

EC closes probe into two alliances

Low-cost battle ground in Germany

GERMANY is the latest European country that is seeing intense price competition between carriers, as the key low-cost airlines move into the market. Virgin Express, based in Belgium, has revealed plans for a new base at the Cologne-Bonn Airport.

Earlier this year, EasyJet announced similar plans to start low-cost services in Germany by agreeing to acquire Deutsche BA from British Airways next year (see *Language Travel Magazine*, July 2002, page 6). Chief Executive of EasyJet, Ray Webster, said at the time, 'Germany is the biggest domestic air market in Europe, but it is very poorly served by low-cost airlines, especially in comparison to the UK.'

Irish carrier, Ryanair, also moved into the German market in February, with the launch of services from its airport base at Frankfurt-Hahn. It is already flying to 10 destinations in Europe and plans to serve the German domestic market in the future. □

The European Commission (EC) has closed its investigations into two major airline alliances - the Star Alliance and the Wings alliance. While both airline groups have been co-operating for a number of years, the EC's decision means that the airlines involved will not be forced to make major concessions in Europe. Both alliances have already received approval from US authorities.

The Star Alliance, comprising Lufthansa, Scandinavian SAS and United Airlines, has agreed to give up some capacity from

Frankfurt to Washington, Chicago, Los Angeles and San Francisco in the USA. The Wings alliance comprises KLM from the Netherlands, and Northwest Airlines and Continental Airlines in the USA.

The EC's decision on these two alliances bodes well for the Skyteam alliance of Delta, Korean Air, Air France, Alitalia, CSA Czech Airlines and AeroMexico. The airlines Air France and Alitalia need EC permission before they can press ahead with plans to link up their hubs at Milan, Paris and Rome

and cooperate on fares, ticketing and flight schedules.

Meanwhile, British Airways and Spanish carrier, Iberia, have announced their intention to forge closer links if the EC gives them the go-ahead. The airlines, both members of the Oneworld airline group, want to extend code-share agreements with each other and share airport facilities at Madrid, Barcelona and London to improve transfer services for customers. They also plan to coordinate sales and marketing, network and cargo services, promising cheaper fares as a result. □

KLM cuts fares to stay competitive

DUTCH national carrier, KLM, is the latest carrier that is seeking to stay competitive by cutting fare prices. The airline is introducing a new fare structure for all short-haul flights to Europe sold in the Dutch market, and cutting prices on key routes by up to 40 per cent.

The carrier said in a statement, 'KLM has decided to alter its fare structure in response to

recent European market developments, which show a sharp increase in leisure traffic.'

Meanwhile, a regional carrier in the UK, British European, has also announced a shift in its marketing strategy in an attempt to tap into the low-cost market. The airline has repackaged itself as Flybe and is offering lower fares to customers. 'The airline industry is

constantly evolving and the low-cost airlines are the latest innovators,' said Jim French, Flybe's Managing Director, who nevertheless claimed that Flybe would not be another imitator.

'We cannot merely copy everything the low-costs do,' he said. 'We can, however, take this opportunity to tear up the rule book, to create something new.' □

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● **Malaysia Airlines** has gradually reinstated services to Manchester, Rome, Istanbul, Cairo, Beirut and Karachi this year after having axed the routes last year for economic reasons. The airline also added an extra weekly service between Brisbane and Kuala Lumpur in July, bringing the total weekly services on this route to five. 'There have been recent positive developments in the global aviation industry,' said a spokesperson for the carrier. 'Airlines are benefiting from the resurgence of confidence in flying.'

● According to statistics from the **General Administration of Civil Aviation of China**, domestic airlines in the country are up 6.9 per cent on revenue earnings compared with the first six months of 2001. *The China Daily* also reported that passenger fig-

ures increased by 14.4 per cent to 40 million in the same period. The World Cup is one factor credited with boosting figures.

● The French government has announced it is to give up its majority stake in the country's national airline, **Air France**. 'In order to allow the company to accelerate the modernisation of its fleet, to consolidate its alliances and strike partnerships, the state must give it more freedom,' said a spokesperson for the economy ministry. The government's stake will be reduced from 54.4 per cent to about 20 per cent.

● **Virgin Atlantic** has introduced the longest passenger aircraft into service from the UK to New York, Tokyo and Hong Kong. At 75.3 metres, the Airbus A340-600 is 4.8 metres longer than any other commercial plane.

● **Air China** launched the first non-stop services between Beijing and New York last month. The flights, which replace the service from Northwest Airlines that Air China code-shared, pass over the Arctic Circle - reducing flying time from 21 to 13 hours.

● Mexico's privately owned airport group, **Asur**, has revealed that its nine airports in Mexico felt the pinch following September 11 last year. Aside from Cancun, domestic and international passenger figures fell at all other airports. Overall, traffic was down by 7.41 per cent. The company said North American travellers were substantially down, and those airports catering for the North American leisure market were particularly affected.

● The USA's second largest carrier, **United Airlines**, has gone

one step further by abolishing its commission rates for all travel agents outside of the USA who sell air tickets that originate in the USA. From 15 October, base commission will no longer be paid on such tickets. Earlier this year, the carrier similarly scrapped commission for its US-based agents. Another US carrier, **American Airlines** has also followed suit.

● The UK's newest low-cost airline from BMI British Midland, **BMIbaby**, has unveiled the nine routes it is to offer from its newest base in Cardiff, Wales, and announced plans to add services to Prague and Budapest, pending approval. The nine routes, which launch this month, are to Edinburgh, Glasgow, Jersey, Belfast, Faro, Alicante, Bergamo, Geneva and Malaga. Single fares start at UK£18 (US\$28) to Scotland.