

# Industry Monitor

The EUROCONTROL bulletin on air transport trends

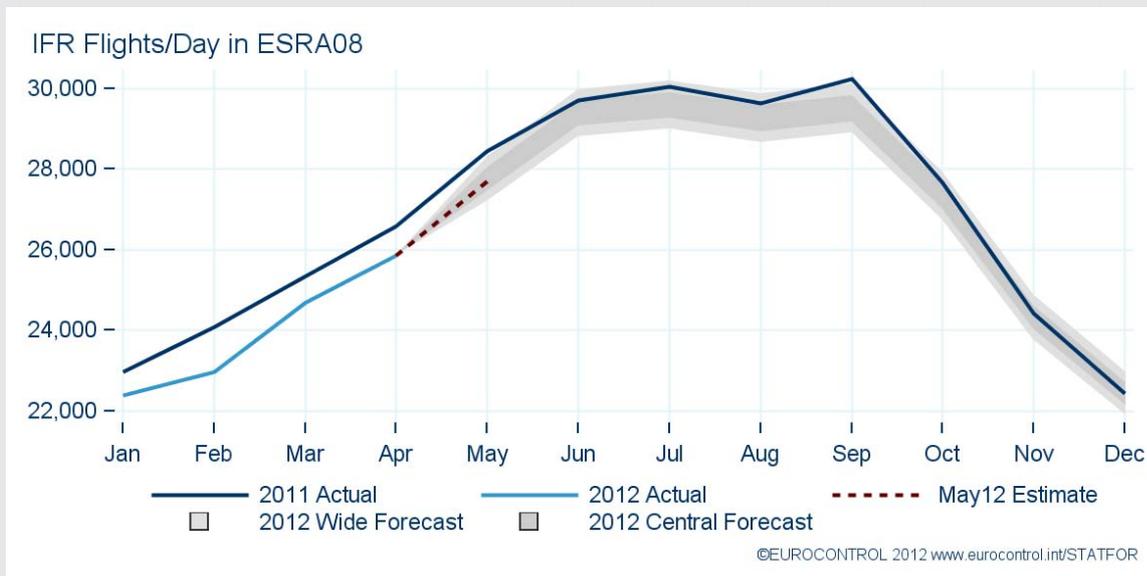
- **European flights declined by 2.7% in April.**
- **May update of the two-year flight forecast is for a downward revision of 0.4 percentage points to 1.7% fewer flights in 2012 than in 2011. The outlook for 2013 is for 1.6% growth.**
- **ACI reported overall passenger traffic at European airports to be up 3.4% in 1Q12 on 1Q11 whereas aircraft movements decreased by 1.7%.**
- **European airlines selected in this bulletin recorded €1.7 billion operating losses during 1Q12, a 17% increase on the same period a year ago.**
- **Oil prices reduced to €79 per barrel on 31 May, dropping 15% from April.**

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## EUROCONTROL statistics and forecasts

**European flights** declined by 2.7% in April compared with the same month last year and were similar to April 2009 levels. Strikes in Portugal, but mainly in France resulted in circa 5,000 flight cancellations. With the exception of charter and low-cost, both up 3% and 1.2% respectively on April 2011, other market segments were down circa 4% (see [Figure 1](#)) (EUROCONTROL, May).

Based on preliminary data for delay from all causes, **36% of flights were delayed on departure** in April, resulting in a 3 percentage point increase on April 2011. Analysis of the causes of delay shows a notable increase in reactionary delay. This cause saw a 51% share of total delay minutes for all-causes and an increase in its contribution to the average delay per flight to 5 minutes, an increase from 3.7 minutes in April 2011. Primary airline-related delays remained stable (see [Figure 2](#)) (EUROCONTROL, May).



**Figure 1: European Traffic.**

In its updated traffic outlook for 2012-2013 in Europe, [EUROCONTROL forecasts](#)<sup>1</sup>:

- A small downward revision from the February forecast to a 1.7% decline in flights for 2012, though this does not account for downside economic risks for Europe, which have increased significantly in likelihood, with renewed problems in Greece, Spain and elsewhere.
- 2013 will show signs of a weak recovery (1.6% growth,  $\pm 0.9\%$ ), a slightly higher rate than in the February forecast. This growth remains below historical trends, and implies a return only to around 2011 traffic volumes (EUROCONTROL, 31 May).

## Other statistics and forecasts

[ACI](#) reported overall passenger traffic at European airports up 3.5% in March 2012 compared with the same month last year whereas total aircraft movements were down 2.3% on March 2011. Passenger traffic for 1Q12 increased by 3.4% on 1Q11 with aircraft movements decreasing by 1.7% (ACI, 8 May).

[IATA](#) reported an increase of 6% in demand in April 2012 for scheduled passenger traffic in Europe whereas freight traffic was down 5.2% on April 2011 (IATA, 30 May).

<sup>1</sup> [The Two-Year Flight Forecast \(2012 -2013\) May 2012 is available here](#).

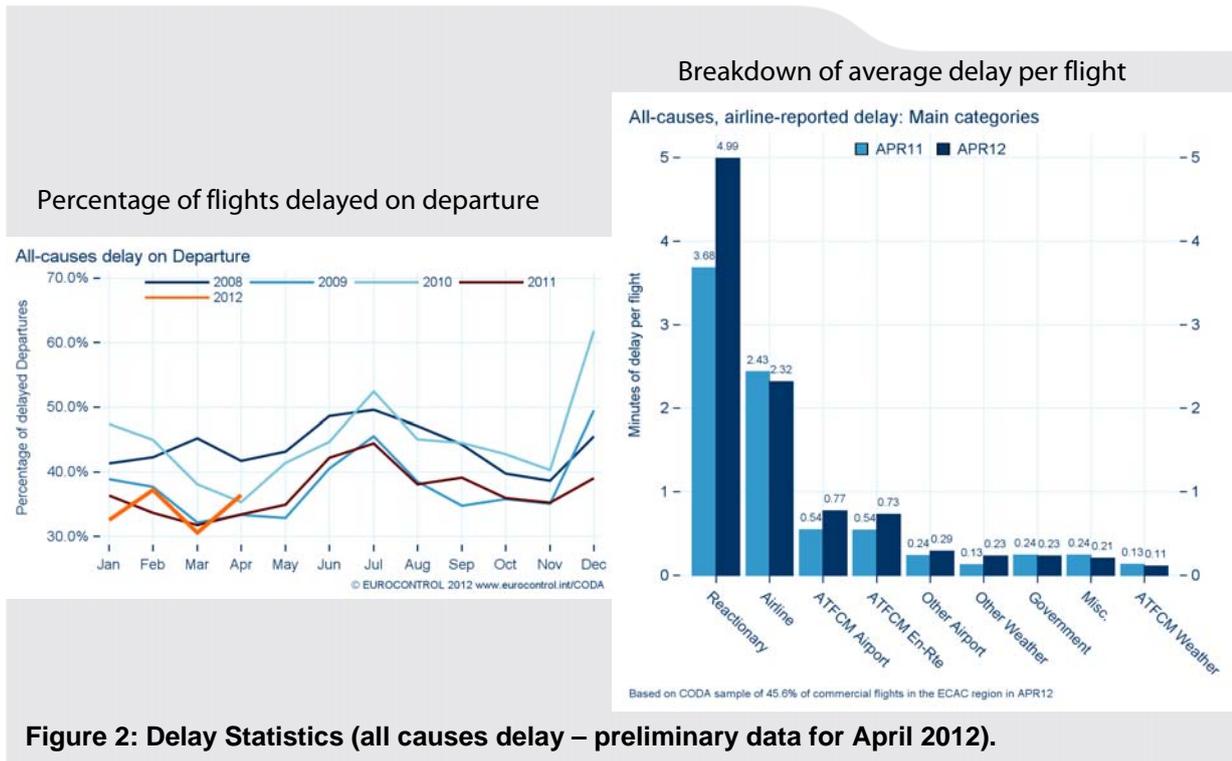


Figure 2: Delay Statistics (all causes delay – preliminary data for April 2012).

## Passenger airlines

**IAG** signed an agreement to sell **BMI Regional** to a Scottish consortium thereby securing circa 330 jobs. The deal has to be approved by the CAA (IAG, 10 May).

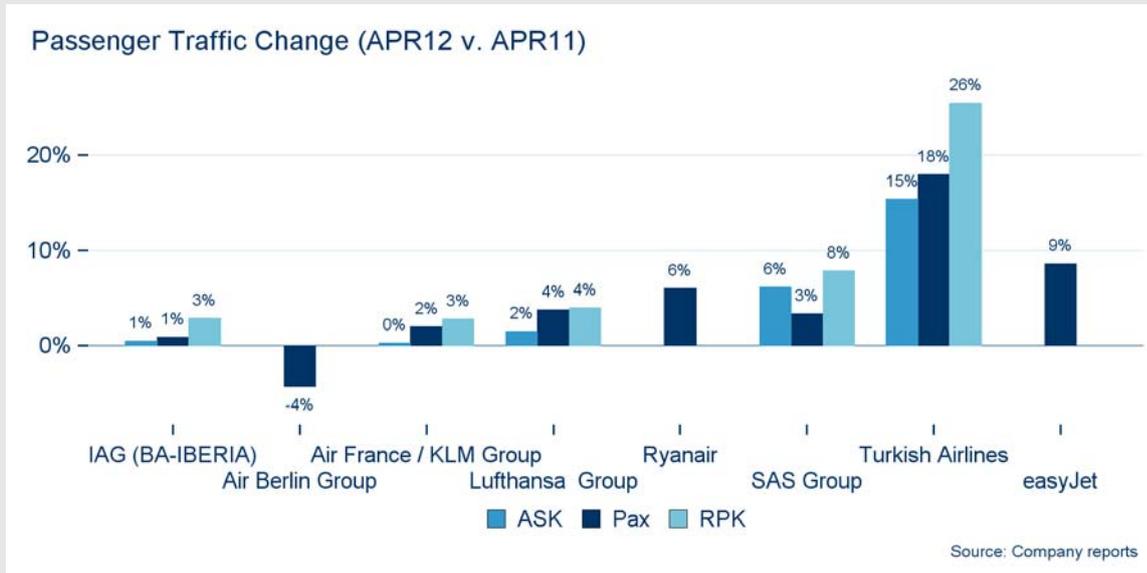
**British Airways** announced that nine **BMI** routes from Heathrow to Bergen, Nice, Vienna, Stavanger, Hannover, Agadir, Marrakesh and Casablanca will, from 23 May, carry British Airways' flight numbers (British Airways, 22 May).

Following the sale of **BMI** to **IAG**, **bmibaby** (BMI's sister airline) announced it will cease all operations by September 2012 and terminate certain routes from Belfast, Birmingham and East Midlands as from 11 June after the airline failed to find a buyer (bmibaby, May).

**Ryanair** announced it will again ground around 80 aircraft this winter blaming continuous higher oil prices and high winter charges at Dublin and Stansted airports (Ryanair, 21 May).

**Wizzair** went from a fleet of 3 to 6 A320s based at Budapest since Malev's bankruptcy in February, is operating 32 destinations from Budapest this summer and announced 22 routes for the winter season compared with 16 routes last winter (Wizzair, May).

**Air France** presented further details on its Transform 2015 plan with the objective to increase productivity by 20% mainly by reducing personnel costs. The airline recognised it has excess staff and is negotiating with trade unions the measures to deal with it. The plan aims to reduce the airline's freighter fleet from five to four aircraft and to restructure its short and medium-haul operations, removing 34 aircraft by 2014, into three distinct areas of activity: (1) long-haul feeder, (2) regional and (3) short- and medium-haul leisure (Air France, 24 May).



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

[Finnair](#) is to hand over a third of its European routes to [Flybe](#) to cut costs and restore profitability by focusing on profitable routes to Asia. Effective October, Finnair would transfer 12 aircraft and 200 cabin crew to Flybe (Finnair, 22 May).

[Austrian Airlines](#) is to transfer its operations to its subsidiary [Tyrolean Airways](#) resulting in 80 aircraft and 2,000 employees being transferred to the latter as of 1 July since no agreement could be reached with unions ([IM139](#)) (Austrian, 21 May).

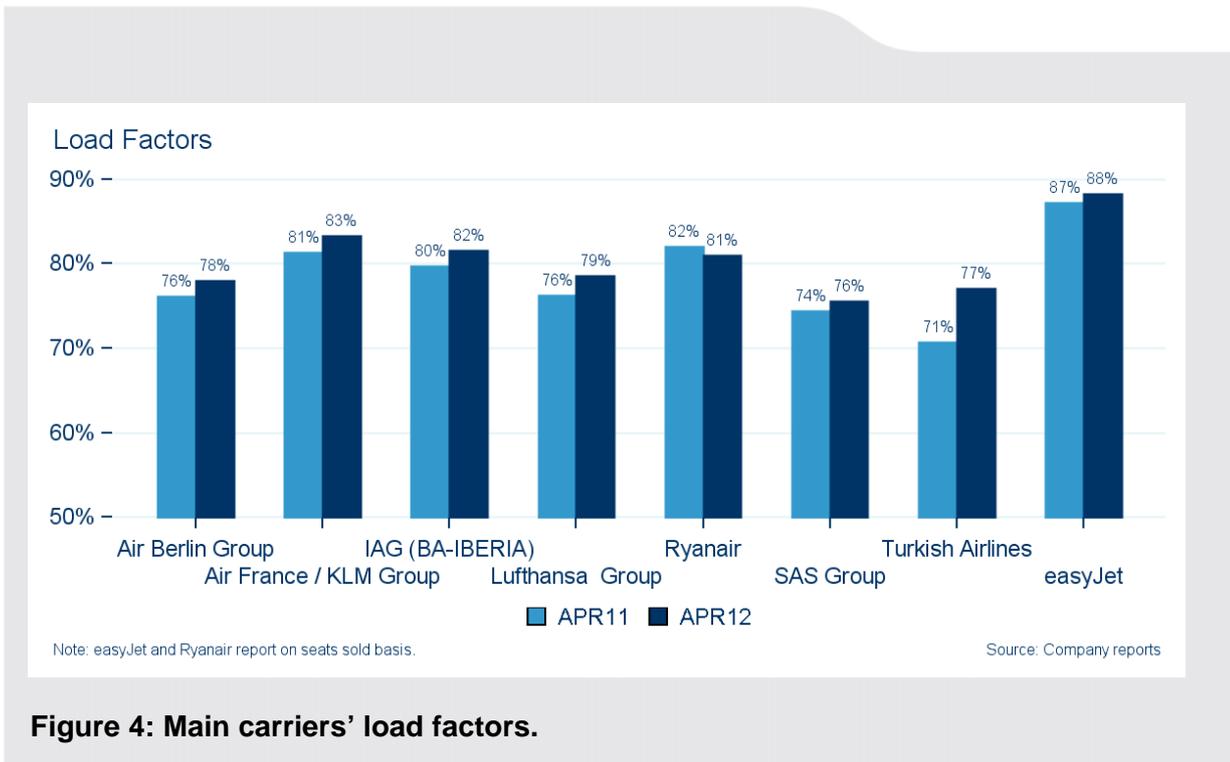
It is reported that [Air France](#) is to reduce its operations at Marseille with eight routes being cancelled (Marseille to Barcelona, Basel-Mulhouse, Beirut, Düsseldorf) or reduced (Marseille to Bordeaux, Brest, Lille, Hamburg) effective 3 September (airlineroute, 22 May).

[Thomas Cook Group](#) is to sell and leaseback part of its aircraft fleet, dispose of five Spanish hotels and its majority stake in Thomas Cook India after poor performance of its North American and French businesses during the winter (Thomas Cook plc, May).

[Delta Air Lines](#) reportedly announced it will cut capacity by 5% on transatlantic routes as from September due to the risk of a weak European currency and high fuel costs (Reuters, 17 May).

[Cathay Pacific](#) is planning to reduce its flight frequencies on several long-haul routes, including Europe in response to high fuel costs and economic uncertainty (Cathay Pacific, 9 May).

Canadian conglomerate Triple Five is to acquire a majority stake in loss-making [Cyprus Airways](#) (Cyprus Airways, 8 May).



**Figure 4: Main carriers' load factors.**

## Routes, Alliances, Codeshares, Intermodality

High-speed rail [Eurostar](#) is reportedly looking to challenge airlines by expanding its network out of London to Amsterdam, Frankfurt, Cologne, Lyon, Marseille and Geneva in the next five years (FT, 14 May).

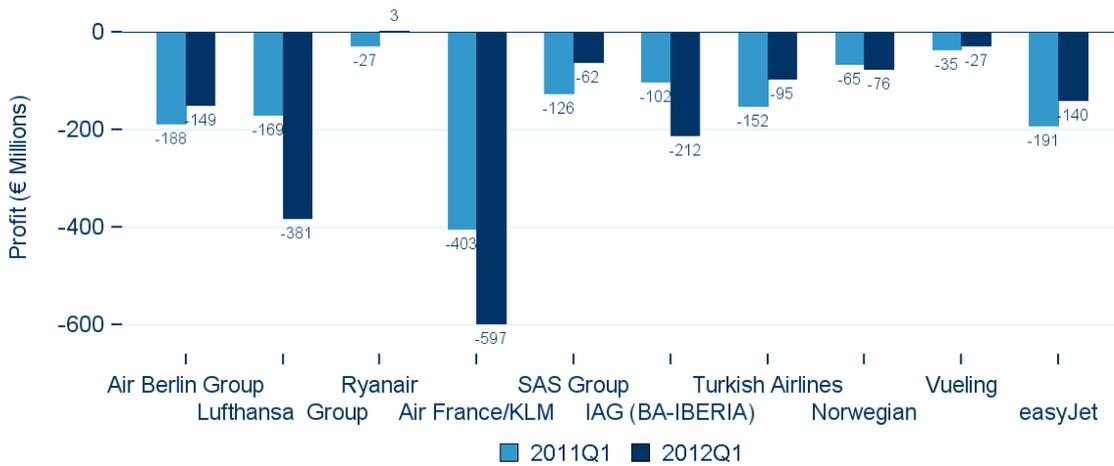
[Lufthansa](#) is to go ahead with its planned increase in routes out of Berlin, despite postponement of Brandenburg's opening. The airline will launch new routes from Manchester and Birmingham to Berlin Tegel on 3 June (Lufthansa, May).

[Scandinavian Airlines \(SAS\)](#) and [Singapore Airlines \(SIA\)](#) signed a joint venture agreement enabling both airlines to expand air services between the two regions and potentially envisage a new route between Singapore and Stockholm. SIA has already a codeshare agreement with SAS to operate three flights a week between Singapore and Copenhagen (SAS, 11 May).

[easyJet](#) is reportedly expanding its operation from Switzerland in Winter 2012/13 with 3 new routes from Basel to Brussels, Budapest and Manchester and 2 new routes from Geneva to London Southend and Seville (airlineroute, 14 May).

[Monarch](#) is to launch 12 new routes in Winter 2012/13 from Gatwick, Luton, Manchester, Birmingham and its new base at Leeds/Bradford. Ten of the new routes will serve ski resorts via Grenoble, Friedrichshafen and Munich. The airline is also to take over BMIbaby routes launching flights from its new base at East Midlands to Malaga, Alicante, Palma and Faro, effective 31 August (Monarch Airlines, 17 & 23 May).

### Operating profits of airlines



Note: Air Berlin (EBIT), Norwegian (EBIT), Ryanair (adjusted after tax), EasyJet (Oct 2011 - Mar 2012)

Source: Company reports

**Figure 5: Main carriers' financial results 1Q12.**

## Cargo

[Fedex](#) continues broadening its network in Europe with the acquisition of French package delivery company [Tatex](#). Fedex bought Polish courier company [Opek](#) last month (Fedex, 10 May).

## Failures

Swedish regional carrier, [Skyways Express](#) and its subsidiary [City Airline](#) filed for bankruptcy and cancelled all flights since 22 May. The airline operated 20 destinations in Sweden and internationally. Skyways and Cimber, which declared bankrupt earlier this month, are both owned by Mansvell Enterprises (Skyways AB, 22 May).

It is reported that [Flybe Nordic](#) is interested in buying the recently bankrupt [Cimber Sterling](#) to expand its presence in the Nordic countries and in Germany while at the same time Cimber's former management, Mansvell would reportedly acquire Cimber Air Maintenance Center and Cimber Air Data. (Reuters, 14 & 16 May).

Several airlines benefited from [Cimber Sterling's](#) suspension of services on 3 May, with [Danish Air Transport](#) serving two domestic routes from Copenhagen, [Sun-Air of Scandinavia](#) (British Airways' franchisee) launching routes to Stockholm and Oslo and [Norwegian](#) resuming its route between Copenhagen and Karup. Cimber subsequently restarted operations on a wet-lease agreement with SAS. (DAT, Sun-Air, Norwegian & SAS, May).

[IAG](#) and [JAL](#) were granted anti-trust immunity from Japanese government to consolidate their joint business, effective March 2013. The agreement will allow British Airways and Japan Airlines to cooperate on flights between EU and Japan (IAG, 25 May).

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



**Figure 6: Carbon prices.**

## Traffic statistics: April update

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

## Financial results of airlines

With the exception of [Ryanair](#), all the airlines followed in this bulletin reported losses from operations during the first quarter of 2012. They totalled €1.8 billion losses, an increase of 17% compared with the €1.5 billion losses in 1Q11 ([Figure 5](#)). Most carriers blamed sharp increases in fuel prices as the prime factor to their results along with the uncertain economic climate (company reports, May).

## Environment

The price of carbon contracts for 2015 was down to €8/tonne in recent weeks ([Figure 6](#)).



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

## Airports

**Berlin's new Brandenburg airport**, originally scheduled to open on 3 June, has now been postponed until March 2013 due to technical issues with the airport's fire protection systems. The cost of keeping Tegel and Schönefeld airports open, which Brandenburg will eventually replace, will amount to €15 million a month. **airberlin** said the March 2013 opening will have a deep impact on its business operations as a lot of additional services were scheduled based on the 3 June opening date (BER, 8 & 17 May, airberlin, 18 May and Reuters, 17 May).

**ADP** confirmed its target for 2012 ([IM138](#)) and published EBITDA increasing by 4% to €347 million for 1Q12 compared with 1Q11 (ADP, 15 May).

**BAA** reported adjusted EBITDA up 15% (€ 286 million) in 1Q12 compared with 1Q11. Passengers at Heathrow were up 4.4% to 15.7 million in 1Q12 (BAA, 25 April).

**Fraport** reported EBITDA up 7.6% to €138 million for 1Q12 compared with 1Q12, partly due to growing numbers of passengers at the Group's airports, up 3.9% to 17.5 million passengers in 1Q12 (Fraport Group, 9 May).

## Oil

Oil prices closed at €79 per barrel on 31 May, dropping 15% from April. Converted indices for Kerosene and Brent are shown in ([Figure 7](#)).

## Aircraft Manufacturing

**Boeing** reported 137 commercial deliveries in 1Q12 (99 737s, 20 777s, 7 767s, 6 747-8s and 5 787s), 33 more than in 1Q11. The manufacturer targets 585 to 600 deliveries in 2012 (Boeing, May).

**Airbus** delivered 131 commercial aircraft in 1Q12 and recorded 85 net orders during the first quarter. The manufacturer predicts that it will deliver 570 aircraft in 2012, up from 534 in 2011 (Airbus, May).

**Embraer** delivered 34 commercial and executive jets in 1Q12, 6 more than in 1Q11 and recorded a 10% increase in net revenues for 1Q12 to \$1,160 million compared with 1Q11 (Embraer, 17 & 25 April).

**Bombardier** delivered 36 commercial and business aircraft during 1Q12, 24 fewer than during 1Q11 and recorded 68 net orders during the first quarter (Bombardier, 10 May).

## Economy

EUROSTAT published a flash estimate for 1Q12. **GDP** remained stable in **Euro area** and **EU27**, at 0.0% and +0.1% respectively compared with 1Q11. Euro area **annual inflation** is expected to be 2.6% (EU27, 2.7%) in April 2012; it was 2.7% (EU27, 2.9%) in March (EUROSTAT, 15 & 16 May).

## Regulation

German Transport Minister reportedly indicated the possibility to evaluate the controversial **air passenger tax** imposed on flights departing from German airports saying that competitive disadvantages for German airlines were no longer acceptable (tax-news.com, 29 May).

## Fares

Deflated ticket prices in Europe decreased by 0.5% in April year-on-year, based on preliminary values (EUROSTAT, 16 May).



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