

Route cuts and losses abound

Pata upbeat about Asian prospects

THE CHAIRPERSON of the Pacific Asia Travel Association (Pata), Peter de Jong, has spoken about the opportunities for growth in the Asia region and its potential impact on the travel industry. Playing down the problems inflicted on the industry by Sars and global unrest, de Jong - speaking ahead of the Global Travel & Tourism Summit in May - said Asia had many intra-regional travellers who planned to travel further afield in the near future.

'Because the populations of India and China are so huge, a modest percentage growth in international travel could have a significant impact on the rest of the world - and if managed correctly, will become our bread-and-butter business for the next decade or so,' he predicted.

Beijing Capital, China's largest airport operator, recently posted half-year profits of US\$33.2 million, citing a rise of 12.3 per cent in the number of airport users last year. □

Despite job cuts and route terminations, airlines have announced severe financial losses, with the outbreak of Severe Acute Respiratory Syndrome (Sars) contributing to their problems. Dutch carrier, KLM, has reported a full-year loss of US\$472.7 million, more than double the figure reported in the previous year. It said that the short-term outlook shows no signs of improvement.

US carrier, United Airlines, posted a shocking US\$1.3 billion loss for the first quarter of 2003. 'The first quarter was particularly difficult, given travellers' concerns about the conflict in Iraq, the weak economy and a fierce low-fare environment,' said Glenn Tilton at the carrier.

Many Asian carriers were forced to revise their schedules because of the outbreak of Sars in a number of countries within Asia. These included Singapore Airlines, which received financial help from its government, Thai Airways International and Malaysian Airlines, which cut 716 flights between April and

June. Job losses also occurred at many carriers as airlines attempted to take drastic cost-cutting measures as business dried up.

Singapore Airlines, the most profitable Asian airline, asked almost half of its staff to take seven days unpaid leave every two months, as a cost-cutting measure. Staff at Singapore Airlines were considering the offer at the time of going to press. The carrier also cut fares by up to 50 per cent to encourage international travellers back to the skies.

Qantas announced plans to axe 1,000 jobs by the end of June, a move that the carrier's Chairperson, Geoff Dixon, justified by saying that swift action was vital in order to forestall further problems. And in Europe, KLM is losing 3,000 full-time employees in an effort to save €650 million (US\$745 million).

Some airlines bucked the trend. The owners of Dubai-based Emirates declared profits of US\$285.7 million last year, with a 94 per cent increase in profit from airline operations alone.

'When we compare our results with those of the world aviation industry in general, they seem almost surreal,' said Sheikh Ahmed at Emirates.

And British Airways defied expectations and posted a pre-tax profit of US\$216.6 million for the year to March, but warned it could not be complacent. □

Air Canada files for protection

AIR CANADA, the world's 11th largest carrier, filed for bankruptcy protection earlier this year as it attempted to reorganise and restructure following big losses. The airline posted losses of CAN\$428 million (US\$307 million) in April this year, and applied for protection from creditors while it attempted to reshape the airline.

Robert Milton, Chief Executive of the airline, commented, 'Clearly, while not our preferred course of action, this filing is necessary to allow Air Canada to make the required changes to compete effectively.' □

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● **Cathay Pacific** has been one of the carriers most severely affected by the outbreak of Severe Acute Respiratory Syndrome (Sars). At one point, 42 per cent of its operations were cancelled leading the airline to take out full-page newspaper advertisements in order to reassure passengers about the safety of air travel. The Hong Kong-based carrier pointed out that fresh air flowed continuously into air cabins, while in commercial buildings only 15 per cent of the circulating air was fresh, the rest being recycled.

● Brazilian carrier **Varig** lost its President, Manuel Guedes, in April. Guedes, who only took over the role in August, said he was leaving the company after having prepared the restructuring process. He is said to disagree with plans to merge Varig with rival **TAM**.

● **Gulf Air** says it will resume flights to Sydney, Australia from Bahrain following meetings between Australian and Bahraini authorities. The carrier withdrew the service in March last year. **Air India** is also said to be considering reintroducing flights to Australia within the next few years. 'It's on the cards but at the moment nothing can be confirmed,' said Geeta Kapour from Air India.

● US carrier, **Delta**, has extended a code-share deal with SNCF French Rail, allowing passengers arriving in Paris on Delta flights to travel onwards to Montpellier, Marseille, Nimes and Valence on the French rail network. These new destinations are in addition to eight rail network destinations currently offered to passengers wanting to travel to different areas in France.

● The Israeli government has warned that **El Al Airlines** could face bankruptcy if plans to privatise the carrier are put on hold. Avigdor Lieberman, the country's Transport Minister, said plans to sell off an initial 49 per cent of the carrier should go ahead despite the gloomy conditions in financial markets and the aviation industry. The final decision rests with the legal underwriters of the deal.

● **Continental Airlines, Delta Air Lines** and **Northwest Airlines** in the USA have been given the go-ahead over their proposed alliance. In a joint statement, the carriers said the agreement from the Department of Transportation would bring consumers lower fares, better service and a wider range of destinations on offer. It will also mean competitive advantages for the US carriers, which have all been badly affected by

the challenges of the current operating environment.

● Australia's **Qantas** has said it will push ahead with proposals to take a 22.5 per cent stake in **Air New Zealand**, despite resistance from competition authorities. 'The future for Air New Zealand without the proposed alliance would involve the inevitable contraction of its international operations,' warned Qantas Chief Executive, Geoff Dixon.

● **Virgin Express** would like to set up a low-cost operation from Paris' Orly Airport. A spokesperson for the carrier said, 'Virgin Express believes that the large Paris market, currently starved of 'value for money' fares, will allow Virgin Express significant opportunities to expand.' The airline is currently seeking additional slots at the airport.