

Landmark ruling for low-cost sector

Low-cost boom in Asia

A NUMBER of carriers in the Asian region are rushing to launch no-frills operations and build their market share. Thai Airways International is launching a subsidiary, Nok Air, in June, which will join Thai Air Asia and One-Two-Go in the Thai marketplace.

"Thailand is a virgin market. There's room for two-to-three low-cost carriers," commented Patee Sarasin, Chief Executive of Nok Air. He said that in the second year of operation, flights to destinations outside of Thailand would be considered.

Meanwhile, Singapore Airlines is reported to be setting up a low-cost airline, Tiger Airways, in association with Ryanair, and Malaysian group, Air Asia, which is behind Thai Air Asia, is also said to be planning a venture from Singapore. "We have applied for an air operator certificate," said Tony Fernandez at Air Asia, who added that talks with co-investors in Singapore were continuing. □

The European Commission (EC) has ruled that Irish low-cost carrier, Ryanair, has received unfair subsidies from the state-owned Belgian airport of Charleroi, leaving the airline with a bill for millions of euros, and, more importantly, casting doubt on the future of all low-cost operators in Europe.

Ryanair uses many secondary airports in Europe and has received subsidies in the past from those that were keen to boost passenger traffic to their terminals and region. The EC has ruled that up to 30 per cent of the subsidies received from Charleroi were not legal and have to be paid back.

The share price of Ryanair dropped when the ruling was announced, and Michael O'Leary, Ryanair's Chief Executive, said the ruling was "devastating" for regional airports, low-cost airlines and consumers. Ryanair has vowed to take the case to the European Court of Justice.

O'Leary commented, "The only beneficiaries of this decision are the original complainant,

Brussels Zaventem Airport, and the high fare carriers who fly there. We believe the appeal will be supported by many other low fares airlines, regional airports and consumer groups. The EC should not be interfering in the operation of a free market."

A further decision that is likely to impact on the low-cost sector has been the news that

compensation levels for passengers whose flights are cancelled will be increased to a €250 minimum. Some airlines currently only refund the price of the ticket, and there are reports that flights are sometimes cancelled to restore punctuality. Airlines had opposed the bill, saying it made them accountable for problems outside of their control. □

2003 sees negative growth for air travel

AFTER notching up minimal growth in the year 2002, international air travel declined last year in terms of passenger traffic, year on year. The figures were announced by the International Air Transport Association (Iata) earlier this year.

"The war in Iraq, Sars, and a worldwide economic slowdown produced a dismal environment for the air transport industry in the first half of 2003," said a spokesperson for Iata, who added, "We saw a robust traffic recovery in the last quarter." □

Growth for Eastern European airlines

SOME Eastern European carriers reported better than expected increases in their business in 2003, despite the difficulties faced by the entire aviation industry.

Aeroflot in Russia said that its passenger traffic increased by 6.5 per cent on the previous year to 5.844 million, which was above its initial target for growth.

Meanwhile, in the Czech Republic, the operator CSA Czech Airlines carried 3.591 million passengers in 2003, which represented year-on-year growth of 17.2 per cent. □

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● **All Nippon Airways**, based in Japan, has announced its intention to increase flights between Japan and China by 30 per cent this year, to capitalise on growing business and leisure travel between the countries. Japan has been a popular study destination for Chinese students, although a recent tightening up of visa legislation may make it more difficult for Chinese students to enter.

● **US carrier, Continental Airlines**, is keen to buy struggling Colombian carrier, **Avianca**, according to news reports, while a US bankruptcy judge has given Avianca an extension on a deadline set for the presentation of its restructuring plan. Avianca has a US-owned subsidiary, which allowed it to apply for bankruptcy protection in the USA.

● **Auckland** in New Zealand – a popular study destination for

international travellers – is seeing phenomenal growth in air passengers using its international airport. Chief Executive of the airport, Don Huse, said a record number of 140,950 passengers were processed in one week during January.

● **The European Parliament** has given its backing to a "single European sky programme" that will improve regulation of Europe's airspace. The framework, which will be phased in gradually and mean closer coordination of national air traffic control systems, is expected to lead to fewer delays and higher safety standards across the board.

● Another new **low-cost airline** service has been launched, offering routes between the Czech Republic and western European cities. Charter airline, Travel Servis, is behind the carrier, which launched in March under

the brand name **Smart Wings**. Flights operate from Prague to Paris, Zurich, Madrid, Amsterdam and Copenhagen.

● **Iran** has opened a new international airport to serve the capital city, Tehran. The Imam Khomeini International Airport, 45 kilometres from the city, has taken three decades to complete, and some phases of the construction are yet to be finished. It is hoped that the US\$475 million terminal will cater for up to 40 million passengers per year and encourage foreign visitors.

● **The World Tourism Organisation (WTO)** has called on the world's media to play a responsible role in covering events that can impact on the tourism industry. WTO Secretary-General, Francesco Frangialli, said that the downturn in travel following the Sars outbreak, as an example, was

partly a reaction to excessive media coverage and a perceived safety threat that was out of proportion to the real situation.

● **British Airways (BA)** seems to be finding its form again, and announced its biggest third-quarter profit in 12 years for last year, although it warned that security issues were having an impact on the profit outlook for the future. Since the end of last year, some BA flights have been cancelled because of intelligence received about possible threats.

● **Spain** welcomed 52.5 million tourists in 2003, which was an increase of 150,000 on the previous year's figures. Spain's Economy Minister, Rodrigo Rato, said that last year's figures consolidated previous increases. "For the third year running, Spain's tourism sector has showed clear signs of strength," he said.