

# Low-cost travel to soar in new EU

## Air France mergers

**FRENCH CARRIER** Air France launched a take-over bid for Dutch based KLM in April, in a merger that will create the world's biggest airline by revenue.

The two airlines have agreed to form a joint holding company under which Air France and KLM brands would co-exist for three years. The take-over will also bring KLM into the SkyTeam alliance – currently the industry's third largest grouping.

The European Commission (EC) has also approved an alliance between Air France and Italian carrier, Alitalia, which will allow each airline to take a two per cent stake in each other as well as provide code-sharing agreements on routes between the two countries.

In order to satisfy concerns that the alliance would eliminate competition on some routes between Italy and France, the carriers were required to surrender several key slots including Paris-Rome and Paris-Milan. □

**G**rowth in low-fare airlines, combined with a strengthening of local economies, will create a significant increase in air traffic in the European Union (EU) accession countries, according to Eurocontrol, an air traffic control organisation.

Eurocontrol forecast that Ryanair, Easyjet and other low-cost air carriers would increase their European market share to 24 per cent by 2010 with the number of flights increasing by 20 per cent each year.

"The largest growth in the air transport market will be in Eastern European and Mediterranean states, with an average of 4.5 per cent growth a year in the EU accession countries," said the company in a statement.

Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia all joined the EU in May.

A number of new routes have already been launched in time for the accession of the new countries. Poland's first budget airline, Air Polonia, and Italy's low-cost carrier, volareweb.com, launched

code-share flights between Poland and Italy last month on Warsaw to Venice and Warsaw to Rome routes. The agreement between the two airlines means that both will sell tickets on their partner's flights, and plans are in place to introduce new routes from Warsaw to Milan and Krakow to Rome by mid-June.

"We will face more competition starting in May, and we are doing everything we can to strengthen our position," commented Jan Litwinski, Chief Executive Air Polonia.

New routes have also been introduced between Poland and the UK and Poland and Germany in recent months. Air Polonia recently began the UK's only Gdansk service from London's Stansted airport, while another Polish Airline, Wizz Air, began a Luton-Katowice Service in May.

Meanwhile, German airline, Lufthansa, launched new flights from Munich to Poznan, Krakow and Gdansk in April and May this year. The airline is expecting double-digit traffic growth on flights to Poland in 2004. □

## Latin American growth forecast

**AIR TRAFFIC** in Latin America is the world's second fastest-growing aviation market and it is expected to increase by an average of seven per cent per year over the next two decades, according to Boeing's Vice President of Sales for Latin America and the Caribbean, John Wojick.

His claims were based on the show of economic recovery displayed by Latin American countries, as well as the strong

profitability of regional carriers throughout the continent.

"Yields are returning to pre-9/11 levels in Latin America and we're optimistic that will probably continue in 2004," he said.

Chilean air carrier, LanChile, launched a new brand name in April, bringing all its affiliates under the new LAN name. The carrier recently forecast an expected rise in sales of more than 15 per cent this year. □

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

● Australian carrier, **Qantas**, has announced plans to break into the low-cost travel market in Asia with the launch of a new Singapore-based budget carrier. The new airline will be a joint venture between the Singapore government investment agency, Temasek Holdings, two Singapore businessmen and Qantas.

● Richard Branson, Chairman of **Virgin Atlantic**, has announced plans to launch a series of new routes that will include Cuba, the Bahamas and Australia. The airline also plans to increase its services to the USA, the Caribbean, Asia and the Far East and recruit 1,400 new staff over the next year. "Aviation needs a sustained period without the sort of turbulence we've experienced in the last three years but we're looking to the future with real optimism," he said.

● An agreement made between **Singapore Airlines** and UK airline **BMI British Midland** earlier this year will enable passengers to connect from any of the three-times daily Singapore-London flights to five European cities – Belfast, Brussels, Dublin, Edinburgh and Glasgow. Singapore Airlines said that the arrangement will extend its network to 34 European cities.

● Flights between the UK and China will increase this year as **British Airways** unveiled plans to launch a new Shanghai route by the end of the year. The airline also increased its London-Beijing flights from three to four in April and plans to increase this to five in June. Air China has also increased flights between Heathrow and Beijing after an agreement was reached allowing additional flights between the two countries.

● Middle Eastern carrier, **Qatar Airways**, has announced plans to enter the Australian market by offering a three-times-weekly service to Melbourne by the end of the year. Akbar Albaker, Chief Executive of the carrier, said that the services to Melbourne were a key step in the airline's plans to become a major international carrier between Australia, the Middle East and Europe.

● The **US Federal Aviation Administration** has predicted that passenger traffic aboard US airlines will grow this year for the first time since 2000. The report estimates that growth for 2004 will reach four per cent with 686 million passengers travelling on US carriers.

● The governments of **Hong Kong** and **Malaysia** have negotiated an open skies deal that will

allow airlines from both countries to operate as many passenger and cargo flights as they wish between the two countries. The agreement is Hong Kong's first arrangement of this kind with an Asian partner.

● The **European parliament** rejected an accord with the USA earlier this year regarding the handing over of air passenger's details to Washington after fears over the infringement of European citizens' rights. Many European air carriers have already begun passing on passenger data to US authorities after facing the threat of large US fines.

● Irish no-frills carrier, **Ryanair**, announced a 51 per cent increase in March traffic this year, reaching its 12-month target of 23 million passengers. The carrier has opened 60 new routes in the past year.