

This must surely be the year of improved fare yields if carriers are to recover from the combined losses of 2008 and 2009 – and if travel agents are to shore up their own earnings.

WILL FARES TAKE OFF IN 2010?

Air New Zealand's 'SkyCouch' will allow passengers to lie down in economy class

By Jane E. Fraser

WITH travellers now well and truly accustomed to rock-bottom prices and airlines still juggling over-capacity, is there hope for bringing airfares back to sustainable levels in 2010?

Demand might be picking up after the annus horribilis of 2009, but there is a long way to go when it comes to yields. Carriers are watching and waiting, heartened by recent fare hikes from the Qantas camp but mindful of the risks of moving prematurely.

"We're certainly under a directive from HQ to improve yields for this year," says Thai Airways' Sue Marr.

"We've tried to do that with two fare initiatives we've already released for 2010... the New Year sale and our summer sale have been released at levels higher than last year.

"All indications are that demand is increasing and we are seeing some good response... but we are still seeing price dumping behaviour by carriers in the market with too much capacity," she says.

IATA confirms yields will be a key issue for 2010, a year in which carriers globally are expected to lose US\$5.6 billion. The latest IATA forecast says passenger yields, which plummeted by 12 per cent in 2009, are not expected to improve from this "extraordinary low level".

"This is being driven by two factors: excess capacity in the market and reduced corporate travel budgets," says the report.

There are also yield problems on the domestic front, with fares within

Australia lower than they've ever been, according to Tourism & Transport Forum (TTF) analysis of the latest BITRE Domestic Fares Index.

"You can forget about inflation, the price tag for domestic flights is lower now than it was in 1992," says TTF executive director Brett Gale.

Graham Turner, managing director of Flight Centre, says fares have risen to some extent, although there are still ups and downs due to excess capacity in non-peak travel periods.

And while airlines are still advertising at rock-bottom levels, they are often making fewer seats available at those low-yielding prices than they were a year ago.

"I think we'll see most fares are being sold at similar levels (to pre-crunch prices) in May and June, and certainly at Christmas," Turner says.

Trying to set the pace on fare increases will be those carriers with big investments in premium cabins, including premium economy.

Emirates attempted to forge ahead last year by raising fares seven per cent in July, but the move was followed by a raft of sales fares as the market remained slow.

However, vice president Australia Stephen Pearse says Emirates, as a premium carrier, is not afraid of making further moves to try to improve yield.

"We are confident of the product

and service that we offer," he says.

While IATA figures show premium traffic remains in the doldrums, with business and first class traffic still down more than 20 per cent on early 2008 levels, some carriers have found a tonic in premium economy products.

Air New Zealand says its premium economy cabin has proved recession proof, with demand continuing to rise since its introduction in 2005.

Remarkably, it claims none of the growth has come at the expense of business class bookings.

The carrier is predicting further "dramatic growth" in premium economy travel, with its new fleet of Boeing 777-300 aircraft to have 39 per cent more premium economy seats than its 777-200 aircraft and 28 per cent more than its 747-400 fleet.

Air New Zealand has now thrown another product into the future mix with the announcement of its economy class 'SkyCouch', which will for the first time provide the ability for passengers to lie down in economy class.

Kerry Reeves, the carrier's international airline project manager, is confident the move will not lead to any downgrading by passengers.

"Pricing has been set so that for two adults travelling, the cost of the SkyCouch will be similar in price to two premium economy seats," Reeves says. "For this reason, some will elect for the ability to lie down, while others will prefer the exclusivity of the premium economy seating and service.

"The SkyCouch is exactly that – a couch – so if people want a bed then business premier is where to get the best night's sleep."

In the short term...

Hope for modest fare increases comes from the latest American Express Global Business Travel Forecast, which predicts business class fares for long haul routes will rise by between one and six per cent during 2010, while economy class fares on domestic and short haul routes will increase by three to eight per cent.

The forecast, released late last year, says prices should "slightly increase" in most travel categories, particularly business class, by the end of the year. Working against fare increases will be continually increasing capacity, with OAG statistics showing six consecutive months of growth in overall airline capacity. Global capacity for February 2010 was up five per cent on February 2009.

In the long term...

Boeing and Airbus say demand for new aircraft is not likely to recover until 2012. Airbus expects to take orders for between 250 and 300 aircraft this calendar year – compared to just under 500 in 2009 and a spectacular 1458 in 2007.

The good news is that both aircraft manufacturers expect the Asia Pacific region to lead the recovery, with more than 8000 aircraft sales forecast for the next two decades.

Airlines from the Asia Pacific region are expected to account for more than 40 per cent of twin-aisle aircraft purchases for Airbus, and more than half of super-sized aircraft such as the A380.

Innovative seat a winner for Air France



AIR France has rolled out a new short-haul seat that provides more space and comfort as well as being more environmentally friendly.

Installed on the carrier's A319, A320 and A321 aircraft operating on domestic routes, the seat is 40 per cent lighter than a conventional seat, which Air France calculates will reduce

carbon emissions by 5200 tonnes per year.

The seat, which received an award for innovation at the Aircraft Interiors Expo in Hamburg, provides two to three inches (five to 7.5cm) more legroom, a seatback that reclines to 15 degrees and a more streamlined foam seat, according to Air France-KLM

head of marketing Patrick Roux.

"Following investment on the long haul network, with the Premium Voyageur cabin class, Air France is now investing on the domestic network to provide passengers with a more comfortable seat that is also environmentally friendly," says Roux.

The move follows KLM's rollout of a new "Economy Comfort" zone on all intercontinental flights.

The new seats have up to four inches (10 centimetres) more legroom and backrests that recline twice as far.

They are located at the front of the economy cabin, allowing passengers to disembark faster.

As well as being available for passengers to purchase, the economy comfort seats are available at no charge to platinum frequent flyers and passengers travelling on a full-flex economy ticket.

The Economy Comfort zone is being offered in addition to KLM's preferred seats in economy class, which are available at extra charge.

The carrier says the expanded choices show it is giving top priority to responding to customer demands.

New routes to Europe with China Eastern

CHINA Eastern is re-launching its London and Moscow routes at the end of this month, adding to its current European destinations of Paris and Frankfurt. Fares are available from Sydney or Melbourne, via Shanghai, and passengers can stopover in Shanghai in both directions, without any stopover charges.

Jeanet Gao of the airline's Sydney office says Australian passport holders with onward journey tickets can stay in Shanghai for less than 48 hours without a visa and passengers who involuntarily transit in Shanghai are offered a free night of accommodation.

Baggage check-through is available for same day connecting flights to both international destinations and points in China, with a 30kg baggage allowance applying to all flights departing Sydney and Melbourne.

China Eastern's network in China includes Beijing, Hefei, Xian, Qingdao, Nanjing, Wenzhou, Guangzhou, Shenzhen, Fuzhou, Changchun, Shenyang, Harbin, Dalian, Chongqing and Chengdu. The airline says more cities in China will be added in the near future.




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Qatar's Boeing 777

Great start for Qatar Airways

QATAR Airways says its Melbourne launch has performed ahead of expectations, on the back of introductory fares.

The carrier says the fares have been very effective in giving passengers "a taste of the product and service".

"Load factors through December and January were above expectations, which was very pleasing given that Melbourne is a new route and we entered into a highly competitive market at a difficult time," says chief executive Akbar Al Baker.

"Traditionally there is a leaner period through February and March... however the Melbourne route is performing up to our expectations and our forward bookings reflect this.

"Qatar Airways has been savvy in developing a diverse network that allows us to draw passengers into our hub from a large number of markets and outward to multicultural cities

like Melbourne. Given the size of our network and the establishment of further routes in Europe... we are anticipating further growth in the Australian market."

Qatar says its services offer the fastest available travel time between Melbourne and London, at 21 hours.

It offers daily one-stop services from Melbourne to more than 80 destinations in Europe, the Middle East, Asia, Africa and North America.

Its connecting services to Athens increase to double daily from this month and new destinations Copenhagen and Barcelona will be launched later in the year.

Qatar's flights from Melbourne to Doha are operated with new B777-200s in a two-class configuration, with 42 business class seats and 217 economy class seats. Business class seats convert to fully flat beds and have a seat pitch of 78 inches.



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Sanaa

Value fares boost demand for Fiji flights, says Air Pacific

AUSTRALIAN travellers' ongoing love affair with Fiji has prompted Air Pacific to boost its frequencies for the peak tourist season.

The carrier has added 18 extra return flights between Sydney and Nadi to cater for anticipated demand from June to October. The services will be operated with Boeing 737 aircraft, departing Sydney in the morning.

Air Pacific is also trying to attract passengers to other parts of the South Pacific, via its Fiji base.

Regional general manager Victor Sharan says the airline has been encouraged by the success of its Pacific Pass scheme, which allows international passengers arriving in Nadi to use two-sector, four-sector and unlimited-sector passes to travel to other destinations in the region.

Pacific Passes must be purchased outside Fiji, in conjunction with international travel to Nadi, and permitted destinations include Nuku'alofa in Tonga, Apia in Samoa, Port Vila in Vanuatu, Honiara in the Solomon Islands and Tarawa in Kiribati.



Likuliku Lagoon resort, 25km from Nadi airport. (Image credit: fijime.com)

The passes are priced in US dollars and converted to Australian dollars at time of purchase.

Two-sector passes start at US\$99, four-sector passes start at US\$199 and unlimited passes start at US\$299.

Sharan says the passes are particularly good value when combined with the carrier's seasonal incentives,

with return adult fares dropping as low as \$410 and a recent children's return fare from \$199. The passes also allow wholesalers to package multi-destination itineraries.

Air Pacific operates full-service flights between Australia and Fiji, with meals, beverages and entertainment included. Its B747 fleet is fitted with

inflight entertainment systems in every seat and children are provided with 'kids kits', to help keep them amused.

Air Pacific also operates Pacific Sun, Fiji's domestic airline, which services destinations including Suva, Labasa, Kadavu, Savusavu, Taveuni, Malololailai, Mana, Levuka, Vanua-balavu and Rotuma.

AUSTRALIAN passengers could get their first taste of Air New Zealand's groundbreaking new 'SkyCouch' economy product before the end of the year.

The SkyCouch, which will allow passengers to lie down in economy class, will be available on some trans-Tasman services, according to the carrier's international airline project manager Kerry Reeves.

"The 777-300ER aircraft will operate some Tasman services when they first enter service (in December this year), but an ongoing Tasman schedule has not yet been determined," says Reeves.

Air NZ sets new benchmark with SkyCouch

"We will also be retrofitting our current 777-200ER aircraft with the new interiors, which is expected to commence from mid next year.

"These aircraft currently operate to Melbourne and Brisbane."

Reeves adds Australian passengers can also connect to AKL-LAX-AKL services, which will feature the new product from December this year.

The SkyCouch is a special row of three seats that has been designed to create a lie-flat space

all the way to the seat-backs in front, providing a flexible space for adults to lie down or for kids to play. Twenty-two sets of SkyCouch seats will be available, making up the first 11 rows in the economy cabin.

The new product will then be available on AKL-LAX-LHR return services from April.

Reeves says the SkyCouch will be best suited for two adults or a small family, such as one adult and two children.

The pricing for two adults will be similar

to purchasing two premium economy seats, so travellers in that budget range can choose between the ability to lie down and the "exclusivity" of premium economy seating and service.

Air New Zealand says the SkyCouch, on which it has been working for three years, will put the romance back into flying and set a benchmark for competitors to follow.

The carrier is yet to release full pricing details but says for two adults travelling together, it will be comparable to buying two seats at standard prices and a third seat for approximately half price.



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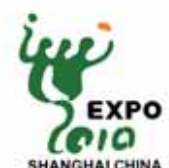
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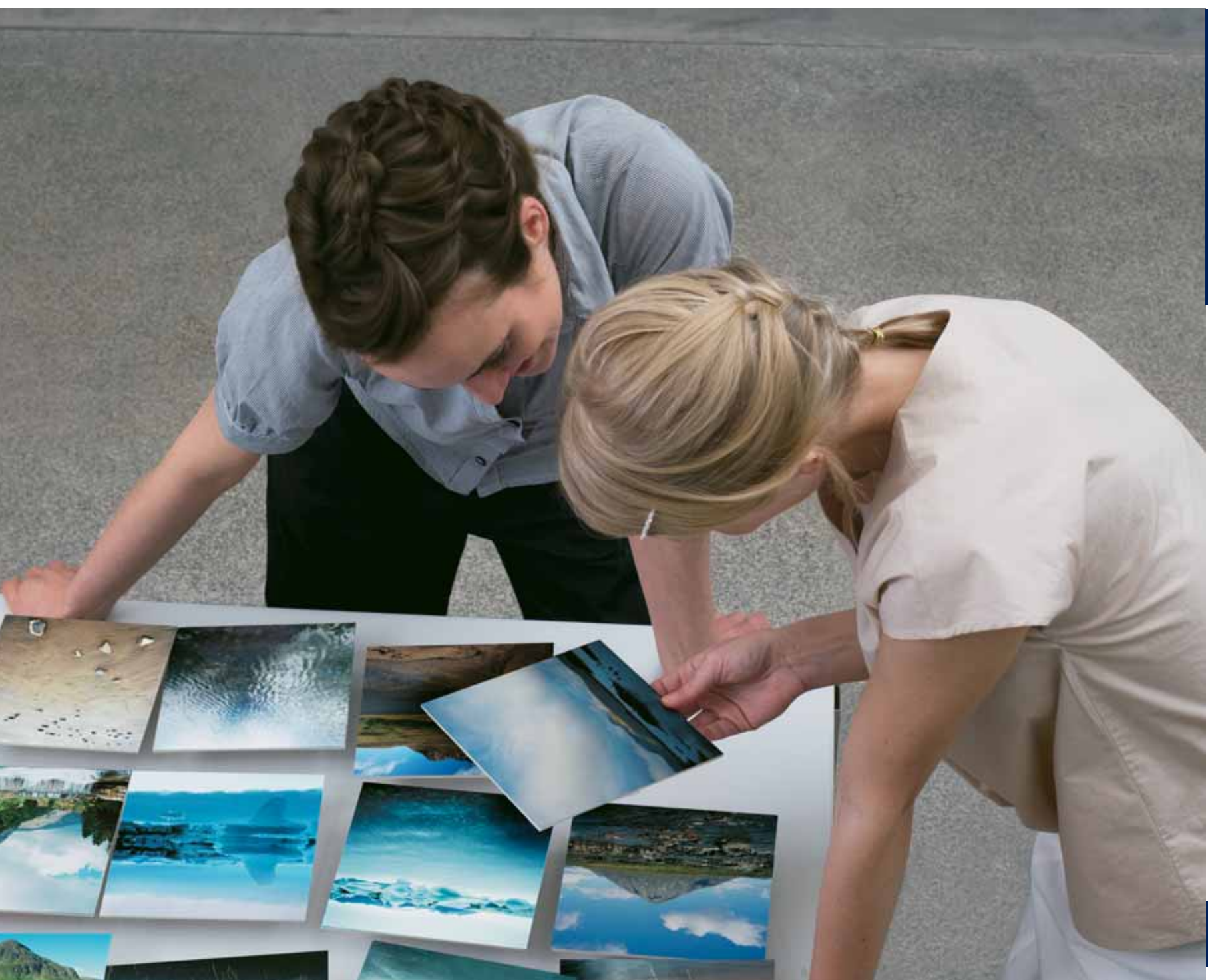
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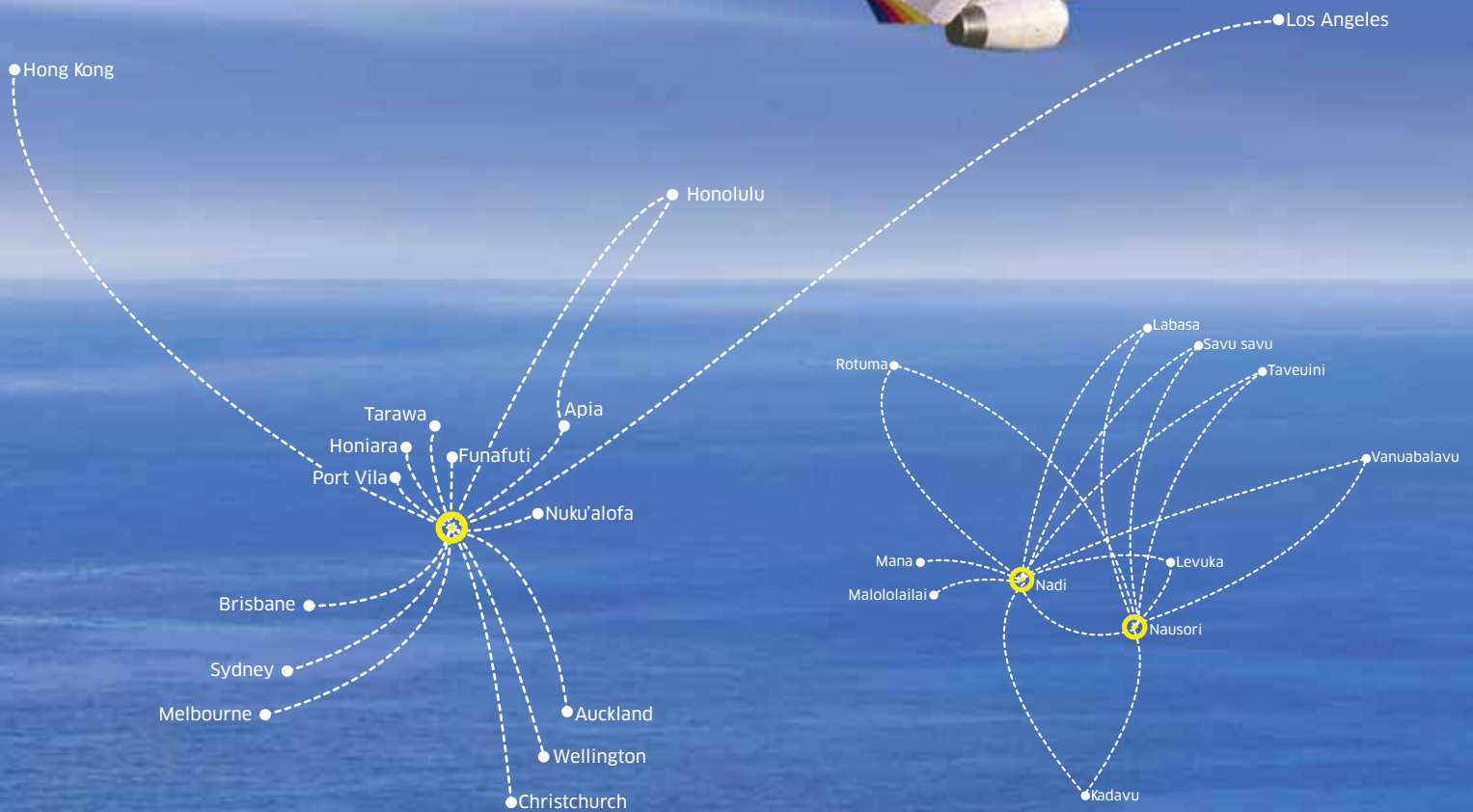
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Air Pacific, Fiji's national airline, has been operating for over 58 years and has earned an envious reputation as the prime carrier on the Australia-Fiji route, offering typically gracious Fijian service with an abundance of warm smiles.

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Within Fiji, Air Pacific operates Pacific Sun on domestic and South-West Pacific regional routes offering services that are reliable, comfortable and competitively priced, as well as having a comprehensive range of schedules to connect to and from international arrivals.

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Emirates will soon fly to 25 European cities

EMIRATES is significantly extending its European reach, with three new routes to come online mid-year.

The carrier is commencing services from Dubai to Amsterdam, Prague and Madrid, following the launch this month of services to Tokyo.

The launch of Amsterdam services on May 1 will mark the airline's 23rd route into Europe.

It will be a daily, non-stop service from Dubai, operated with B777s in a three-class configuration.

Emirates says Amsterdam is already an important offline market, with significant passenger traffic between Amsterdam and Dubai and beyond.

The Amsterdam launch will be followed by the start of daily A330 flights to Prague from July.

The carrier says the Czech capital, while a popular tourist destination, is an emerging market for airlines.

The new services will allow passengers to cut out a stop in a European hub such as Vienna and fly direct between Prague and Dubai.

Emirates' 25th European destination will be Madrid, with daily, non-stop A330 services commencing



on August 1. The new services will be the only scheduled passenger services between Dubai and Spain and are expected to pick up significant business traffic as well

as leisure passengers. The carrier says it has been repeatedly asked about services to Spain and the new flights will "make a lot of people very happy".

Flexible round the world fares

HAWAIIAN Airlines and Virgin Atlantic have released a joint round-the-world fare from Australia, with prices starting at \$2152 in economy and \$8400 in business class.

Passengers have the option to fly east or west from Australia and to fly in and out of any of the nine destinations Virgin Atlantic flies to in the US, plus three gateway cities served by Hawaiian.

An example of a westbound route is Sydney – Hong Kong – London – Los Angeles – Honolulu – Sydney. An east-bound itinerary might include Sydney – Honolulu – Las Vegas – London – Hong Kong – Sydney.

The airfare includes options to upgrade legs to premium economy on Virgin Atlantic and to purchase additional side trips in Hawaii, with destinations including Kona, Lihue, Kahului and Hilo, and prices from US\$65 one-way.

Passengers can earn frequent flyer points with Virgin Atlantic's Flying Club, Hawaiian Miles or Virgin Blue's Velocity Rewards.

Hawaiian Airlines flies non-stop from Sydney to Honolulu and has onward connections to US mainland destinations including Los Angeles, San Francisco and Las Vegas – all of which are served by Virgin Atlantic.

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Royal Jordanian completes upgrades despite GFC



RJ's new frequent flyer lounge at Amman

ROYAL Jordanian Airlines has been one of the few airlines in the world to continue its expansion plans and emerge in profit during the global financial crisis, says Iain Ferguson, RJ's manager Australia.

The year 2009 saw RJ complete the upgrading of its entire medium and short haul fleets.

It is now operating brand new A320 family aircraft with in-seat

entertainment in all classes, along with Embraer E195 and E175s with a two-class configuration of full Crown Class (business) and economy class.

Ferguson says this expansion has enabled the carrier to offer increased frequency to Eastern Mediterranean regional destinations and further its aim of operating two or more gateways in the same country, to eliminate the need for backtracking.

He stresses that even though the E195s and E175s are short haul regional jets, their Crown Class cabins offer the same space, dining and other amenities as Crown Class on RJ's intercontinental flights.

"The only difference is that for the short flights, RJ has replaced its intercontinental sleeper chair with the new medium haul Crown Class seat, as featured on the A320s," he says.

Ferguson says RJ has also completed a refurbishment of its entire long haul fleet of A340s and A310s while it awaits delivery of the delayed Boeing Dreamliners.

RJ's home port of Amman has become the regional hub for the oneworld alliance and the airport is undergoing expansion to accommodate more gates.

RJ's new frequent flyer lounge at Amman is already operational and features six quiet bedrooms with ensuite bathrooms, a dedicated kids' computer area and separate adult computer stations, accommodating up to 340 people in total. For passengers departing Amman, there is kerbside check-in for business class passengers and oneworld frequent flyers.

Child-friendly service popular for Asiana

ASIANA Airlines says its new 'Happy Mom' service is proving a success on long haul flights. Rolled out in October, the service is for passengers travelling with infants (24 months and under) on flights over 10 hours, and includes priority check-in and priority baggage. Asiana says around 20,000 infants a year board planes and its service makes travelling easier for parents.

The service, which was trialled for three months prior to its introduction and will eventually be rolled out to all international routes, includes access to exclusive check-in counters at some airports and priority tagging on baggage.

On board, breastfeeding mothers are provided with free 'breastfeeding covers', to allow them to feed infants in privacy without having to retreat to the toilets, and free baby slings to use during the flight. Asiana says the slings are an alternative to bassinets for larger infants, with bassinets having a maximum size and weight.

The airline is also offering to install passengers' own baby seats on its airline seats, for use during flight.

Etihad commits to more Australian flights

ETIHAD Airways has been successful in securing additional rights to Australia, giving it the ability to operate up to 42 flights a week. The carrier has been granted 14 new weekly frequencies from March next year, even though it is currently only using 21 of its 28 weekly frequencies, due to the availability of aircraft.

Etihad has been in talks with the Australian Government since late last year, mapping out a long-term strategy for the Australian market.

In addition to its flights and infrastructure in Australia, the carrier last year signed a five-year naming rights deal for Etihad Stadium in Melbourne.

Seven of the new frequencies granted to Etihad can be operated to any gateway in Australia, including its current destinations of Sydney (currently 11 services per week), Brisbane (currently three services per week) and Melbourne (currently seven services per week).

The remaining seven have been granted on the condition that it flies via or onto a regional airport.

Etihad has made no commitment as to when it will take up its available frequencies, including the seven it already has available to it, but has reiterated its long-term commitment to the "important" Australian market.



Sponsorship deals are helping the Etihad name become better known to Australians as the airline gains new rights.

Japan Airlines to stay with oneworld alliance

JAPAN Airlines is sticking with the oneworld alliance as it works to restructure its business under government protection. JAL was widely reported to be dumping oneworld in favour of a partnership with Delta and other SkyTeam carriers, but has reaffirmed its commitment to oneworld as it undergoes major restructuring under Japanese Corporate Reorganisation proceedings.

British Airways chief executive Willie Walsh says oneworld carriers have demonstrated an "extraordinary commitment" to JAL and the decision to stay with oneworld will bring JAL stability and certainty.

Walsh says the alliance will help re-establish JAL as one of the world's leading airlines.

Qantas also welcomes JAL's decision to stay put, with chief executive Alan Joyce saying it will provide both commercial stability and growth opportunities at a vital time.

JAL is now focused on developing a joint venture with American Airlines and has applied for anti-trust immunity to allow it to do so. It has assured agents that it is business as usual, with the necessary funds to continue operations guaranteed under the corporate reorganisation process.

"Therefore there is no cause for concern, passengers can continue to fly with JAL with the utmost confidence they always have," a statement from JAL says.

"All reservations with JAL group flights will operate as per normal and new bookings can be made as usual."

SAS is offering lounge access in Scandinavia to passengers travelling in its premium economy class, Economy Extra, until the end of April.

The offer includes flights from Australia to destinations such as Copenhagen, Stockholm, Oslo and Helsinki and the lounge access is for SAS's business class lounges in Copenhagen and/or Stockholm.

Economy Extra combination fares are available for travel ex Sydney, Melbourne, Brisbane and Perth to Europe, via Bangkok, Tokyo or Beijing.

Flights between Australia and Asia are economy class, with onward flights to Europe in SAS' premium economy.