

Low-cost sector under threat

Only two or three of Europe's 56 low-cost air carriers will survive in the long-term due to over-saturation of the market, according to predictions contained in a report released by management consultancy, McKinsey & Co.

The study's author, Lucio Pompeo, told a conference in Germany this year that low-cost carrier growth rates had largely been generated through the creation of new markets, but profitability would soon be affected as growth rates slowed, more markets became saturated and competition increased. The study also stated that cities such as Dublin, Brussels and Cologne were already facing market saturation.

The low-cost market has been responsible for boosting seat capacity worldwide as figures show that 280 million seats were available in July 2005, an increase of five per cent on the previous year, according to the UK-based Official Airline Guide (OAG). European and Asian airlines have seen the most growth, with 4.5 million more

seats available in Asia and 3.9 million in Europe. On a global basis, the low-cost sector has added nearly five million seats to the market, with 2.5 million of them within Europe. Asia too has expanded its low-cost capacity to four million seats from 600,000 four years ago.

Duncan Alexander, Managing Director of Business Development at OAG said, "The underlying trend of year-on-year growth since 2001 is an indication of steadily increasing airline industry confidence." ●

New aviation tax to fund aid for poor countries?

A NEW AVIATION TAX that will raise money to help developing nations has been proposed and is currently the subject of intense discussion between governments and the airline industry. French President, Jacques Chirac, told the World Economic Forum in January that a tax of US\$1 per airline ticket could raise US\$10 billion a year in extra aid for Africa, and has written to 140 world leaders urging them to support the plan.

The UN Secretary General, Kofi Annan, came out in support of the levy in July this year saying that a solidarity fund based on air ticket levies would provide a "constant stream of money". However, other quarters within the international airline industry have been less than supportive of the proposal, claiming that it is misguided and counter-productive.

Airports Council International, the Asia Pacific Travel Retail Association, the Association of Asia Pacific Airlines, the Duty Free World Council, the International Air Transport Association (Iata), the Pacific Asia Travel Association and the Tax Free World Association have all denounced the proposed tax on the grounds that it would decrease airline efficiencies and reduce demand for travel and tourism, which is a major driver of development in many developing countries.

Iata Director General, Giovanni Bisignani, said that governments should look at other more obvious ways of helping raise revenue for developing nations. "Air transport is an essential part of the fabric of modern life," he commented. "If governments are truly serious about development, there are glaring opportunities to generate billions for aid simply by removing trade barriers." ●

Steady gains in Europe

SEVERAL European airlines have been reporting steady business performance this summer. German carrier, Lufthansa, reported 5.2 per cent more traffic in June than in the same month a year earlier, and cited Asia-Pacific and European travel in particular as responsible for the fact.

Its eastern neighbour, CSA Czech Airlines, indicated that its passengers numbers grew by 18 per cent in the first half of the year, although President, Jaroslav Tvrdik, said that if oil prices remained high to the year end, its profits would not be comparable. "If the high oil prices persist, then neither CSA nor other airlines in Europe will have a profit," he said.

At Swiss International Air Lines, growth in seat load factor for June alone, compared with the year earlier, was five per cent. Finally, Finnair in Finland recorded a passenger growth rate of 6.3 per cent in June this year and said its low-cost arm, flynordic, continued to gain market share. ●

Travel Update

- More direct air links between **China** and **Spain** are now available, since Spanish carrier Air Plus Comet launched a Madrid to Beijing service in July. The Spanish government also intends to launch a tourism drive in China. In Madrid, the international airport is also set to benefit from a fourth terminal early next year, which should increase capacity to over 70 million passengers per year.

- **Air France-KLM** is teaming up with low-cost Brazilian airline, Gol, to form a partnership arrangement and enhance its position in the key South American market. At the time of going to press, it was also in talks with domestic Brazilian carrier, TAM, about linking up services out of Sao Paulo.

- A new low-cost airline is set to take off in Mexico, after the government opened up the industry to competition and announced incentives for low-cost carriers. **Vuela** is being set up by a television company, Televisa, and three other backers. "Mexico presents an attractive opportunity for Vuela because it is a large market with good potential," said Televisa in a statement.

- **Live television** on an international flight will soon be a reality for Singapore Airlines customers. The airline is introducing live news broadcasts and sports programmes as part of its inflight entertainment from next year. "With the introduction of broadband Internet and now live international TV, we bring the real-time environment into the cabin and to our customers," said Yap Kim Wah at the airline.

- **Air safety officials** in Canada have told passengers to avoid bringing water guns and toy pistols on holiday with them, as it is delaying the check-in process and causing delays. "Through an X-ray machine, those items look like a threatening object," said Kevin McGarr at the Canadian Air Transport Security Authority. The authority estimated delays totalling 15,000 hours last year.

- **China** wants to recruit foreign airline pilots to plug the gap in its staffing resources, as the commercial aviation sector is growing so quickly that insufficient pilots are available, according to the *China Daily*. It reported that industry experts had found that the 11,000 available pilots were not enough to cope with soaring numbers of airline passengers.

- **Alnwick** in Northumberland, UK, home to Hogwarts School in the Harry Potter films, has seen tourist numbers almost double since its new-found fame. Tourism is now worth more than £9 million (US\$15.9 million) a year to the town, according to the local council.

- **Finnair** has route expansion in mind for early 2006. Flights from Helsinki to Geneva, Edinburgh and Krakow are all pencilled in for next year, and other routes are being considered. Meanwhile, Danish low-cost carrier **Sterling** is also reported to be adding routes out of Helsinki by mid-2006.