

AIRLINE TRAFFIC NUMBERS RISE WITH 'THE WORLD MOVING AGAIN'



Leisure and business travellers are back in the air, which is good news for both airlines and agents. But airline profit margins will remain subdued with rising fuel prices and increased capacity limiting fare increases.

By Jane E. Fraser

THE downturn is officially over for airlines, with traffic above pre-recession levels and only dampened by bad weather.

While profit margins remain low – and will be further challenged by rising fuel prices – IATA figures show global air traffic is up four per cent on the pre-recession benchmark of early 2008.

“The world is moving again,” says IATA director general Giovanni Bisignani.

“After the biggest decline in the history of aviation in 2009, people started to travel and do business again in 2010. Airlines ended the year slightly ahead of early 2008 volumes.”

Full year passenger traffic for 2010 was up 8.2 per cent on 2009, outstripping capacity growth of 4.4 per cent. This brought the average load factor up to 78.4 per cent – a 2.7 per cent increase on 2009.

Middle Eastern carriers continue to be the strongest performers, with their 2010 figures up nearly one-fifth on the previous year.

This was on the back of a huge 13.2 per cent capacity increase, yet load factors for the region remained at 76 per cent.

Asia Pacific carriers are also performing strongly – well ahead of their US and European counterparts.

Traffic for 2010 was up at least nine per cent on 2009, depending

on which figures you use.

The Association of Asia Pacific Airlines (AAPA) puts it at 13 per cent (or 9.8 per cent when measured in



Air France business class seat

revenue passenger kilometre terms), against a “relatively restrained” 4.1 per cent increase in capacity.

AAPA director general Andrew Herdman says while monthly growth rates have slowed “as the recovery phase is completed”, traffic volumes have surpassed their pre-recession peaks.

Herdman says the outlook remains positive, with the Asia Pacific region leading the way in the strong rebound of international trade.

IATA's Bisignani says the challenge for airlines is to turn the recovered demand into sustainable profits, with

profit margins sitting at a “pathetic” average of 2.7 per cent (a figure that will be sadly familiar to many travel agencies).

Singapore Airlines are attempting to recoup through fuel surcharges.

IATA says it banked on an oil price of \$US84 per barrel when setting its forecasts for 2011, but prices have been hovering around the \$US110 mark.

“Fuel accounts for 27 per cent of operating costs and a sustained rise in the oil price could spoil the party,” Bisignani says.

On the yield front, IATA is looking to stability rather than further improvement; average fares are still about 10 per cent lower than pre-recession levels but substantially higher than they were at the depths of the downturn.

Continually improving passenger mix will work in favour of yields, but is likely to be offset by additional capacity on key routes, which will limit airlines' ability to raise fares.

“It (additional capacity) may also reduce scope for recouping additional fuel costs,” IATA says.

Adding to the challenge is a sharp rise in oil prices, which airlines including Qantas, Cathay Pacific and

The longer term

THE crystal ball has more good news for airlines and agents, with global passenger numbers expected to grow by nearly six per cent a year over the next few years.

Asia Pacific airlines will continue to be at the head of the pack, with forecast growth of 7.6 per cent each year up to 2014.

IATA says the Asia Pacific region is playing an ever-increasing role in aviation.

“By 2014, one billion people will travel by air in Asia Pacific,” says IATA director general Giovanni Bisignani. “That's 30 per cent of the global total and a four percentage point increase from the 26 per cent it represented in 2009.”

Air Pacific extends Los Angeles airfare sale



AIR Pacific has extended the sale period for its Australia to Los Angeles economy special until June 30, for travel up to the end of March next year.

Adult fares including taxes start at \$945 return out of Sydney and Brisbane and \$1142 return out of Melbourne.

Stopovers in Nadi are allowed in both directions, without charge, making it easy for travellers to combine a trip to the US with a beach break in Fiji.

Air Pacific, which is a full-service carrier, also has a year-round business class fare to the US, with prices starting at \$7068 return out of Sydney or Brisbane and \$7160 return out of Melbourne.

For those who want to fly business class to Nadi, the carrier has re-introduced a business class fare special from \$1264 return out of Brisbane, \$1354 out of Melbourne and \$1355 out of Sydney.

RJ's new A330s attracts more travellers

ROYAL Jordanian manager Australia Iain Ferguson says the carrier has had a positive response to its new A330s with enhanced onboard facilities.

The aircraft were introduced in June last year while RJ waits for delivery of 11 delayed Boeing Dreamliners (now due from 2013).

Ferguson says the new A330 aircraft, which include personal inflight entertainment in all cabins, represent a 50 per cent capacity boost for local markets.

"As a consequence of this additional capacity, and increasing awareness of RJ's renowned Crown Class, coupled with a competitive range of Crown Class net fares ex Australia (available through consolidators), we are seeing a significant increase in both Crown Class and economy traffic," Ferguson says.

In other Royal Jordanian news, the carrier will have Berlin back in its network from June, with a direct service from Amman.

Service to the German capital will resume after a decade-long absence on the route, which is now deemed to have enough demand to support a service.

Finnair-Jetstar link to improve access for Aussie market

FINNAIR is due to open its Singapore gateway at the end of May, working with Jetstar to improve access and capacity for the Australian market.

Jetstar services from Australia will link up with new Finnair services between Singapore and northern Europe, operated with A330 aircraft.

Finnair and Jetstar began an interline agreement in December, with Finnair

passengers able to purchase Jetstar segments as part of an integrated itinerary, sold on a Finnair e-ticket.

Finnair passengers can connect to Jetstar services in Osaka, Tokyo, Bangkok or Hong Kong, with Singapore soon to join the list.

The interline agreement also covers services operated by Jetstar Asia, Valair and Jetstar Pacific.

"The new interline agreement makes

travelling to and from the destinations covered by the new partnership easy and convenient," says Finnair spokesman Paavo Virkkunen.

Finnair has also expanded its codeshare arrangements with oneworld partner Qantas.

The airlines are now codesharing on services between Helsinki and Sydney via Bangkok and from May will codeshare on flights between Helsinki and Sydney, Melbourne, Brisbane, Perth and Adelaide.

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Air France reports solid demand for Premium Voyageur cabin

AIR France says its premium economy cabin Premium Voyageur (pictured) has been a huge success, with large numbers opting for the extra 40 per cent space.

The product attracted 400,000 passengers in its first year and Air France says it met or exceeded the expectations of 77 per cent of those travellers.

The carrier says the Premium Voyageur product has been particularly popular with seniors and small business travellers who are looking for more comfort on long flights.

"They appreciate the comfort of the seat, and the ground services providing smoother passage through the airport," says Air France spokesman Christian Herzog.

Premium Voyageur passengers have access to business class check-in desks, a larger baggage allowance, priority baggage, dedicated security channels and priority boarding and disembarkation.

The product has now been rolled out to the entire Air France long haul network of B777s, A340s and A330s, making it available to more than 50 destinations.

Air France's A380s will be gradually equipped with Premium Voyageur cabins from next month.

The specifics of the Premium Voyageur product include a separate cabin with 40 per cent more space than economy and wide fixed-shell seats that recline to 123 degrees.



HA to boost Sydney-Honolulu services

HAWAIIAN Airlines will boost its Sydney-Honolulu route to daily services for the peak season from April 6 to August 1.

The airline, which is currently operating four weekly flights, will then settle at five services per week from August 2 onwards.

The increased frequencies represent an extra 19,000 seats on the route for the year. All flights are operated with B767-300ER aircraft, with service including meals, drinks and main screen entertainment.

Passengers on Hawaiian services also get a generous

luggage allowance of two checked bags, each weighing up to 32 kilograms.

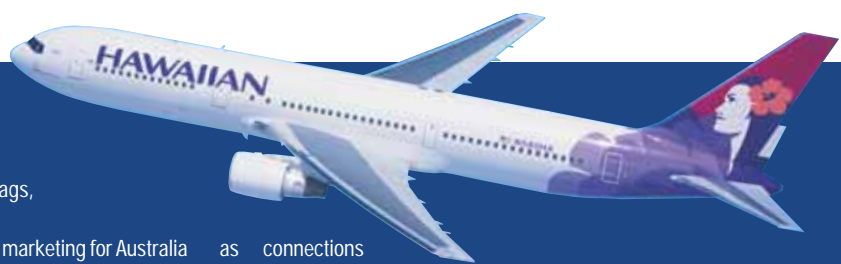
Hawaiian's general manager sales and marketing for Australia Sherilyn Robinson says leisure traffic from Australia to Hawaii has continued to grow since the airline launched non-stop flights in 2004.

Now that it has extra capacity, the carrier will be actively targeting group travel.

Beyond Honolulu, Hawaiian operates services to the neighbouring islands of Maui, Kauai, and the Big Island, as well

as connections to 10 US mainland cities – Los Angeles, San Francisco, Las Vegas, Seattle, Portland, Sacramento, San Jose, Oakland, San Diego and Phoenix.

"The high Australian dollar and competitive pricing throughout Hawaii make a visit to the islands of Aloha even more attractive," she says.



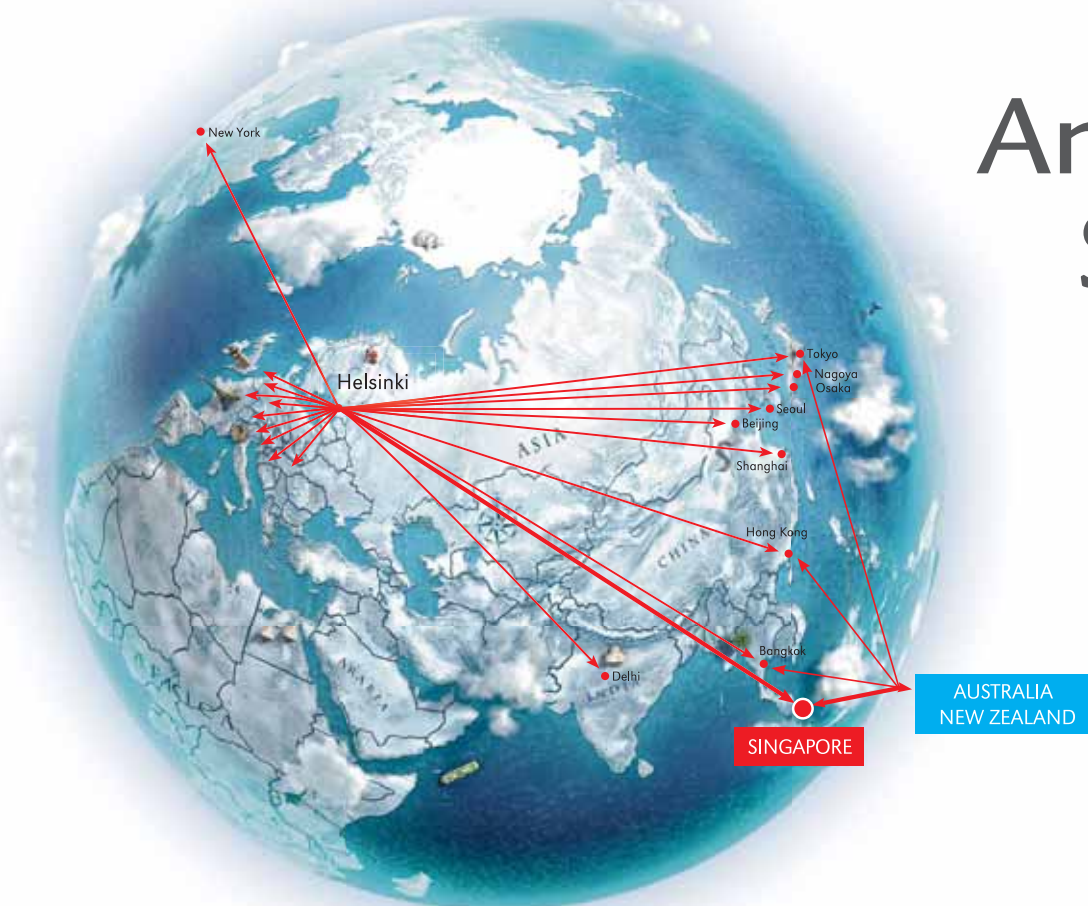
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KLM has updated its business class product on European flights, in time for the European summer season.

The new Europe Business Class, which replaces KLM Europe Select, gives travellers more seat space and comfort, along with new catering.

It is being introduced on all flights within Europe that are operated by

KLM, amounting to about 500 flights a day and more than 60 destinations.

KLM says extensive research among its business class passengers revealed a clear need for more space to work or relax during the flight.

The new cabin gives passengers one and half times the space and more privacy than they had before, as the

middle seat is always left empty.

The new catering line-up includes four menus each month, with a range of choices depending on the flight and departure time.

The airline is also fitting every business class seat in the B737 fleet with electrical sockets for charging personal devices.

KLM continues to offer business class passengers priority departure and arrival services, extra baggage allowance, access to airport lounges and priority baggage.

SkyTeam expansion

THE SkyTeam alliance continues to expand its reach and influence, adding airlines in the Middle East, South America and Asia to its rapidly growing stable.

Aerolineas Argentinas, Garuda Indonesia, China Eastern, Shanghai Airlines, China Airlines, Saudi Arabian Airlines and Air Liban have all confirmed their future membership of the alliance, which is pursuing "continuing global expansion".



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New alliances for Virgin Blue

THE Virgin Blue Group says its "game-changing" alliances with Etihad and Air New Zealand have paved the way for it to become a truly global airline.

The alliances, which have won the approval of the Australian Competition and Consumer Commission, have given the group a huge boost in frequencies and network reach.

The Virgin group's alliance with Etihad has allowed it to develop a new hub in Abu Dhabi, allowing it to offer travellers from Australia a one-stop alternative to about 14 destinations in Europe, the Middle East and Africa, without backtracking or going through Heathrow.

V Australia began three weekly services between Sydney and Abu Dhabi last month and has committed to introducing three weekly services between Brisbane and Abu Dhabi by this time next year.

The combined network of the two airlines amounts to more than 100 destinations.

Between the two carriers, services between Australia and Abu Dhabi amount to 27 per week, including double-dailies between Sydney and Abu Dhabi, daily services between Melbourne and Abu Dhabi and six frequencies per week between Brisbane and Abu Dhabi.

From Etihad's point of view, the alliance



gives its passengers access to 45 new destinations across Australia, New Zealand and the Pacific Islands and opens up a range of new connections and routings via Abu Dhabi.

(Etihad has also signed an extensive codeshare agreement with Air New Zealand, giving it greater access to cities including Auckland, Wellington and Christchurch.)

The Virgin group's alliance with Air New Zealand gives it a broad codesharing agreement on all trans-Tasman services and domestic sectors.

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