

Industry Monitor

The EUROCONTROL bulletin on air transport trends

- **European flights down 1% in November, significantly lower than forecasted. The low-cost segment was down 3.8% on November 2010.**
- **December update of short-term forecast of flight movements is for 1.6% growth in 2012, a downward revision from the September forecast.**
- **IATA expects European airlines to make \$600 million loss in 2012, a \$900 million downward revision from the September forecast.**
- **Oil prices around \$107 per barrel in December.**

EUROCONTROL statistics and forecasts	1
Other statistics and forecasts	2
Passenger airlines	3
Airports	6
Environment	6

EUROCONTROL statistics and forecasts

[European flights](#) decreased by 1% in November on 12 months before, outside the forecast range ([Figure 1](#)). The charter segment finally ended its decline in November, managing along with the scheduled segment, to match the November 2010 traffic. The low-cost carriers experienced a sharp drop with the start of the winter timetable and were altogether down 3.8% on November 2010. Business and Cargo carriers were both 3.5% below 2010 volumes. (EUROCONTROL, December).

Based on preliminary data from airlines for delay from all causes, [35% of flights were delayed on departure in November](#), a 5 percentage point decrease on November 2010. Airline-related delays were the main contributor to primary departure delay with 46%, a 4 percentage point increase in share of delay, although the overall minutes of delay were lower ([Figure 2](#)) (EUROCONTROL, December).

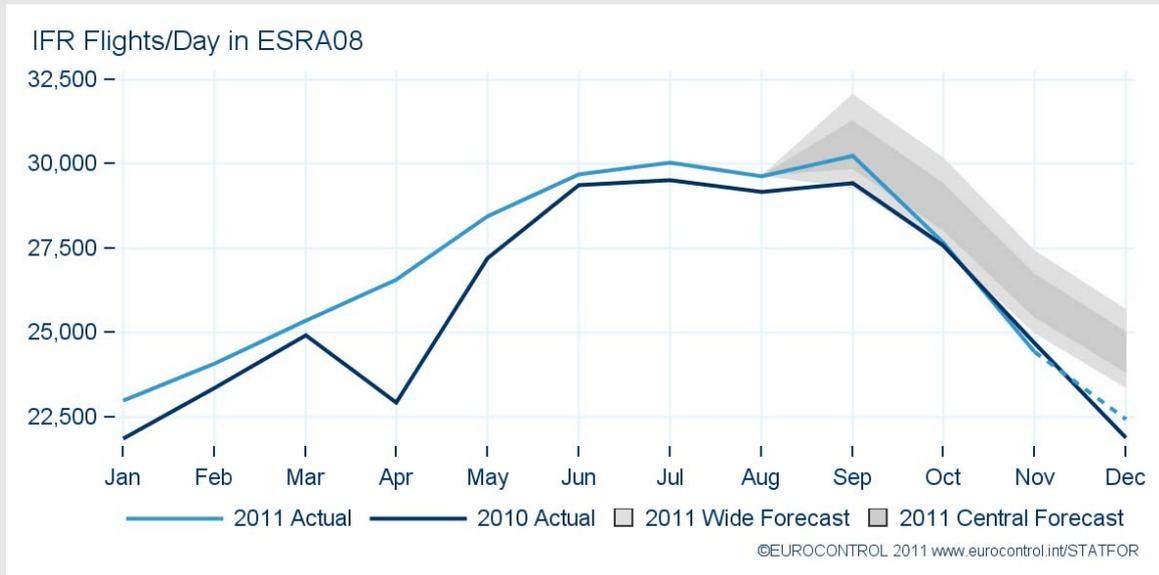


Figure 1: European Traffic.

The update of the short-term forecast of flight movements 2011-2013¹ foresees that 2011 will end around 3.3% above 2010, a downward revision on the forecast published in September due to the recent traffic slow-down and weaker economic situation. As a result 2012 will also be significantly lower than expected in the previous forecast, now 1.6% growth despite the leap year effect as well as major sporting events (EUROCONTROL, December).

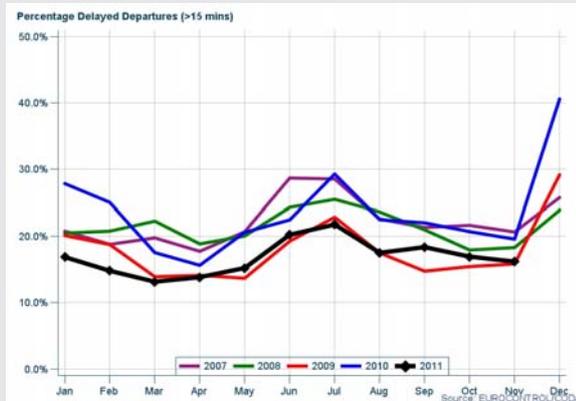
Other statistics and forecasts

ACI reported a slowdown in passenger traffic growth at European airports, up just 3.4% in October 2011 compared to October 2010; the growth figure was half that of September whereas overall aircraft movements were up 1.3% (ACI Europe, 5 December).

According to IATA, European airlines are expected to make \$600 million loss in 2012, a \$900 million downward revision from the September forecast, explained by the euro-zone crisis and further increases in passenger taxes. IATA also published a worst-case scenario with significantly larger losses. AEA urges EU to take concrete actions to improve this outlook. The forecast is for \$1 billion profit (down from the previously forecast \$1.4 billion) for 2011 (IATA, 7 December & AEA, 8 December).

¹ The Short-Term Forecast of Flight Movements 2011 – 2013 is available here : <http://www.eurocontrol.int/statfor/gallery/content/public/forecasts/Doc452-STF-Dec11-v1.0.pdf>

Percentage of flights delayed on departure



Primary Delay Distribution for November 2011
(primary delay = 58%, reactionary delay = 42%)

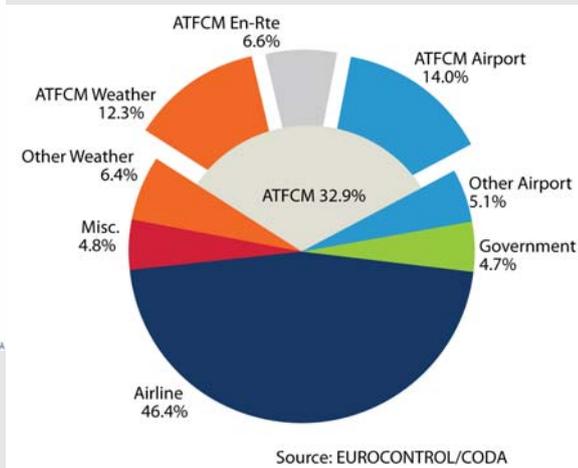


Figure 2: Delay Statistics (all causes delay – preliminary data for November 2011).

Passenger airlines

Finnair is to cut the size of its narrow-body fleet by 4 A320s aircraft in autumn 2012 as part of its savings programme of EUR 140 million to be achieved by 2014 (Finnair Plc, 29 November).

The Latvian government took over shares in **Air Baltic** formerly owned by Baltic Aviation Systems ([IM133](#)), thereby increasing its shareholding to 99.8%. Latvia also agreed to a capital increase to allow fleet modernisation and network adjustment of its flag carrier (Ministry of the republic of Latvia, 30 November).

Tui Travel announced record high profit for the year to September with operating results up 18% on the previous reporting period attributable to strong online sales and demand for exclusive resorts. The tour operator, however, stated bookings for this winter to be lower than last year (Tui Travel Plc, 5 December).

Thomas Cook posted operating profit down 16% to £304 million in the year to September and as part of its turnaround plan will close 200 of its 1,300 shops in UK, reduce its fleet from 41 to 35 aircraft, cut 500 underperforming hotels from its portfolio and invest more in its online business (Thomas Cook Group plc, 14 December).

Etihad is to become **airberlin's** largest single shareholder with 29%. Both airlines plan extensive code-share agreements (airberlin, 19 December).

CSA Czech Airlines is to restructure the company by dismissing one third of its 300 pilots and by transferring its short- and medium-haul fleet of 11 aircraft to charter company Holidays Czech Airlines (Czech Airlines, 5 December).

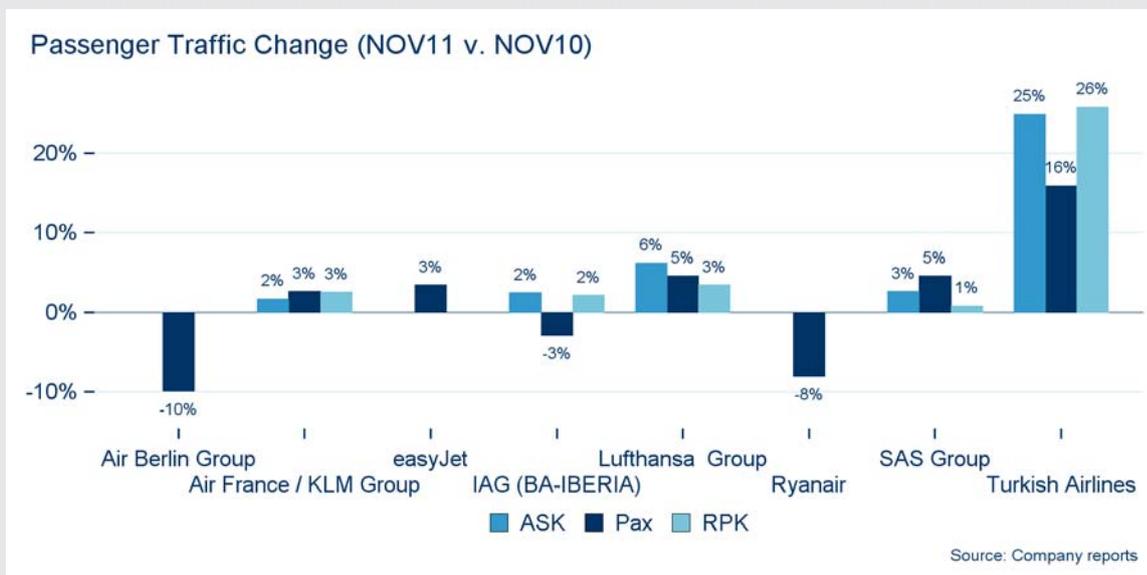


Figure 3: Main carriers' traffic statistics.

It is reported that [Lufthansa](#) plans a new cost-cutting programme at [Austrian Airlines](#) in order to return to profit in 2012 (Die Presse, 8 December).

[Air Seychelles](#) is to stop European operations to Paris, London, Rome and Milan from early January 2012 as a result of the European economic crisis along with strong competition from Middle Eastern carriers (reported in Seychelles Nation sc, 17 December).

[Iberia airlines](#) pilots were on strike on 18-19 December protesting against the launch of Iberia Express which Sepla, the Spanish pilots union, maintains will result in cutting 5,000 jobs. Another strike action is set for 29 December (Sepla, 19 December).

[IAG](#) reached a binding agreement to buy [BMI](#) from [Lufthansa](#) ([IM135](#)), but warned the deal could lead to job losses. The sale will give British Airways an overall majority of runway slots at Heathrow. [Virgin Atlantic](#) made a formal bid for the sale of the airline earlier this month but confirmed it had been beaten (IAG, 22 December).

[Cimber Sterling](#) is to adopt a new strategic direction after posting Q211 further loss and intends to be the leading regional airline in the Nordic region with [Skyways](#), the Swedish sister company (Cimber, 14 December).

[Turkish Airlines](#) is to focus on increasing feed to its long-haul network with the delivery of mainly narrowbody aircraft in the next years. From 18% in 2011, seat growth will be up 5% in 2012 and decrease by 2% in 2015 (reported in ATW, 19 December).

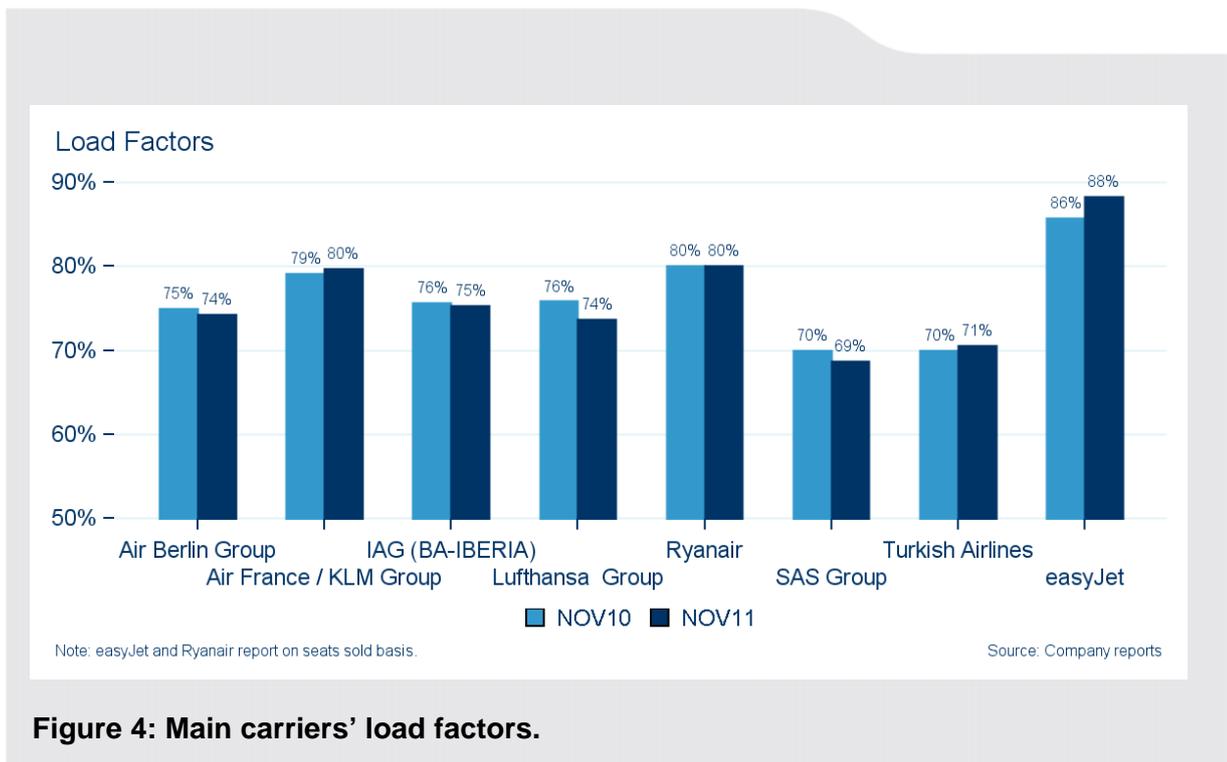


Figure 4: Main carriers' load factors.

Routes, Alliances, Codeshares

Air France to challenge **easyJet** ([IM134](#)) by launching 16 new routes from Toulouse and 6 new routes from Nice starting in April 2012 (Air France, 5 December).

Ryanair to open a base at Palma in March 2012 basing 4 aircraft and adding 17 new routes to the existing 30 services from the Mallorca airport (Ryanair, 13 December).

Lufthansa to hand over a number of routes to **Germanwings**, its low-cost subsidiary. Starting with the summer 2012 schedule, Germanwings will operate all Lufthansa's European flights from Stuttgart. German domestic destinations will continue to be served by both airlines (Lufthansa, 14 December).

Traffic statistics: September update

[Figure 3](#) and [Figure 4](#) compare November 2011 figures with November 2010 figures. Passenger capacity is measured in available seat kilometres (ASK) and traffic is measured in revenue passenger kilometres (RPK).



Figure 5: Carbon prices.

Airports

[Cyprus Government](#) rejected Turkey's intention to adopt the Taiwanese model regarding the opening of its airports and airspace to Cyprus ([IM135](#)), stating that the opening of airports and airspace constitutes a contractual obligation of Turkey toward the EU that should have entered into force in 2006 (Ministry of Foreign Affairs, Republic of Cyprus, 29 November).

Regulation

[EC](#) to implement rules for a better use of airlines' slots allowing slot trading between airlines across the 27 Member States with a view to maximise capacity (EUROPA, 1 December).

It is reported that [DFS](#), Germany's state-owned air traffic services plans to bid for a stake in [NATS](#), UK's air traffic control services. UK government announced in 2010 that it would sell its 49% stake in the service provider (The Sunday Times, 11 December).

[EC](#) undertook unannounced inspections at [Brussels Airlines](#) and [TAP](#) premises to check whether the airlines' code-sharing agreements are in breach of antitrust rules (EUROPA, 19 December).

[The European Court of Justice](#) ruled that plans to include non-EU airlines in the Emissions Trading Scheme (ETS) are compatible with international law, thereby rejecting the Air Transport Association of America and Others' case against the ETS ([IM132](#)) (Court of Justice of the European Union, 21 December).

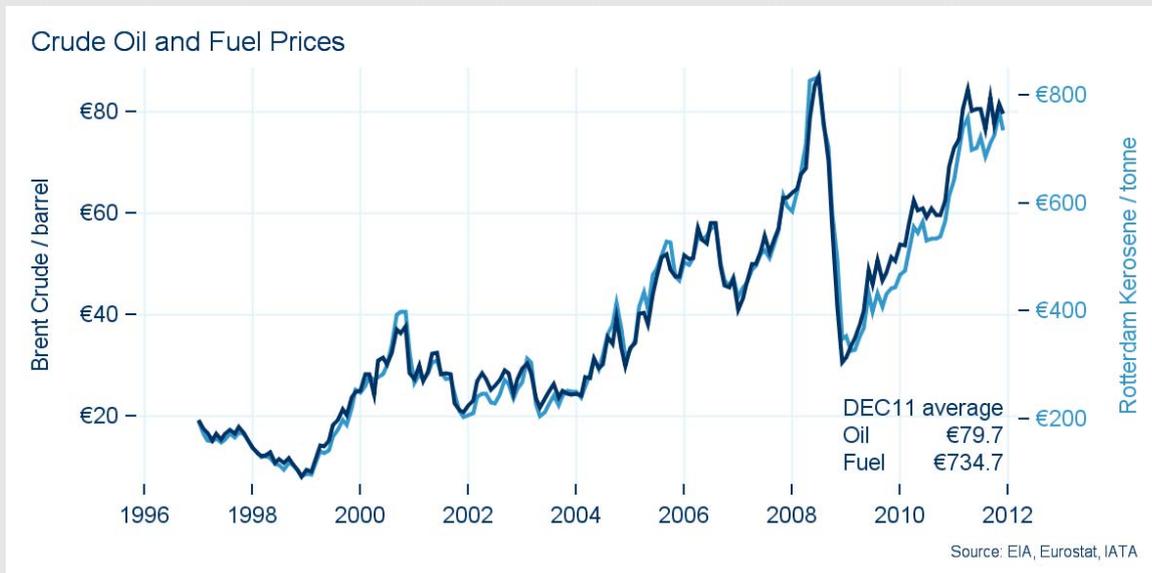


Figure 6: Brent and kerosene prices.

Environment

The price of carbon contracts for 2014 slumped to €9 in recent weeks ([Figure 5](#)).

Cargo

[Lufthansa Cargo](#) to consider reducing operations in the Chinese market which accounts for 20% of the company's sales as profit is decreasing. Asia-Pacific shipments slumped 11.5% in November (Lufthansa Cargo's CEO, December).

Aircraft Manufacturing

[Transaero Airlines](#) signed a firm order for 8 A320neo aircraft thereby being the first customer in Russia and CIS for eco-efficient airbus (Airbus, 5 December).

Oil

Oil prices around \$107 per barrel in December (Brent). Converted price indices for Kerosene and Brent are shown in ([Figure 6](#)).

Fares

Deflated ticket prices in Europe increased by 3.4% in November year-on-year, based on preliminary values (Eurostat, 15 December).



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