

More low-cost services

Landing charges increased in London

Aviation industry observers are warning that prices for flights into London in the UK are set to rise significantly following the decision by the UK's Civil Aviation Authority (CAA) to allow landing charges to rise by 36 per cent over the next five years.

British Airways' Chief Executive, Rod Eddington, said the move was "bad news for the travelling public, who will end up paying higher prices". Richard Branson at Virgin Atlantic called the rise in charges "sheer madness", and added, "We will fight this proposal tooth and nail or we'd have no choice but to pass these increases on in fares."

The CAA countered that the charges would not "materially affect" air fares, adding that the extra revenue was needed to help fund an investment programme at all London's airports. BAA is currently investing UK£7.4bn (US\$11.8bn) in a 10-year plan to boost long-term capacity at its London airports. □

While many airlines are cutting costs, staff or routes, no-frills carriers continue to spring up and thrive. Another US carrier, Midwest Express, is following in the steps of United Airlines and Delta (see *Language Travel Magazine*, April 2003, page 6) by announcing that it intends to launch a low-cost carrier. "Adding a low-fare carrier to our existing product portfolio will allow us to enhance our competitive position," said Midwest's Chairperson, Timothy Hoeksema. "The uncertainty [of war] has made people more reluctant to travel, cutting revenue dramatically. Even more alarming, fuel prices have quickly risen to record highs." Midwest Express, which previously catered for a largely business clientele, is expected to focus its low-cost operation on leisure destinations.

In Europe, Ryanair could soon start flights to destinations outside of the European Union (EU), if the UK's Civil Aviation Authority allows it to keep the UK licence it acquired when it bought Buzz. Michael O'Leary, Ryanair's

Chief Executive, said that possibilities were there for flights outside the EU, although he indicated no definite plans being considered. However, seven new routes in Europe were unveiled earlier this year. The carrier is launching services from London to Blackpool in the UK, Bergerac and Rodez in France, Ostend in Belgium, Groningen in the Netherlands, Leipzig in Germany and Palermo in Italy from May.

In Iceland, another low-cost venture has also been unveiled.

Iceland Express is challenging the monopoly previously held on the Iceland to UK route by Icelandair with its new service between Keflavik and London Stansted.

Sighvatur Blondahl, Spokesperson at Iceland Express, said they planned to capture 10 per cent of the total market. "We are bringing new passengers into the market," he said, "but of course, we will take [some business] from Icelandair, especially on business class." Return fares start from UK£108 (US\$173). □

Lufthansa continues cutbacks

In the current economic climate, Lufthansa is taking no chances. Following the cutbacks that it has already enacted (see *Language Travel Magazine*, April 2003, page 6), more cost-cutting measures are being taken to ensure the company's survival. The carrier announced, "As a consequence of a further deterioration in the economic situation, Lufthansa's Executive Board today decided on far-reaching measures. They

include an immediate hiring freeze as well as a capacity reduction by another 10 aircraft."

A total of 31 aircraft operated by Lufthansa and its partners have now been taken out of service. The carrier's Chairperson, Jürgen Weber, pointed to the increase in the price of crude oil, a decline in business passengers and worldwide concern about future events in Iraq as other factors affecting the airline's performance. □

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● Korean carriers, **Korean Air** and **Asiana**, both experienced a turnaround in fortunes last year as they turned losses into healthy profits. Korean Air attributed its fortunes to cost-cutting measures and a reorganisation of routes, while Asiana cited, among other reasons, an expansion of profitable routes.

● The proposed alliance between **Qantas** and **Air New Zealand** has been approved by the New Zealand government, which has had a majority stake in Air New Zealand since bailing it out of financial difficulties last year (see *Language Travel Magazine*, March 2002, page 6). Although still dependent upon agreement from the competition authorities, the alliance – which will see extensive code-sharing between the two airlines – is a step closer to taking place.

● A rise in **fuel prices** is impacting on carriers across the board. Lufthansa raised its fare prices by 4.5 per cent in February to compensate for the high cost of jet fuel, following the example of Dutch carrier, KLM. Alitalia and Air Canada are other carriers to have reacted to the increase in costs. Air Canada, Canada's largest airline, said the increase of prices, at an average of US\$17 for a one-way long-haul flight, was a temporary measure only.

● **AeroMexico** is upgrading its aircraft fleet in a deal thought to be costing US\$500 million. A spokesperson at the carrier said that the overhaul would cut operating costs in the long-term. "One of the principle reasons for this order is to add planes with the latest-generation technology to our fleet," said Arturo Barahona. The carrier is replacing DC-9s with

Boeing 737-700 planes through a leasing arrangement with Boeing.

● **Aerolineas Argentinas** is launching an extra weekly Australia service between November this year and March 2004, during the summer season in the southern hemisphere. Washington Droguett at the carrier said the extra service was due to high demand during this time. "[We want] to get our name back in the marketplace with the public and agents and industry," he said.

● **Western Australia** is conducting a marketing campaign in Singapore by advertising on the city's double decker buses. Local magazine supplements, press advertising and "infomercials" on TV in English and Chinese mediums will back up the campaign. "We thought we would try something new this year," said Jenny

Chandra at the Western Australia Tourist Commission. The catchphrase for the adverts is "Touch nature, feel freedom".

● The **Centre for Asia Pacific Aviation** (Capa) has forecast a tough year ahead for airlines in the region, with a period of "sustained strategy introspection" expected. Capa also said that many Asian Pacific markets were ripe to be developed by short-haul low-cost airlines, and that this was likely if governments realised they did not need to threaten national carriers. "The floodgates could open for low-cost airlines once governments recognise this [fact]," said Peter Harbison, Capa Managing Director. In the outlook report, Harbison added that China's growth as an outbound destination would however contribute to enjoy stable growth for many airlines during 2003.