by 4.2%. Total aircraft movements were down by 1.7% on April 2011 (ACI, 5 June).

Passenger airlines

Lufthansa conducted the world's first passenger flight with a B747-8 from Frankfurt to Washington on 1 June (Lufthansa, 1 June).

Turkish Airlines confirmed it will not buy a stake in LOT ([IM137](#)) deciding the acquisition would not meet the airline's targets (Turkish Airlines, 1 June).

Turkish Airlines reportedly withdrew from its partnership with Bosnia's flag carrier, BH Airlines in which it owned a 49% stake, invoking economic reasons. Croatia Airlines expressed interest in taking over the Turkish carrier's stake (Reuters, 14 June).

Percentage of flights delayed on departure



Breakdown of average delay per flight

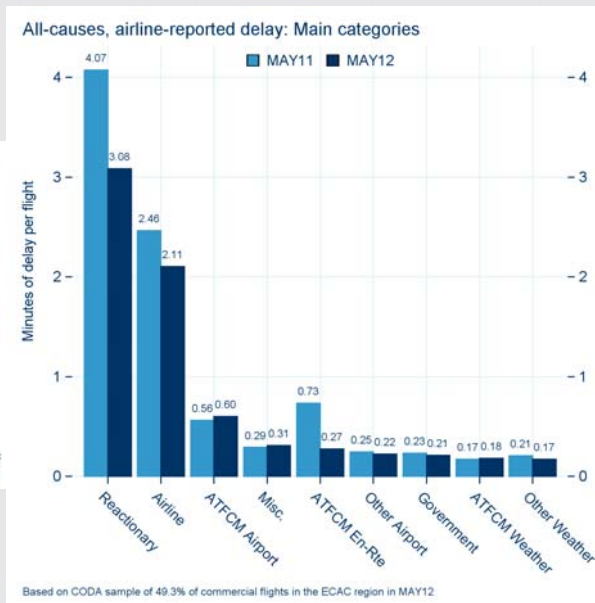


Figure 2: Delay Statistics (all causes, airline-reported delay – preliminary data for May 2012).

[Turkish Airlines](#) may reportedly bid for a stake in [Aer Lingus](#) and acquire the government's 25% stake in the Irish carrier or form a partnership with another airline. As an airline based outside the EU, Turkish Airlines could only own up to 49% of the shares. [Etihad](#) owns a 3% stake in Aer Lingus whereas with its 29% stake, [Ryanair](#) which is the largest shareholder in Aer Lingus made a buyout bid on 20 June (Reuters, 24 June).

It is reported that [Turkish Airlines](#) continues to develop the African market and plans to double destinations to Africa by 2013 thereby serving 40 destinations (ATW, 12 June).

[Thomas Cook Germany](#) is reportedly to expand its [Condor](#) airline fleet thanks to an increased demand for package tours (Reuters, 10 June).

[Netjets](#) signed a firm order of 100 [Bombardier](#) Challenger jets along with 175 options and 150 Cessna Citation (25 firm orders and 125 options) (Netjets, 11 June).

It is reported that [Air France](#) is considering strategic options for its Irish subsidiary [Cityjet](#), selling the regional airline being one of them. Cityjet was not covered by Air France's Transform 2015 programme released last month. (Irish Times, 21 June).

[Wizzair](#) is to open a base in Macedonia, launching 6 destinations from Skopje to Basel, Eindhoven, Munich, Dortmund, Malmö and Milan with the start of the winter 2012/13 schedule, as a result of the Macedonian government's subsidised flight scheme to attract European low-cost carriers (Macedonia Government Ministry of Finance, 14 June).

Passenger Traffic Change (MAY12 v. MAY11)



Source: Company reports

Figure 3: Main carriers' traffic statistics.

[easyJet](#) is set to close its base in Madrid due to poor financial returns and high airport charges, effective winter 2012/13. The airline confirmed it is committed to Spain although flights will be reduced by 20% in Madrid in 2013 and by 7% in whole Spain ([easyJet](#), 20 June).

[Lufthansa](#) is reportedly to decide on loss making [Germanwings'](#) future in 2013 which could be either closed or merged with Lufthansa's short-haul services outside of Frankfurt and Munich airports ([Handelsblatt](#), 13 June).

[Air France](#) is to cut more than 5,000 jobs or circa 10% of its workforce by the end of 2013 as part of its strategic plan to return to competitiveness. The airline said that all departures would be voluntary provided that a new framework agreement could be signed with unions ([Air France](#), 21 June).

Struggling [Air Malta](#) is to receive state aid after EU approved the airline's restructuring measures including capacity reduction and the sale of assets ([EUROPA](#), 27 June).

Routes, Alliances, Codeshares

[Astra Airlines](#) received approval from Russian aviation authorities to operate eight new destinations in Russia from its Thessaloniki base ([Astra Airlines](#), June).

[Turkish Airlines](#) and [Luxair](#) entered into a codeshare agreement enabling Turkish Airlines to use its code on flights from Frankfurt, Munich and Vienna to Luxembourg whereas Luxair will put its code on flights from Istanbul to Frankfurt, Munich and Vienna ([Luxair](#), 21 June).

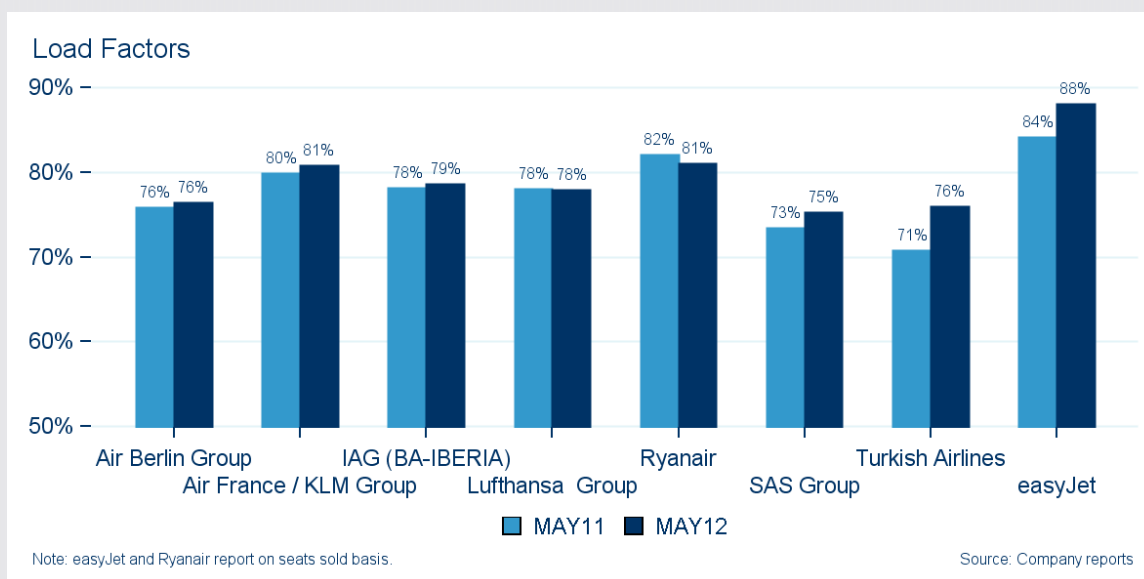


Figure 4: Main carriers' load factors.

[Air France](#) signed a codeshare agreement with [Air Burkina](#) and [Air Mali](#) for routes from Paris Charles de Gaulle to Bamako and Ouagadougou. These cooperation agreements could be extended to other routes in West and Central Africa and in Europe (Air France, 5 & 11 June).

[British Airways](#) and [Japan Airlines](#) were granted anti-trust immunity from Japan government, enabling both airlines to cooperate commercially on flights between the EU and Japan from end March 2013 (BA, 7 June).

[KLM](#) is reportedly in talks with [Etihad](#) to start a joint venture or cooperation on routes between Europe, the Middle East and Asia although no investments by Etihad in Air France-KLM group was confirmed (Het Financiële Dagblad, 26 June).

[Nine northern European Air Navigation Service Providers](#), including Denmark, Estonia, Finland, Iceland, Ireland, Latvia, Norway, Sweden and the UK, formed Borealis Alliance, which is a commercial agreement to improve efficiency and reduce costs and environmental impact of air travel. The members will also work on the harmonisation of the region's functional airspace blocks (FABs) without involving the state or regulatory authorities. Borealis Alliance will operate for an initial proving period until end of 2013 (Borealis Alliance, 20 June).



Figure 5: Carbon prices.

Failures

Czech regional carrier, [Central Connect Airlines](#) suspended its operations on June 19 on a temporary basis for financial reasons thereby also cancelling its flights in cooperation with [Czech Airlines](#) (CCA, 19 June).

[Air Finland](#) filed for bankruptcy and ceased operations on 26 June (Air Finland, 26 June).

Traffic statistics: May update

[Figure 3](#) and [Figure 4](#) compare May 2012 figures with May 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

The price of carbon contracts for 2015 went up to around €9/tonne in recent weeks ([Figure 5](#)).

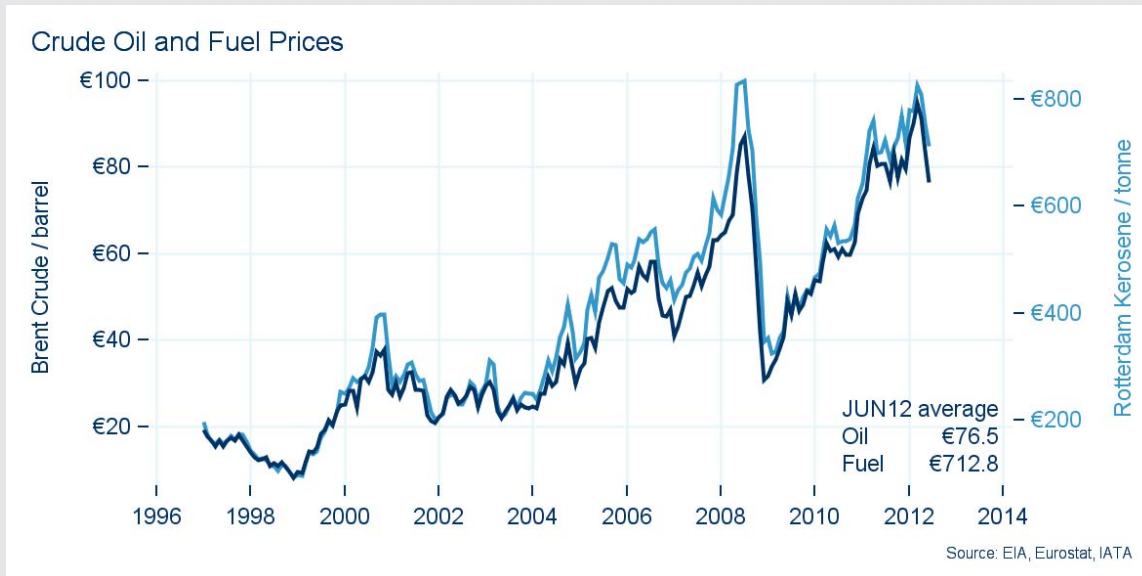


Figure 6. Brent and kerosene prices.

Airports

A majority of [Munich](#) residents voted against the construction of a third runway at the second-biggest airport in Germany. [Lufthansa](#) reportedly considers shifting traffic it had planned to build up at Munich to the hubs of its subsidiaries, [Brussels Airlines](#), [Austrian Airlines](#) and [Swiss](#) (Reuters, 17 June).

Oil

Weak demand expectations for crude led to oil prices slumping to €77 per barrel in June, dropping 13% from May, this is the lowest price for 18 months. Converted indices for Kerosene and Brent are shown in ([Figure 6](#)).

Aircraft Manufacturing

[Bombardier](#) released its 2012 market outlook over the next 20 years and forecasts 24,000 business jet deliveries between 2012 and 2031, unchanged compared with its 2011 market outlook, of which 3,920 are for Europe (vs. 4,100 in 2011) and 12,800 commercial aircraft deliveries (vs. 13,100 in 2011) of which 2,240 units (vs. 2,250 in 2011) are for Europe (Bombardier, June).

Regulation

[Lufhansa Cargo](#) and [Finnair's](#) request for additional overflights was denied by Russia (Reuters, 13 June).

[Russian](#) and [Scandinavian aviation authorities](#) are reportedly developing a new bilateral agreement to operate flights to and from various airports in Russia, Denmark, Norway and Sweden, with limitations of one airline per airport pair for passenger service but no restriction on cargo services (ATW, 14 June).

[Moldova](#) signed an air service agreement with [EU](#) to develop a common aviation area focusing on safety and security and thereby fully liberalising direct routes between the EU and Moldova (EUROPA, 26 June).

Fares

Deflated ticket prices in Europe increased by 1.7% in May year-on-year, based on preliminary values (EUROSTAT, 14 June).



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