

# Fuel prices put pressure on airlines

## Washington gets its own low-cost carrier

WASHINGTON DC has gained its own low-cost carrier, Independence Air, which was launched this summer. The carrier said that it expected to offer more than 300 daily departures eventually, although at the time of going to press, route schedules had not been formally announced.

Language travel students in the region will no doubt be pleased to take advantage of cut-price flights, although officials from the Department of Transportation (DOT) in the USA have warned that airside congestion and security processes could become cumbersome with rapid growth in passenger numbers. □

**A**rise in fuel prices is the latest challenge to the profitability of the world's carriers, according to Giovanni Bisignani, Director General of the International Air Transport Association (Iata). He told the aviation industry that while there were signs of recovery in the marketplace, "the crisis is not over". He estimated that aviation fuel would cost airlines an estimated US\$67 billion by the year end, which is US\$8 billion more than in 2003.

"Rising fuel costs will challenge our profitability and are yet another reminder of the airlines' need for the same flexibility as other businesses in dealing with a volatile operating environment," he said, noting that costs are increasing just as business seems to

be returning to pre-September 11 levels for many carriers.

In terms of the US marketplace, Bisignani said a limit on the amount of foreign investment allowed in US carriers was holding back the market. Worldwide, the rise and rise of the low-cost airline market is yet another threat to traditional carriers. These carriers continue to spring up and challenge conventional business models. Richard Branson, Owner of Virgin Atlantic and Virgin Blue, wants to launch a no-frills operation in the USA, while United Airlines launched Ted, its low-cost operation, in February.

In Asia, Singapore-based Valuair has gained official approval to fly from Changi Airport and was planning services to

Bangkok, Jakarta and Hong Kong at the time of going to press. Malaysian AirAsia has also announced it wants to start services from Singapore and is in talks with Air Macau about code-sharing on services from China.

In Europe, Wizz Air, based in Poland, has announced that it is adding Budapest as a hub to its network, flying from Budapest to London, Barcelona, Athens, Rome, Paris, Prague and Katowice from June. From July 1, six new European destinations are also to be added to the schedule out of Poland. Paris, Munich, Athens, Barcelona, Dortmund and Stockholm will be on offer. The carrier hopes to break even in its first year of operation, as does Thai Airlines' Nok Air. □

## Dublin looks forward to whole range of new routes

DUBLIN AIRPORT will welcome 19 new routes to its network by the middle of the year, says Aer Rianta, the Irish airports authority. Carriers launching new routes

to the airport include Basiq Air, Germanwings, Lufthansa, SAS, Ryanair and Aer Lingus.

Robert Hilliard at Aer Rianta said the news was "further en-

dorsement from the airlines of their confidence in the facilities and the good value at the airport". The expansion of services is also good news for the country's Eng-

lish language teaching industry, as many of the air carriers will be offering low-cost services from other Western European destinations to Dublin. □

### Travel Update ● Travel Update ● Travel Update ● Travel Update

● Australian carrier **Qantas** is trying to encourage the use of electronic ticketing wherever possible. From July 1, travel agents in Australia will be charged AUS\$55 (US\$38) if they issue a paper ticket on a service where an e-ticket was available.

● **US Airways** became a full member of the global Star Alliance in May. The alliance now comprises operators accounting for 14,000 flights a day to 755 destinations worldwide.

● The USA has said it will consider security measures other than **armed sky marshals** on flights to and from the country after it encountered opposition from some European countries that said they did not have the resources to train and employ such marshals.

● According to Spanish carrier, **Iberia**, the effect of the Madrid

bombings on tourism trends was "limited and temporary", and the number of passengers carried in the first three months of the year was up 7.3 per cent on the previous year overall. Delta Air Lines' Spanish unit also testified that any effect on the passenger market was short-lived.

● Non-stop flights between **France** and **Vietnam** will lead to a 25 per cent increase in passengers travelling between the two countries during the next fiscal year, according to Air France. "Conducting these flights shows the trust [of] Vietnam Airlines and Air France in Vietnam's economic development," said Jean-Cyril Spinetta at Air France.

● **US Airways**, which has been beset with problems in the last year, has announced a first quarter loss of US\$177 million. New Chief Executive of the company,

Bruce Lakefield, said the airline had more work to do to ensure long-term success. "We must implement a new cost structure and a revenue plan that allows us to return to profitability," he said.

● **Bilateral talks** between the UK and China over air rights have ushered in new opportunities for increased flights between the two countries. As a result, **Virgin Atlantic** has already increased its flights to Shanghai to five-weekly services. "Shanghai is developing rapidly as a major world city and this move demonstrates our continuing belief in both the city of Shanghai and in the development of trade and cultural links between the UK and China," said Chris Humphrey, Spokesperson for Virgin Atlantic.

● The future for **Alitalia** looks brighter now that the unions have agreed to a rescue plan that sen-

ior government ministers presented to the airline. The plan sees many of the airline's top executives resigning.

● **British Airways** has announced that its April passenger traffic was 16.1 per cent up on the previous year, but it pointed out that underlying market trends and conditions are unchanged – indicating that non-premium passengers remain "very sensitive" to ticket prices.

● **Korean Air** will spend US\$9 billion over the next 10 years updating its fleet, fitting new cabins and first-class "cocoon seats" and making service improvements. Yang Ho Cho at the airline said the work follows the carrier's network expansion and added, "Now it is time we redefined our airline towards our customers and ourselves, while growing into a vibrant, spirited organisation."