



# Industry Monitor

## The EUROCONTROL bulletin on air transport trends

Issue N°149. 01/03/13

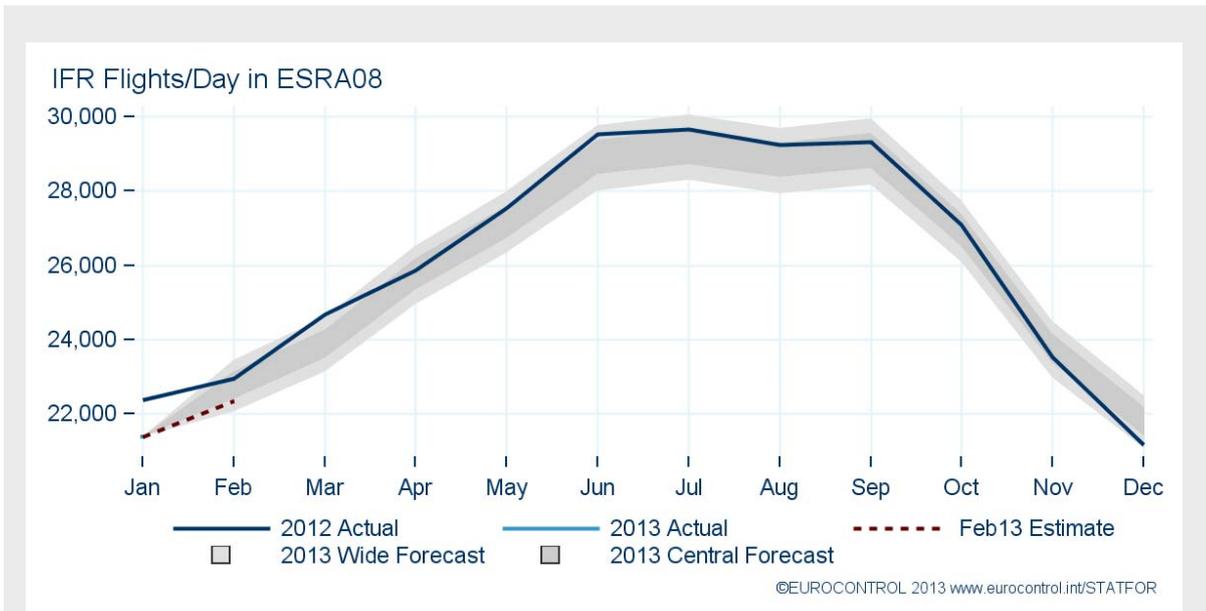
- **European traffic decreased by 4.4% in January, the lowest level for January traffic for the past five years. Preliminary data for February show a 2.7% decrease in traffic on February 2012.**
- **New 7-year forecast (2013-2019) is for 11.2 million flight movements in Europe in 2019, 17% more than in 2012. Continuing high oil prices, weaker economic outlook, airline capacity reductions will see traffic down by 1.3% in 2013 compared with 2012.**
- **ACI reported passenger traffic at European airports to be up just 1.8% in 2012 compared with 2011 whereas total aircraft movements were down 2.1%. A flat growth of 0.5% in passenger traffic is expected in 2013.**
- **Oil prices at €87 per barrel in February.**

EUROCONTROL statistics and forecasts	1
Other statistics and forecasts	2
Passenger airlines	3
Cargo	6
Financial results of airlines	7
Airports	7
Environment	8
Oil	8
Regulation	9
Fares	9
Economy	9

### EUROCONTROL statistics and forecasts

Traffic in Europe continued to decline, with January seeing a decrease of 4.4% compared with January 2012 ([Figure 1](#)). This is the lowest level for January traffic for the past five years. About 1% of the traffic decrease is estimated to have been due to heavy snowfalls and icing in the middle of the month at major European airports. The charter segment was the only one to show some growth at 5.5%. Traditional scheduled was down by 5.7%, all-cargo by 4.4%, business aviation by 2.2% and low-cost declined by 1.9% compared with the same month last year (EUROCONTROL, February).

Based on preliminary data from airlines for delay from all causes, **38% of flights were delayed on departure** in January; this was a 5 percentage point increase on January last year. January 2013 was strongly affected by weather delays, other weather delays increased from 0.7 minutes to 1.7 minutes per flight during the month. Reactionary delays increased by 1.5 minutes per flight to 5.4 minutes per flight. Airline-related delays remained stable at 2.6 minutes per flight. ATFCM en-route delays also remained stable at 0.2 minutes per flight. ([Figure 2](#)) (EUROCONTROL, February).



**Figure 1: Monthly European Traffic and Forecast.**

The new 7-year forecast of flight movements 2013-2019 is for 11.2 million IFR movements in the EUROCONTROL Statistical Reference Area (ESRA) in 2019, 17% more than in 2012. Over the last few months, European traffic has been lower than the last forecast published ([IM147](#)). Furthermore, continuing high oil prices, weaker economic outlook than expected and other recent events in air industry (in particular some airline capacity reduction) all lie heavily on the forecast overall. Hence, traffic in 2013 will decline by 1.3% (+/-1.5%) compared to 2012. From 2014 onwards, traffic growth is expected to return to annual rates close to 3%. The average growth rate over the 7 years remains weak at around 2% per year, especially when compared to the 4% average growth rates experienced before 2008 (EUROCONTROL, February).

## Other statistics and forecasts

ACI reported that European airports saw a 1.8% increase in passenger traffic in 2012 compared with 2011 whereas total cargo traffic decreased by 2.8%. Total aircraft movements were down by 2.1% in 2012. Since 2008 passenger traffic has grown by less than 2.5% at European airports. For 2013, ACI expects a flat growth (+0.5%) in passenger traffic at European airports (ACI, 4 February).

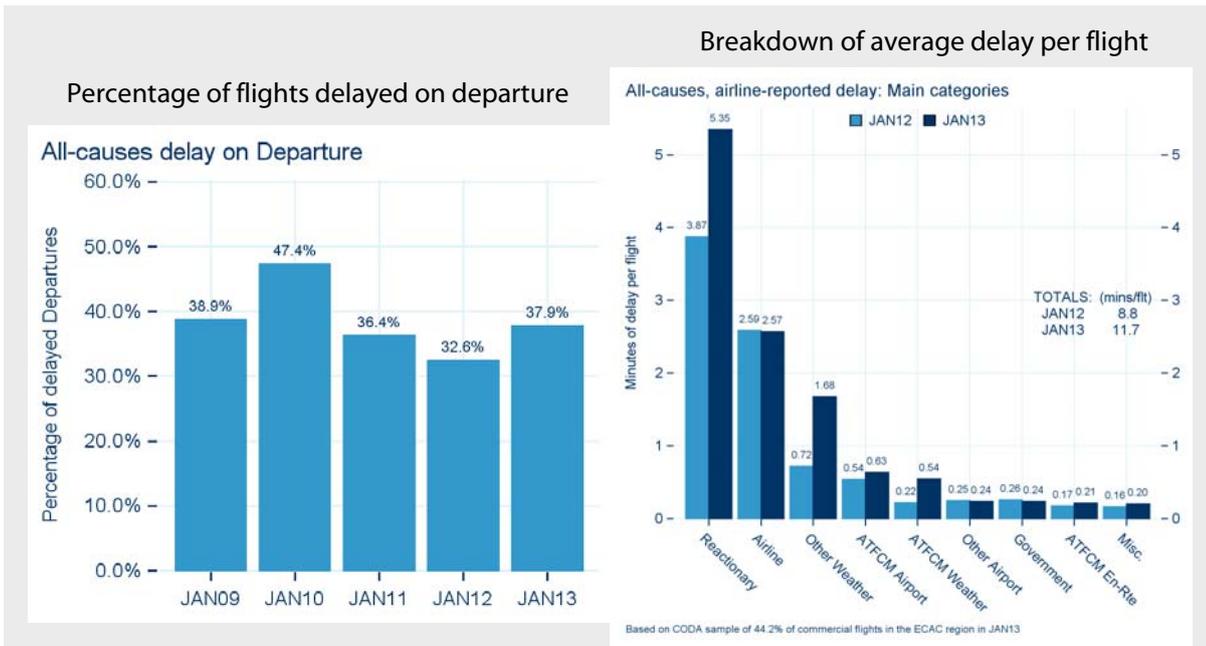


Figure 3: Delay Statistics (all causes, airline-reported delay – preliminary data for January 2013).

## Passenger airlines

### Capacity, costs and jobs

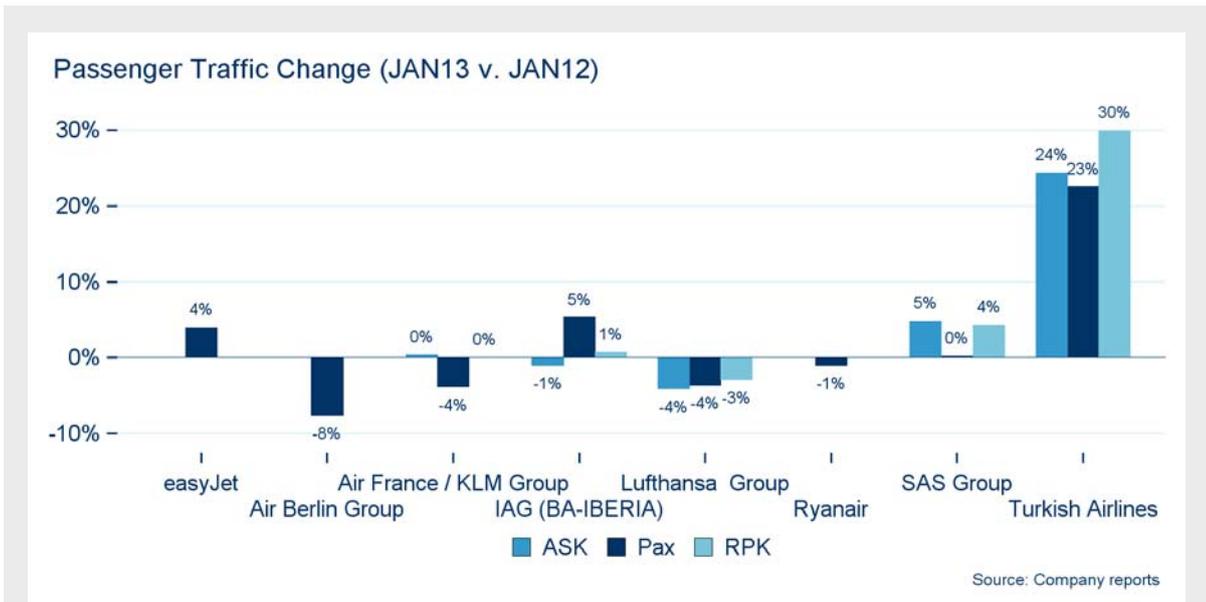
[Lufthansa Technik Group](#) reorganizes its administrative structure by cutting 650 positions in Germany (400 job cuts in Hamburg) by 2015 as part of Lufthansa Group's restructuring programme, SCORE (Lufthansa Technik, 25 February).

[airberlin](#) reportedly raised its Turbine 2013 cost-cutting goal to €450 million (from €400 million) by the end of 2014 (Air Transport World, 6 February).

European Court of Justice EU261 regulation ruled that an airline must provide care to passengers whose flight has been cancelled due to extraordinary circumstances such as the volcanic ash in Iceland in 2010. [Ryanair](#) reacted by increasing its €2 EU261 levy to €2.5 per passenger (Court of Justice of the European Union, 31 January and Ryanair, 11 February).

As part of its Business Transformation programme, [Thomas Cook Group](#) announced a new structure for its airlines in the UK ([Thomas Cook UK](#)), Germany ([Condor](#)) and Belgium ([Thomas Cook Belgium](#)) that will be reorganised into a single operating structure, effective 1 March (Thomas Cook Group plc, 7 February).

As part of IAG's transformation plan, [Iberia](#) announced capacity reduction of 15% for 2013 along with 3,800 job reductions (20% of the airline's workforce). Iberia staff held a five-day strike in February (18-22) resulting in over 1,300 flight cancellations. Further strike actions are scheduled in March (4-8) with already 431 cancellations planned and in April (18-22) to protest against the job cuts (IAG, 1, 12 & 25 February).



**Figure 3: Main carriers' traffic statistics.**

EC prohibited the acquisition of [Aer Lingus](#) by [Ryanair](#) for competition concerns that would lead to a monopoly on 46 routes where both carriers compete directly against each other ([IM146](#)). In its third bid to take over Aer Lingus, Ryanair had agreed with [Flybe](#) to create Flybe Ireland to which it would have transferred 43 European routes (Ryanair, 12 February, Flybe, 6 February and EUROPA, 27 February).

Serbian government reportedly said that [JAT Airways](#) is to enter into a restructuring programme whereby it plans to reduce its workforce to 740 from 1,300 and to renew its fleet with the lease of 6 new aircraft on a long-term basis. It is further reported that [Etihad](#) would be in talks with JAT with regard to a possible cooperation between the two airlines (Bloomberg, 19 February).

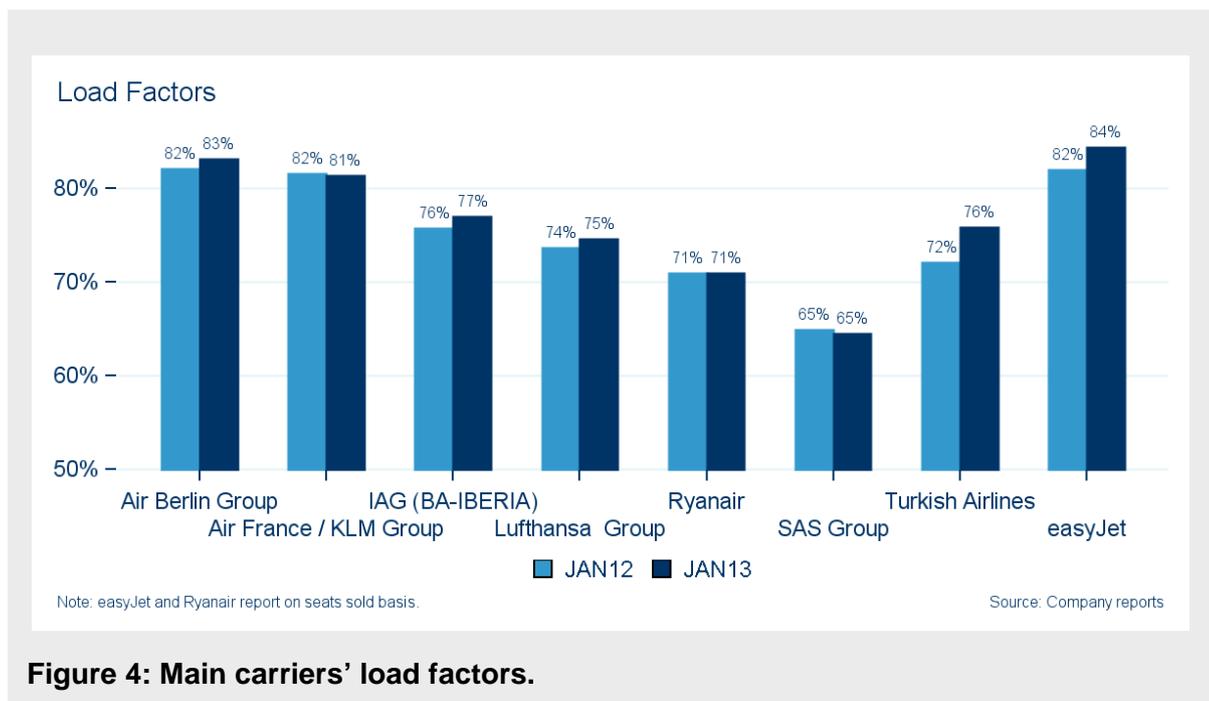
[Air France-KLM](#) is reportedly in talks with two potential bidders for its Dublin-based [Cityjet](#) and will decide in July on whether to sell its subsidiary or whether to keep it within the Group after a restructuring program (Air Transport World, 22 February).

[KLM](#) is to be the first European legacy carrier to start charging passengers in economy class to check in their luggage for destinations within Europe. Effective 22 April, a fee of either €15, when paid in advance or €30 when paid at the airport will be applied (KLM, 13 February).

[British Airways](#) launched, on a trial basis, a new 'hand baggage only' fare on short-haul flights from Gatwick to Amsterdam, Dubrovnik, Jersey, Tunis and Turin. Passengers travelling with hand-luggage only will get a discount ranging from €10 to €17 depending on the route (British Airways, February).

Dutch start-up [Maastricht Airlines](#) is to start operations on 25 March from Maastricht-Aachen airport using a fleet of 2 Fokker 50s, serving Amsterdam, Berlin and Munich. The airline plans to operate up to 6 aircraft by the end of 2014 and to expand its network to include Paris, London and Copenhagen (Maastricht Airlines, February).

[Lufthansa Group](#) announced plans to buy 108 new Airbus and Boeing aircraft, of which eight long-distance aircraft. Deliveries are scheduled to be carried out between 2015 and 2025 (Lufthansa, 19 February).



European Commission is investigating whether public support measures granted by Estonian authorities to flag carrier Estonian Air comply with EU state aid rules. In the meantime, Estonian government is reportedly in discussion with [Flybe](#) to establish a joint venture with flag carrier [Estonian Air](#). (EUROPA, 20 February and Estonian Public Broadcasting (ERR), 13 February).

[Helitt Lineas Aereas](#) stopped scheduled services in February to become a full charter airline (Helitt, February).

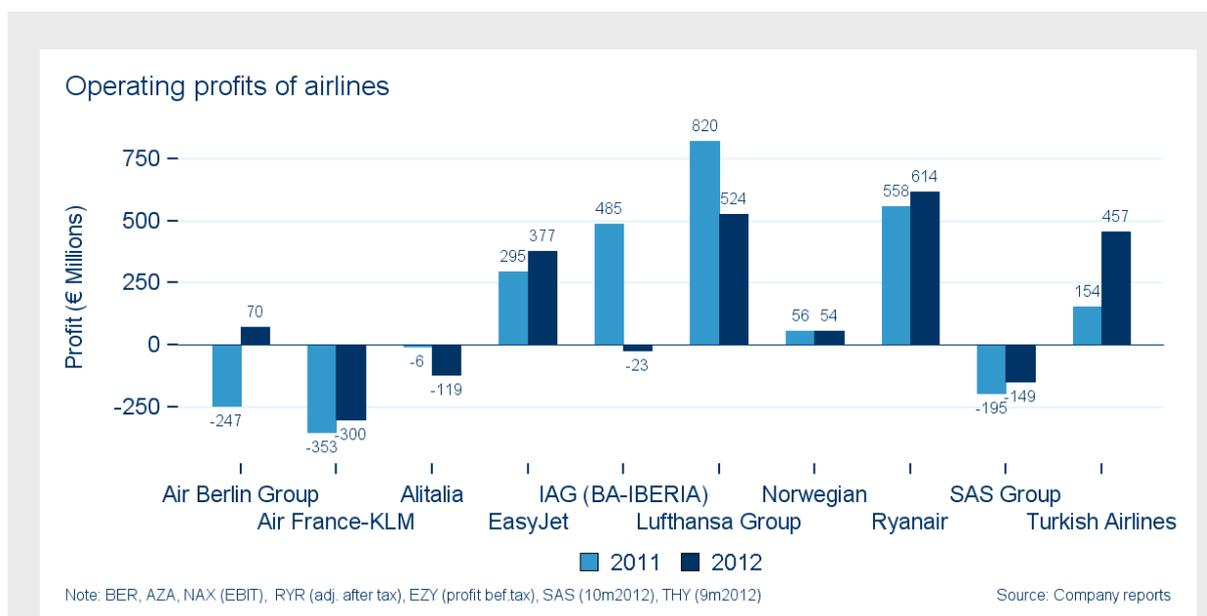
[South Airlines](#) has temporarily been grounded by the civil aviation authority of Ukraine following its crash on 13 February (South Airlines, February).

## Routes, Alliances, Codeshares

[Aer Lingus](#) is increasing its capacity on the North Atlantic by 15%, increasing frequencies on flights to Boston and Chicago (Aer Lingus, February).

[British Airways](#) expands its code-share with [Cathay Pacific](#) for flights between the UK and Australia (via Hong Kong), effective 31 March. On that date British Airways is to stop its joint venture with [Qantas](#) as the latter enters into a new partnership with [Emirates](#).

[American Airlines](#) asked US Bankruptcy Court to approve its merger with [US Airways](#) to create the world's largest carrier; American Airlines filed for Chapter 11 bankruptcy protection in November 2011. The combined airlines would operate under the American Airlines name (American Airlines, 14 February).



**Figure 5: Financial results of airlines.**

## Failures

India's civil aviation ministry has reportedly withdrawn [Kingfisher's](#) international traffic rights and domestic airport slots for non-utilisation by the airline. Kingfisher suspended services in October last year ([IM145](#)) and lost its operating license at the end of 2012. The airline's slots and flying permits will be made available to other airlines (Reuters, 25 February).

Charter airline based in Palma de Mallorca, [Orbest Orizonia](#) stopped flying and filed bankruptcy protection on 15 February (Orbest, 20 February).

## Cargo

In its 2013 - 2017 Business Plan, [Cargolux](#) aims at increasing its single fleet of Boeing 747-8 freighters from 15 to 18 aircraft (Cargolux, 7 February).

[TNT](#) is reportedly considering cutting jobs, selling some of its long-haul aircraft to cut capacity on international routes and also plans to sell its domestic operations in Brazil and China. These measures come after the European Commission's decision to block TNT takeover by [UPS](#) last month ([IM148](#)) (Reuters, 18 February).

## Traffic statistics: January update

[Figure 3](#) and [Figure 4](#) compare January 2013 figures with January 2012 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).



**Figure 6: Carbon prices.**

## Financial results of airlines

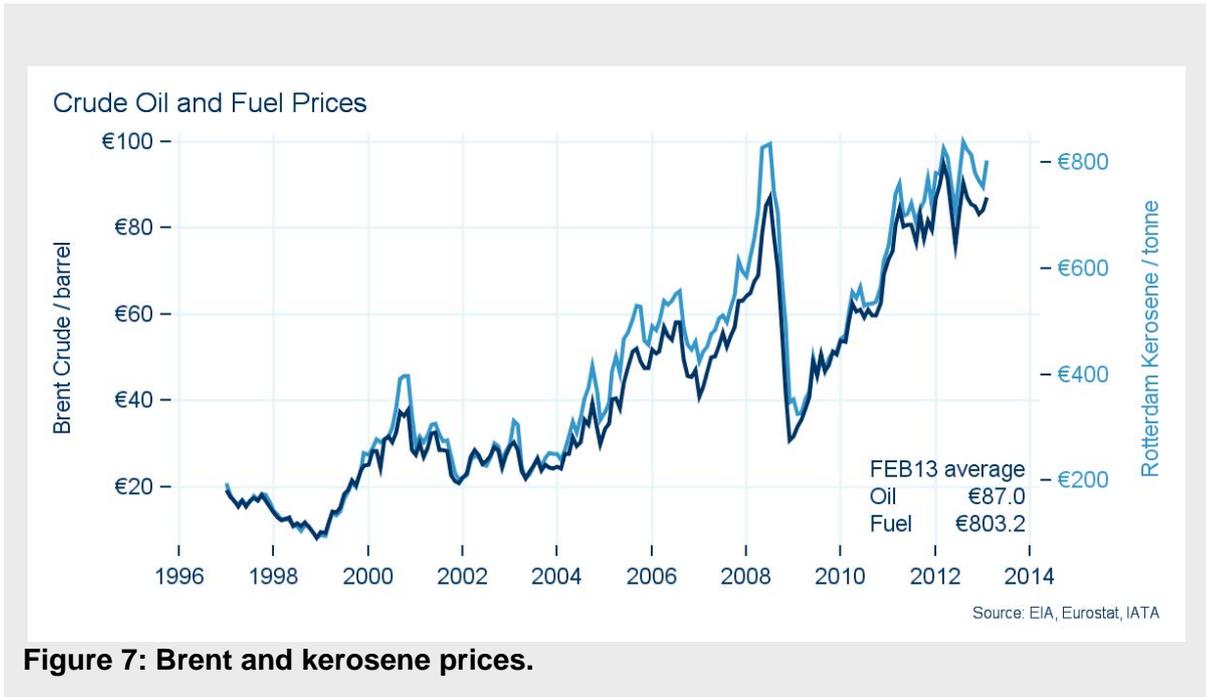
[Figure 5](#) compares the 2012 financial results to the 2011 ones for the Top 10 European airlines (based on 2012 traffic shares). Deteriorated economic environment and high fuel prices weighed on their results. The picture for European airlines is however quite mixed: low-cost airlines mainly (airberlin, easyJet, Ryanair, Norwegian) and Turkish Airlines managed to either stabilise or increase their profits compared to last year. For major network carriers, the situation is less positive: Lufthansa stayed in the black but reduced its profits by 36% compared to last year. Air France and SAS, reported losses but limited compared to last year. Lastly IAG and Alitalia reported operating losses, suffering from the difficult climate in southern west Europe (Spanish market for IAG) (Company reports, February).

Vueling tripled its EBIT results in 2012 compared with 2011 (2012 EBIT €33 million). TAP reported an operating profit of €43 million in 2012, an increase of 5.6% on 2011.

## Airports

Hamad International Airport in Doha is scheduled for opening on 1 April with 12 international carriers, including low-cost airlines operating from the new facility. National carrier, [Qatar Airways](#) is to move its entire operations to Hamad international during 2S13. The new airport will accommodate 28 million passengers in 2013, increasing to 50 million beyond 2015 (Qatar Airways, 28 January).

In its revised business plan to 2024, [Gatwick](#) put forward a new framework to replace the current system of regulation. The new deal will promote competition between airports and result in lower charges for airlines and passengers. Under Gatwick's new deal, passenger fees will rise from £8.8 in 2014 to a maximum of £10.7 in 2020-21. [easyjet](#) reported that there is no justification for the price increase, which, rather than keeping costs low, represents an increase of around 60% over five years (Gatwick Airport & easyjet, 14 February).



**Figure 7: Brent and kerosene prices.**

[Heathrow Airport Holdings Ltd.](#) (formerly BAA) reported 2012 adjusted EBITDA up 11.6% compared with 2011 and a record 70 million passengers over the whole year ([IM148](#)) (Heathrow, 18 February)

[Aéroports de Paris \(ADP\)](#) reported 2012 EBITDA up by 4.6% compared with 2011 and a record of 88.8 million passengers in 2012, an increase of 0.8% on 2011 (ADP, 28 February).

## Environment

The price of carbon contracts for 2016 was €5.8/tonne in recent weeks ([Figure 6](#)).

ICAO's Committee on [Aviation Environmental Protection \(CAEP\)](#) agreed on the certification procedures supporting new CO<sub>2</sub> standards for commercial aircraft along with a new global noise standard that will result in quieter skies and airports. The agreed new noise standard will lower the current standard by 7 decibels and will come into force on 31 December 2017 (ICAO, 14 February).

[European Parliament's Environment Committee](#) voted to support EC decision to suspend EU Emissions Trading Scheme (EU ETS) for intercontinental flights ([IM146](#)). The 'stop the clock' proposal should apply for one year maximum, which could be prolonged, provided that ICAO make progress in achieving a global emissions scheme and that EU member states use revenue from auctioning allowances to cut CO<sub>2</sub> emissions (European Parliament, 26 February).

## Oil

Oil prices up to €87 per barrel in February. Converted indices for Kerosene and Brent are shown in [Figure 7](#).

## Regulation

An analysis by Price Waterhouse Coopers commissioned by UK's four major airlines ([British Airways](#), [EasyJet](#), [Ryanair](#) and [Virgin Atlantic](#)) estimated that getting rid of the Air Passenger Duty (APD) would boost the UK economy and create 60,000 new jobs over the longer term (British Airways, 4 February).

It is reported that EC is likely to give regulatory approval for a transatlantic tie-up between Star Alliance members, [Lufthansa](#), [United Airlines](#) and [Air Canada](#). The three airlines proposed to give up landing and take-off slots at Frankfurt and New York airports following antitrust infringement proceedings launched by the European Commission which also sought feedback from rivals and third parties (Reuters, 20 February).

## Fares

Deflated ticket prices in Europe increased by 4.2% in January year-on-year, based on preliminary values (Eurostat, 28 February).

## Economy

Eurostat estimated that [GDP](#) contracted by 0.6% in the euro area and by 0.5% in the EU27 during 4Q12 compared with 4Q11. For 2012 as a whole, GDP fell by 0.5% in the euro area and by 0.3% in the EU27. In its Winter Forecast 2012 – 2014, EC expects a fall in GDP of 0.3% in the euro area in 2013 compared with a November prediction of 0.1% growth. (Eurostat, 14 February & Europa, 22 February).



© 2013- European Organisation for the Safety of Air Navigation  
(EUROCONTROL)

This document is published by EUROCONTROL for information purposes.  
It may be copied in whole or in part, provided that EUROCONTROL  
is mentioned as the source and it is not used for commercial purposes  
(i.e. for financial gain). The information in this document may not be  
modified without prior written permission from EUROCONTROL.

**STATFOR, the EUROCONTROL Statistics and Forecast Service**  
[statfor.info@eurocontrol.int](mailto:statfor.info@eurocontrol.int)  
[www.eurocontrol.int/statfor](http://www.eurocontrol.int/statfor)



**The EUROCONTROL Statistics and Forecast Service (STATFOR)**  
is ISO 9001:2008 certified.