Industry Monitor

The EUROCONTROL bulletin on air transport trends

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Network Manager nominated by the European Commission

EUROCONTROL

- **European flights increased by 4.1% in November 2017 compared with November 2016 and were at the low end of the forecast. This slowdown was partly attributable to the collapse of Monarch Airlines and Air Berlin in October. The overall flight growth for 2017 in average daily terms is estimated at 4.5%.**

- **IATA forecasts European airlines to post profit for 2018 of €9.7 billion up from €8.3 billion in 2017 owing to improving economies and robust travel demand.**

- **Oil prices surged to €53 per barrel and were at their 2017 high in November. EIA forecasts Brent crude oil prices to average €48 per barrel in 2018, up 5.5% from an average of €45.5 per barrel in 2017.**

EUROCONTROL Statistics and Forecasts

European flights (ECAC – European Civil Aviation Conference area) increased by 4.1% in November 2017 compared with November 2016 and were at the low end of the forecast updated in September 2017 (Figure 1). This slowdown was partly attributable to the collapse of Monarch Airlines and Air Berlin in October. The overall flight growth for 2017 in average daily terms is estimated at 4.5%.

In November, nine states contributed to more than 50 additional daily flights to the European local traffic growth (excluding overflights) compared with November last year. Continuing from September, Spain was the top contributor and added 194 flights to the network owing mainly to the growth on its flows from/to Germany, Italy and France. Turkey and Germany came next adding each 122 daily flights although Germany suffered from the bankruptcy of Air Berlin which led to 59 fewer daily flights in its internal flow, and 36 fewer daily flights in its flows from/to Austria, Switzerland and Italy. These losses were compensated by 100 extra daily flights on Germany's flows from/to Spain, Portugal and Greece and the recovery of traffic between Germany and Egypt. Poland, Canary Islands and Portugal (excl. Azores) added together 254 daily flights whereas France, Italy and the Netherlands added a combined 180 daily flights and completed the list (Figure 2). Only three states saw a minor decrease in their local traffic: Denmark (-12 flights/day), Austria (-7 flights/day) and the Azores (-3 flights/day).
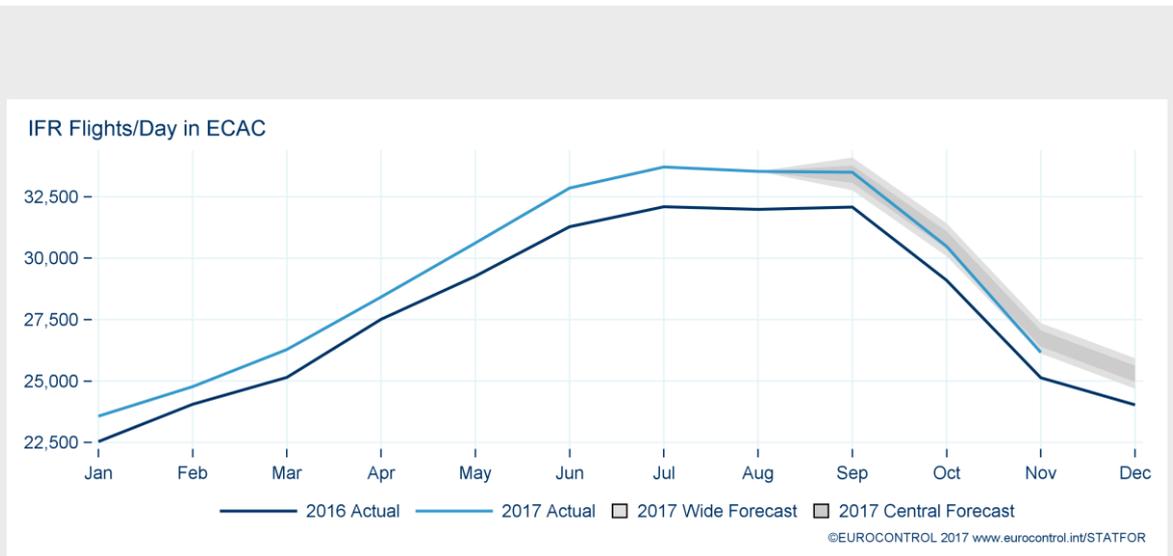
Figure 1: Monthly European Traffic and Forecast (based on the 7-year forecast Sep. 17).
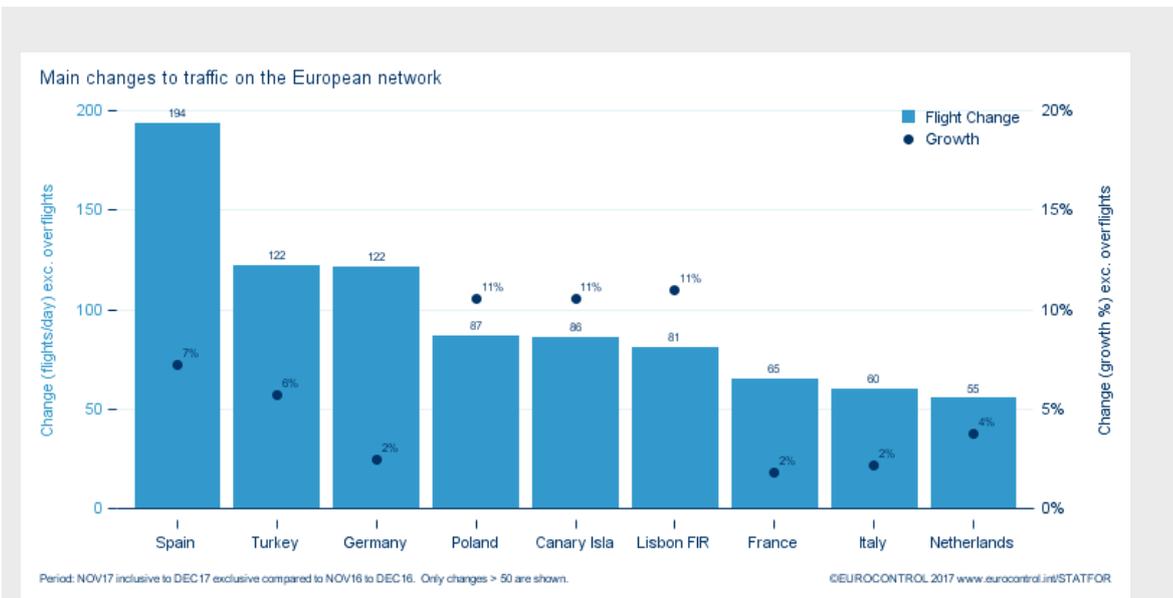

Figure 2: Main changes to traffic on the European network in November 2017.

The aircraft operators that added the most flights to the network on a daily basis in November 2017 (vs. November 2016) were Turkish Airlines (+102 flights), Ryanair (+74 flights), LOT Polish Airlines (+65 flights), Wizz Air Hungary (+58 flights) and Vueling (+53 flights).

The low-cost segment was the weakest and shrank to a growth of 0.6% as it was sharply impacted by Monarch Airlines and Air Berlin ceasing operations on 2 October and 28 October respectively. In November last year, Air Berlin and Monarch Airlines contributed to 7% and 1% to the growth of the segment. Moreover, Ryanair has cut capacity this winter by flying 25 less aircraft from November onwards in an attempt to avoid roster-related cancellations. The charter segment had the fastest growth and surged to an increase of 27% compared with November 2016, boosted by the recovery of leisure traffic to Egypt from Ukraine and Germany. The traditional scheduled segment took over from low-cost as the main driver of growth and was up 5.3%. The business aviation and all-cargo segments grew by 5% and 2.5% respectively (EUROCONTROL, December).

Breakdown of all-causes delay per flight
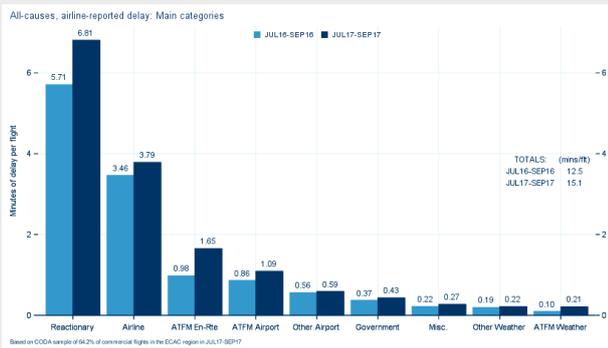
Percentage of flights delayed on departure

Figure 3: Delay statistics (all-causes, airline-reported delay – Q3 2017).

Operational data received directly from airlines describing delays from all-causes for Q3 2017 (July to September) illustrated a story of poorer punctuality than that of Q3 2016 with 76% of flights arriving on time compared to 79% in Q3 2016. This translated into a quarterly average all-cause departure delay of 15.1 minutes per flight, an increase of 2.6 minutes per flight on Q3 2016. The percentage of flights delayed on departure (>= 5 minutes) was 52% an increase of 5 percentage points compared with the same quarter last year (Figure 3).

A strong increase in daily flights of 4.8% in Europe (ECAC) for the third quarter this year is a common underlying factor in the main reported causes:

- Reactionary (knock-on) delay increased by 19% contributing 6.8 minutes to the 15.1 minute average delay per flight, a 45% share of delay minutes.

- Delays due to airline operations remained the main cause of primary delay, contributing 3.8 minutes to the average delay per flight, a slight increase.

- Airlines reported that en-route ATFM delays increased by 0.7 minute per flight to 1.7 minutes per flight, following industrial action in France during September. There were also ATC capacity and en-route weather issues affecting Karlsruhe and Maastricht UACs throughout the quarter.

Operational cancellations increased to 1.6% of planned flights, compared to 1.4% in Q3 2016 with the above-mentioned industrial action in France driving this increase (EUROCONTROL, December).
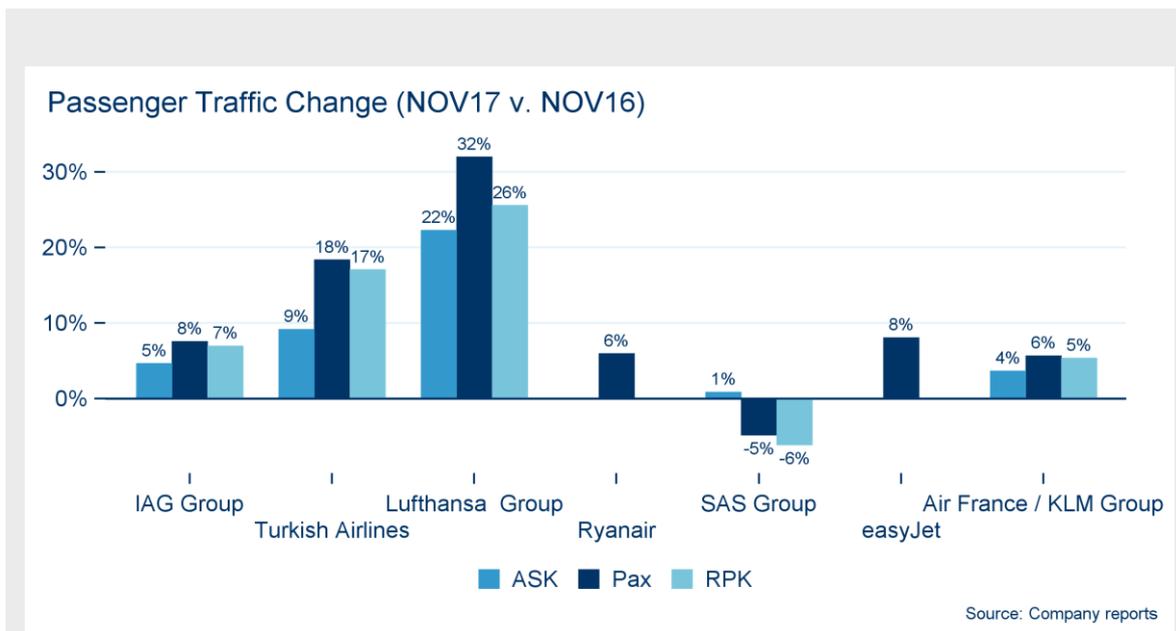
Figure 4: Main carriers' traffic statistics in November 2017.

Other Statistics and Forecasts

ACI reported that overall passenger counts at European airports increased by 7.8% in October 2017 compared with October 2016 with overall aircraft movements growing 4.4% on October last year (ACI Europe, 7 December).

IATA reported that European scheduled passenger traffic (RPK) was up 6.2% in October 2017 compared with October 2016. Capacity rose by 4.5% and the total passenger load factor was 84.9%, the highest among the world regions. In 2017 (January to November), Europe achieved the highest passenger load factor of 84.3%. IATA said that demand for air travel remained strong and there were signs for the economic growth to continue into 2018 (IATA, 4 & 5 December).

IATA forecasts European airlines to post profit for 2018 of €9.7 billion ($11.5 billion) up from €8.3 billion ($9.8 billion) in 2017 owing to improving economies, including Russia, and robust travel demand. Globally in 2018, airlines will face the challenge of rising costs from oil prices and labor costs which are expected to account for 20% and 31% respectively of operating costs (IATA, 5 December).

Passenger airlines

Traffic Statistics: November 2017 Update

Figure 4 and Figure 5 compare November 2017 figures with November 2016 figures for the European carriers. In addition to the number of passengers (PAX), passenger capacity is measured in available seat kilometres (ASK), traffic is measured in revenue passenger kilometres (RPK) and load factor as a percentage (%). Note: Lufthansa benefited from a bounce-back from several pilots' strike days in November 2016.
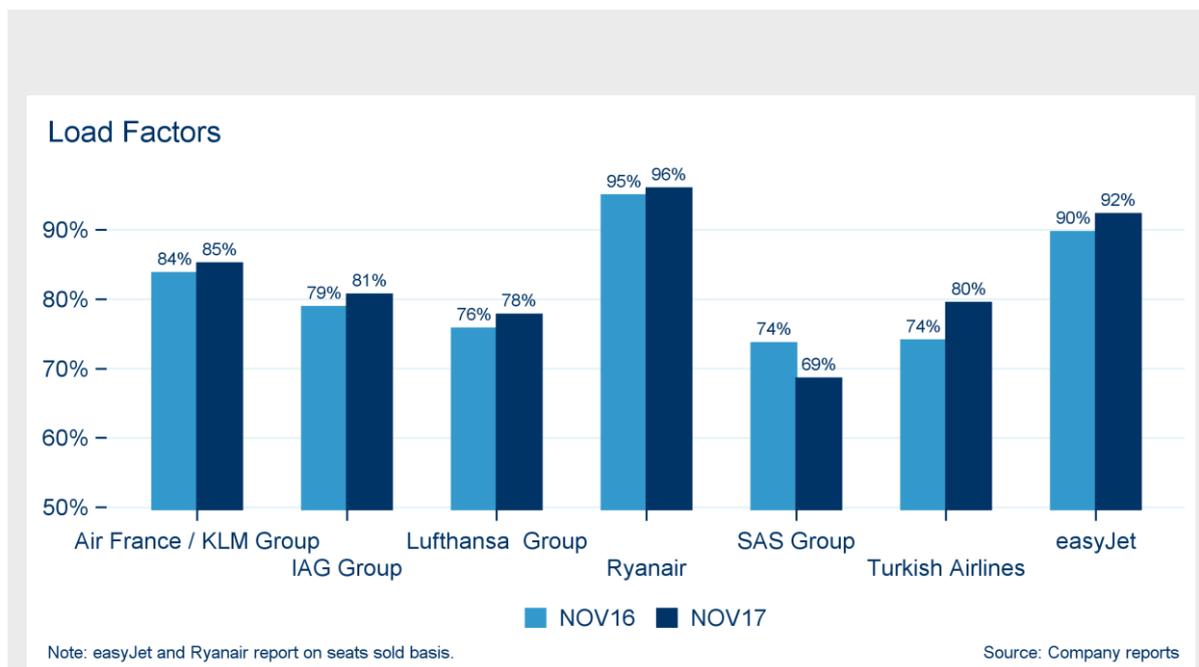
Load Factors

	Air France / KLM Group	IAG Group	Lufthansa Group	Ryanair	SAS Group	Turkish Airlines	easyJet
NOV16	84%	79%	76%	95%	74%	74%	90%
NOV17	85%	81%	78%	96%	69%	80%	92%

Note: easyJet and Ryanair report on seats sold basis.

Source: Company reports

Figure 5: Main carriers' load factors in November 2017.

Capacity, costs and jobs

easyJet UK will start operations into the German domestic market as it will fly from Berlin Tegel to Munich, Düsseldorf, Frankfurt and Stuttgart, from 5 January 2018 onwards. In addition, the airline will also serve 8 European destinations (Paris, Rome, Madrid, Helsinki, Milan, Stockholm, Vienna and Zurich) from Tegel. All these routes were formerly operated by Air Berlin (IM198) for which easyJet has received EC approval to acquire part of the defunct airline's operations at Tegel airport (easyJet, 12 December).

In order to compete with easyJet, Ryanair has applied for slots to base nine aircraft at Berlin Tegel from summer 2018. The carrier already has nine aircraft based at Berlin Schönefeld (Ryanair, 1 December).

Kazakhstan's flag carrier Air Astana plans to become the largest Airbus A320neo operator in Central Asia and the CIS by 2020 as it will grow its A320neo family to 17 aircraft allowing for a 40% capacity increase (Air Astana, 15 November).

Wizz Air has acquired take-off and landing slots at London Luton from insolvent Monarch Airlines and plans to increase its fleet at its Luton base from five to seven aircraft (Wizz Air, 30 November).

British Airways has reportedly acquired take-off and landing slots at London Gatwick from Monarch Airlines after the airline's administrator KPMG won a court appeal for the rights to sell Monarch's slots (BBC, 27 November).

Norwegian has acquired 28 take-off and landing slots at London Gatwick from Lithuanian Small Planet Airlines. Norwegian already flies 10 routes (to 9 US destinations and Singapore) from Gatwick and will launch additional long-haul routes to Argentina, Chicago and Austin in early 2018 (Norwegian, 13 December).

Austrian Airlines will complete phasing out its last Fokker F100 aircraft in December. The airline has operated a fleet of 21 Fokker F70/F100 aircraft since 1988 and has switched to a fleet of Embraer E195 aircraft taken over from Lufthansa's former CityLine. The E195 aircraft consume circa 18% less fuel than the Fokker (Austrian, 29 November).

Volotea will set up a new base in Athens in April 2018, its first in Greece and its 12th base in Europe and will launch two new routes to Verona and Heraklion bring to the eight the number of destinations served from the Greek capital. (Volotea, 29 November).

Estonian virtual carrier Nordica will open a base at Groningen (the Netherlands) with one Bombardier CRJ-700 aircraft and will launch two new routes to Munich and Brussels from 26 March 2018 onwards. All flights will be operated by Regional Jet and use LOT Polish Airlines flight code (Nordica, December).

Failures

Swiss regional Darwin Airlines was reportedly declared bankrupt on 12 December and ceased operations. The airline was rebranded Adria Airways Switzerland when Etihad sold its 33% stake in the carrier to Adria Airways. Darwin was based at Lugano and served eight European countries with a fleet of six Saab 2000 turboprop aircraft and four ATR72 aircraft (swissinfo, 13 December).

Air Berlin subsidiary NIKI filed for insolvency and ceased operations on 14 December 2017. The news came after EU denied approval of Lufthansa's plan to acquire NIKI and integrate it into the Eurowings group (NIKI, December).

Routes, Alliances, Codeshares

IAG's long-haul low-cost LEVEL will base two Airbus A330-200 aircraft at Paris Orly and start flying to Montreal, New York, Guadeloupe and Martinique from July 2018 onwards LEVEL will also launch a new route from Barcelona to Boston, effective 28 March 2018 and will base a third Airbus A330-200 aircraft at Barcelona in summer 2018 (IAG, 5 December).

Turkish Airlines and low-cost Azul Brazilian Airlines have signed a codeshare agreement whereby Turkish Airlines will place its code on Azul domestic flights via Sao Paulo (Turkish Airlines, 8 December).

Under its "Always Getting Better" programme, Ryanair has extended its connecting flights via Milan Bergamo from 31 to 131 connecting services. Ryanair also proposes connecting flights from Rome Fiumicino and will launch connecting flights service from Porto in January 2018 (Ryanair, 22 November).

Low-cost Scoot, a subsidiary of Singapore Airlines expands its long-haul operations in Europe with the launch of second destination to Berlin using a Boeing 787 Dreamliner aircraft during the second half of 2018 and subject to regulatory approval. The carrier already serves Athens (Scoot, 1 December).

Air France new airline Joon will started operations on 1 December with services from Paris CDG to Barcelona, Berlin, Lisbon and Porto. By summer 2018, Joon will fly to 13 destinations including Istanbul, Naples, Rome, Oslo, Fortaleza, Cairo, Cape Town, Mahé and Tehran and will operate a fleet of Airbus A320, A321 and A340 aircraft (Air France, 30 November).

Wizz Air plans to close its Polish base at Lublin in June 2018 and redeploy its Airbus A320 aircraft to Katowice and launch seven new routes from the latter to Porto, Faro, Malaga, Munich, Lviv, Kharkiv and Podgorica in Summer 2018. Wizz Air will however continue to operate a number of its routes from Lublin (Wizz Air, 27 November).

Wizz Air will expand its operations in Ukraine and launch 8 new routes from its three airports at Kharkiv, Lviv and Kyiv in 2018. Wizz Air closed its subsidiary Wizz Air Ukraine in 2015 as a result of the political tensions in Eastern Ukraine, but has been increasing its Ukraine service again since 2017 with the launch of seven new routes throughout the year (Wizz Air, 27 November).

easyJet will be launching 20 new routes from seven of its bases in the United Kingdom with to destinations in Croatia, France, Spain, Turkey and Italy with the start of the summer schedule (easyjet, 12 December).

Primera Air Scandinavia will launch new routes between UK and Spain in summer 2018 i.e. flights from Birmingham to Malaga and to Palma de Mallorca and flights from London Stansted to Alicante and Malaga (Primera Air, December).

Norwegian regional Wideroe will expand its route network with the launch of five new international routes from Bergen to Munich, Hamburg, Billund, Gothenburg and from Kristiansand to London in summer 2018. Until now Wideroe mainly operated domestic flights connecting 40 destinations in Norway (Wideroe, 14 December).

Meridiana will expand its network from Milan Malpensa in summer 2018 with the launch of two transatlantic flights from Malpensa to New York JFK and Miami along with five domestic routes from Malpensa to Rome Fiumicino, Naples, Palermo, Catania and Lamezia Terme. In April 2018 Meridiana will receive its first Boeing B737 MAX 8 with two Airbus A330-200 to be delivered in June for the airline's long-haul operations (Meridiana, 14 December).

Airports

It was reported that Berlin Brandenburg will now not open before October 2020 when it was originally set to open in 2012 but was repeatedly delayed due to fire safety issues (DPA news agency, 15 December).

London Luton Airport has unveiled a 30-year growth plan: "Vision for Sustainable Growth 2020-2050" aiming at more than doubling its passenger handling capacity from 18 million per annum to 38 million per annum by 2050. The airport will be able to accommodate 240,000 flights annually. Construction work is scheduled to start in 2018 (London Luton Airport, December).

Passenger traffic and aircraft movements in November 2017 at top five European airports (based on the number of flights) compared with the same period last year were as follows (growth on November 2016):

Rank	Airport	Passenger traffic	Aircraft movements
1	Frankfurt**	5.0 million (+ 21.1%)	39K (+ 17.0%)
2	London Heathrow	5.9 million (+ 3.5%)	38K (+ 1.8%)
3	Amsterdam Schiphol	5.2 million (+ 10.1%)	38K* (+ 4.5%)
4	Paris CDG	5.2 million (+ 6.6%)	37K (+ 1.1%)
5	Istanbul Atatürk	5.2 million (+ 16.5%)	36K (+ 7.0%)

*excluding General Aviation
** Frankfurt benefited from a bounce-back from several pilots' strike days at Lufthansa in November 2016.
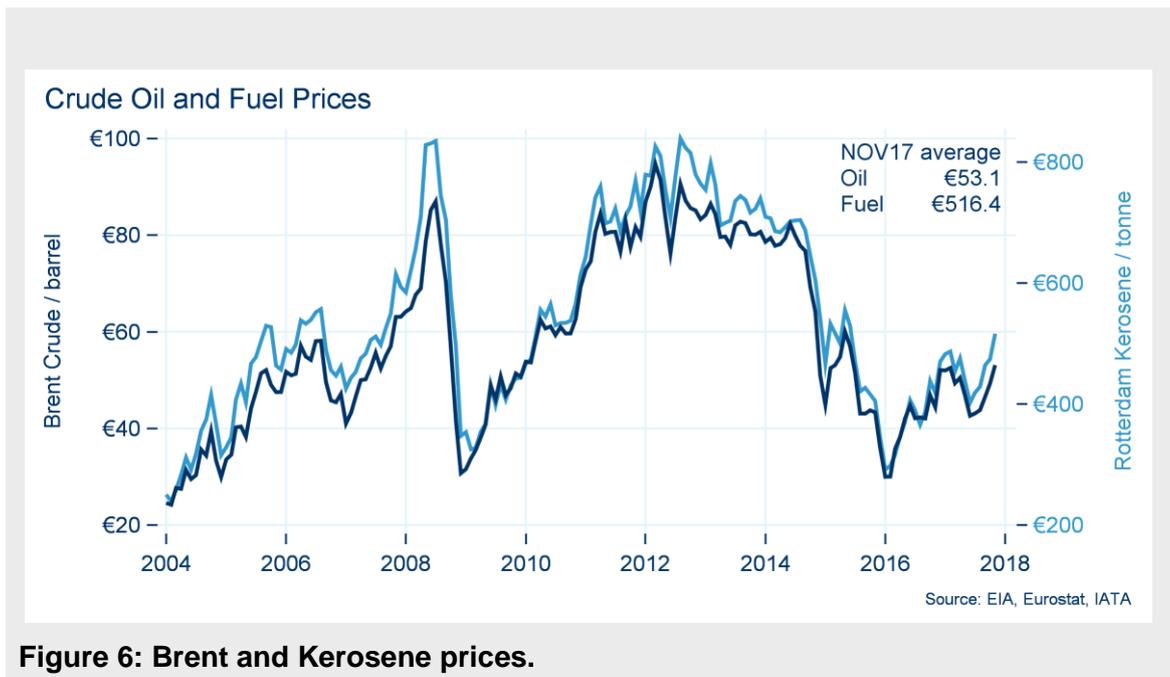Source: airport reports, November

Figure 6: Brent and Kerosene prices.

Cargo

DHL Express is the first operator of an Airbus A330-300 Passenger-to-Freighter (P2F) converted aircraft for which it has firm orders for eight A330-300 P2F units with options for a further 10. The aircraft offers 20% more cargo volume and lower cost per tonne compared with freighter aircraft of a similar range (DHL Express, 1 December).

Regulation

The European Union and Tunisia have reached a new aviation agreement which is meant to increase annual traffic by up to 13% per annum and bring additional 800,000 passengers over a five-year period (EUROPA, 11 December).

The European Commission has issued a notice to operators warning that , unless an agreement is reached, the UK will be considered a third country and carriers with their principal place of business in the UK will no longer be entitled to the benefits of an EU operating license when UK leaves the EU on 30 March 2019. UK pilots' union BALPA has expressed its concerns over the implications of Brexit. (EUROPA, 11 December).

Oil

Oil prices surged to €53 per barrel and were at their 2017 high in November. Converted indices for Kerosene and Brent are shown in Figure 6. Oil prices for the first two weeks in December averaged out at €54 per barrel and hit a 30-month high.

IATA forecasts the airlines fuel bill to rise to €131 billlon ($156) in 2018 accounting for circa 20% of airline average operating costs based on €51 ($60) per barrel Brent crude oil price, this is a 10.7% increase on 2017 (IATA, 5 December).

EIA forecasts Brent crude oil price to average €48 ($57) per barrel in 2018, up 5.5% from an average of €45.5 ($54) per barrel in 2017 (EIA, 12 December).
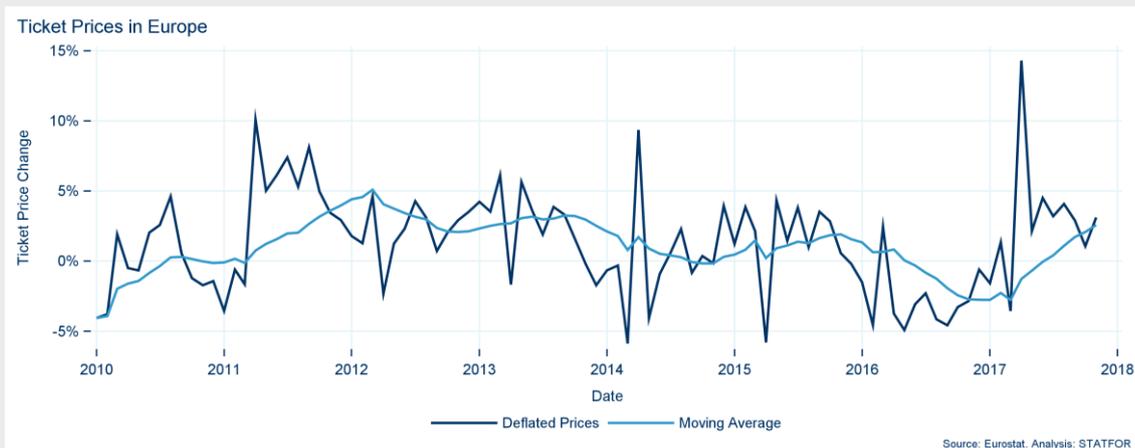
Figure 7: Deflated ticket prices in Europe.

Economy

Euro area economy indicators updates:

- Annual inflation was 1.5% in November 2017 vs. 0.6% in November 2016. The largest upward impact came from fuels for transport;
- Unemployment rate was 8.8% in October 2017 compared with 9.8% in October 2016. This was the lowest rate recorded in the euro area since January 2009;
- GDP rose by 2.6% during the third quarter of 2017 compared with the same quarter of 2016 (EUROSTAT, 30 November & 7 & 18 December).

Fares

Ticket prices in Europe increased by 3.1% in November 2017 vs. November 2016. This is above the trend (12-month trailing average) shown in Figure 7 (Eurostat, 18 December).

Note: to eliminate the influence of inflation on euro figures, the ticket price is deflated with a price index. The STATFOR deflated ticket prices are estimated in 2015 constant euros. A detailed explanation of the mechanism can be found here.

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