

Industry Monitor

The EUROCONTROL bulletin on air transport trends

- **European air traffic increased by 1.6% in March**
- **International air traffic grew 9% during the first quarter 2010**
- **British Airways and Iberia officially signed their merger agreement forming the 3rd largest airline**
- **Turkish Airlines passengers grew by 11% in 2009 being ranked the 4th airline amongst AEA members**
- **EU27 annual inflation rose at around 2% in March**
- **Oil prices now up to around \$85 per barrel**

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FORTHCOMING REPORT ON VOLCANIC ASH CLOUD IMPACT

This current edition of the Industry Monitor is reduced to the minimum as April news on air transport was focused on the effects in [European airspace](#) of the Icelandic volcano eruption. STATFOR will publish a note on the [impact of the volcanic ash cloud crisis on air traffic](#) ahead of the May update of the traffic forecast. For current information, see www.eurocontrol.int.

EUROCONTROL Statistics and Forecasts

[European traffic](#) increased in March by 1.6% on the same month of last year. March is the first month when the number of flights increased after 17 months in a row of decline. Due to the above mentioned event, traffic growth in April looks likely to be negatively affected as shown in Figure 1.

Preliminary data shows that the [average delay per delayed flight](#) (for departures) increased to 27 min in March up from 24 min in March 09 (see Figure 2). The March delay figure has nevertheless decreased compared to figures for January and February months hampered by weather and labour issues. In March, 41% of the flights were delayed on departures (>5 min), an 8 percentage point increase compared to March 09.

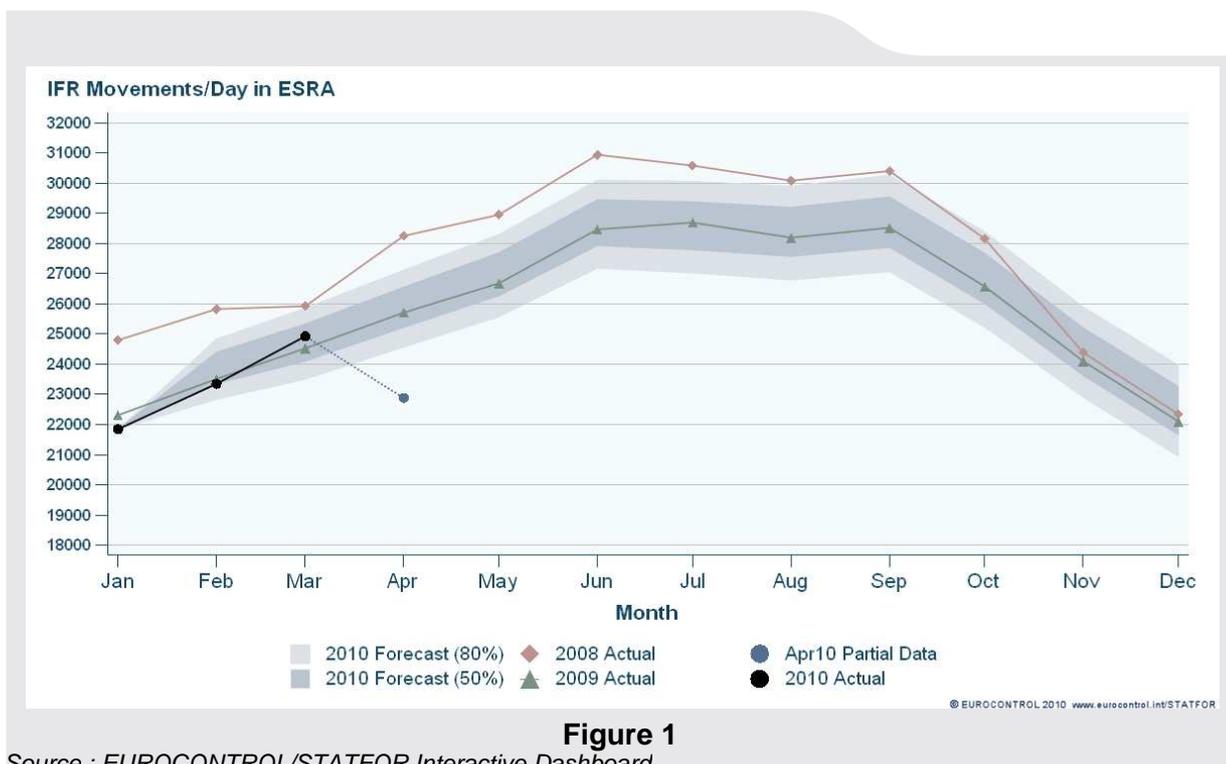


Figure 1

Source : EUROCONTROL/STATFOR Interactive Dashboard

Other Statistics

According to IATA, and before the volcanic eruption, international air travel (RPK) was around 10% higher in March than in March 09 (the low point on international air travel records). International air freight (FTK) also increased by 28% in March (year-on-year). The upturn in demand was very strong during Q110 with a 9% growth in air travel and 26% in air freight (annualised rates). The improvement was nevertheless not uniform across the regions with the weakest growth rates for European traffic: around 4% in air travel and 10% in air freight and the strongest ones for Asia-Pacific: 10% and 36% respectively (IATA, 27 April)

Passenger Airlines

Lufthansa's first A380-800 to be received mid-May will be able to carry 526 passengers in a three-class configuration. This is a higher density than some operators, though Air France implemented a 538-seat configuration. The German carrier will start operating Far Eastern destinations (Beijing and Tokyo) from Frankfurt during the summer as well as South Africa from October (Lufthansa, 29 April and Air France).

From mid-June, the Emirates' low cost subsidiary FlyDubai will operate a five weekly service between Dubai and Istanbul Sabiha Gökçen for summer (flydubai, April).

Alliances, Mergers

British Airways and Iberia officially signed their merger agreement, after first negotiation talks started two years ago. The new holding formed (called International Airlines Group, although the two airlines will keep their own identities) should be completed by the end of the year after respective shareholders' approval. It will serve around 200 destinations with a fleet of approximately 400 aircraft, being the 3rd largest airline by revenues worldwide (BA, 8 April).

British Airways is reportedly willing to expand its operations to Africa from Europe and Latin America by means of Iberia's existing network following to the merger. Part of the expansion will include new services from Madrid (into Africa) as well as taking delivery of B787s in 2012 (reuters, 14 April).

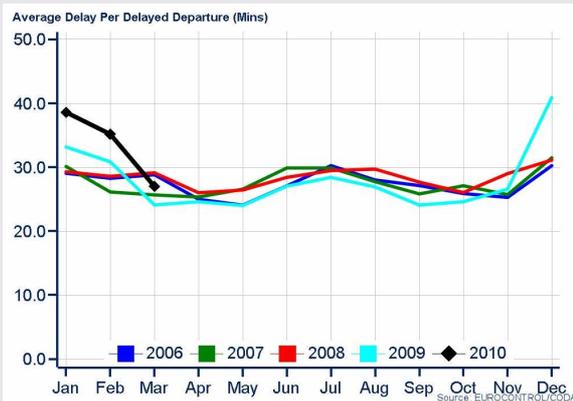
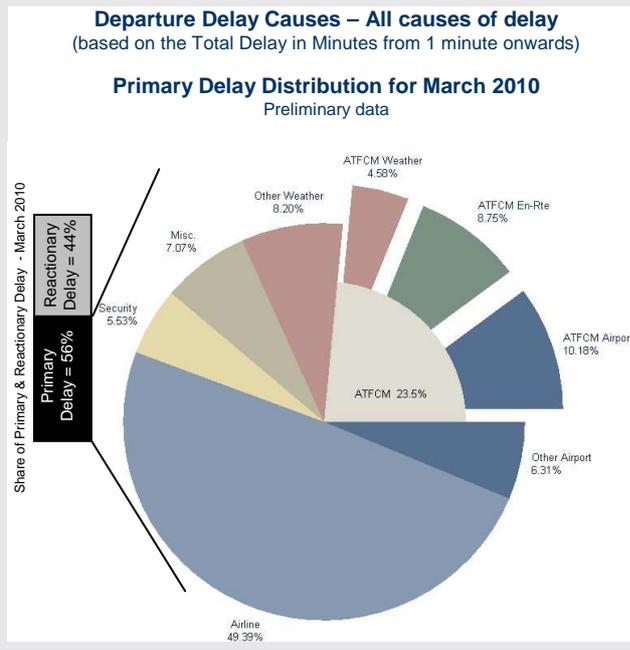


Figure 2

Source : EUROCONTROL/CODA



Air Berlin concentrates its long-haul business on profitable routes in 2010, trimming its seat capacity by 3% (compared to 2009). The carrier will reduce its wide body fleet from 14 to 10 aircraft by 2012 (Air Berlin, 25 March).

Traffic Statistics: March update

Figure 4 and Figure 3 compare March 10 figures with March 09 ones. Passenger capacity is measured in available seats kilometres (ASK) and traffic is measured in revenue passenger kilometres (RPK).

British Airways recorded an 11% decrease in traffic and carried 15% fewer passengers, hit by the 7 days of strikes in late March (BA, 7 April).

Of the major European airlines monitored by this bulletin, all carriers except Air Berlin recorded a positive growth in load factors in March (see Figure 3). Air Berlin has increased its

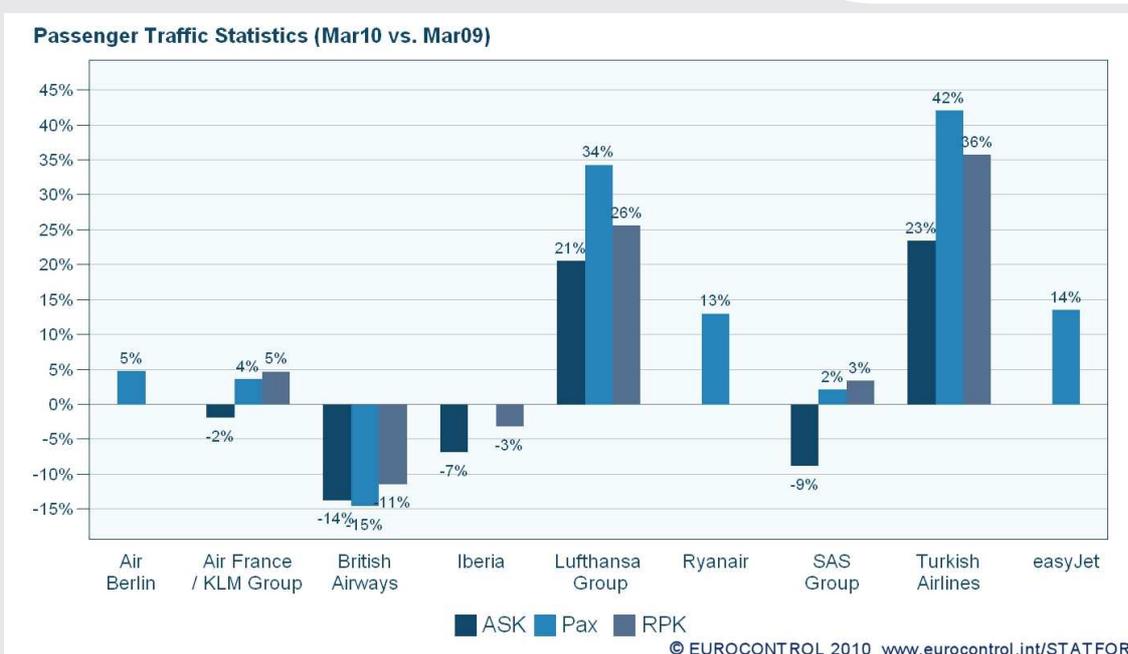


Figure 3

Source : Company reports

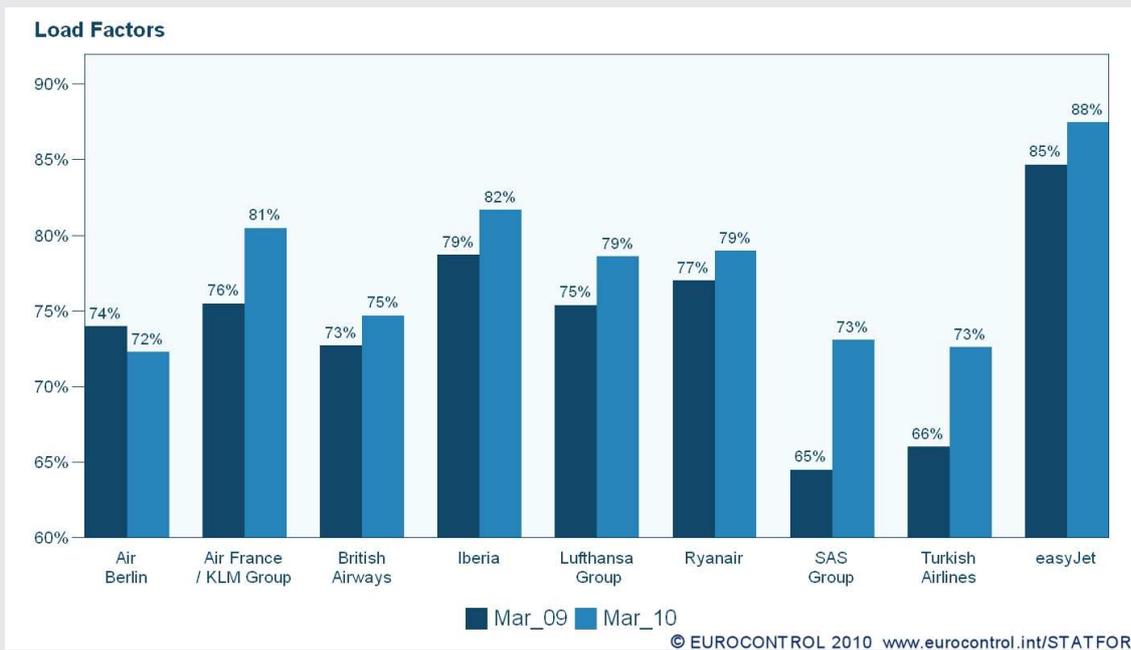


Figure 4

Source : Company reports

capacity by 20% in March whereas passenger carried increased by 5%, not enough to improve load factor in March (Air Berlin, 7 April).

Financial Results of Airlines

Turkish Airlines posted a net income down by half for the year 2009: €260 million down from €598 million in the previous year. But, the Turkish carrier is one the rare airlines to report an increase in operating profits in 2009 with €367 million compared to €297 million in 2008 (see IM 117). Over the same period, passenger traffic grew 11% to more than 25 millions although the strong expansion in seats capacity by 22% reduced the load factor by 3 points to 70.9%. AEA ranked the Turkish carrier as the 4th European airline in terms of passengers (Turkish Airlines, 28 April).

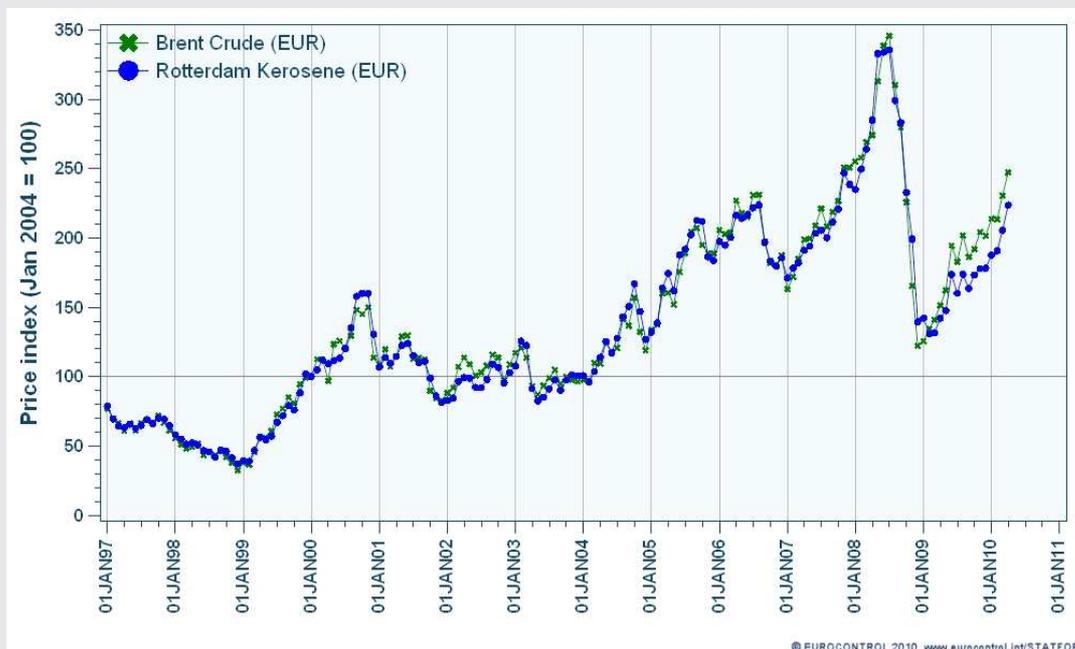
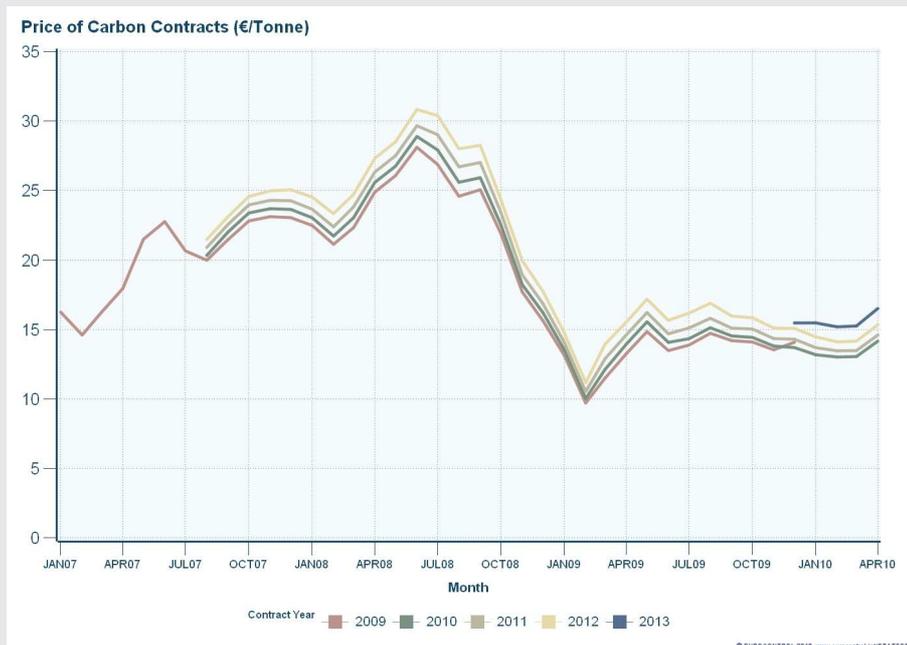


Figure 5

Source : Kerosene prices – EIA ; Prices&Exchange Rates -- EUROSTAT



Source : Point Carbon

Figure 6

Economy

Euro area annual inflation was 1.4% in March (year-on-year) up from 0.9% in February. EU27 annual inflation was 1.9% in March (compared to March 09). The component recording the highest annual rate is transport (+6.1%) with fuel for transport sub-indices having the greatest impact (Eurostat, 16 April).

Fares

Deflated ticket prices in Europe increased by 2.8% in March year-on-year, based on preliminary values. Some of this improvement is possibly due to Easter effect (Eurostat, April).

Oil

Oil prices closed at around \$87 per barrel (27 April) climbing from the beginning of April at their highest level since October 2008. If oil prices were 12% higher in April than in December 09, Euro prices have fallen around 8% over the same period resulting in a 25% jump in the price of Kerosene in Euros. Converted price indices for Kerosene and Brent up to April are shown in Figure 5 (Brent).

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