The Airneth Monthly Traffic Observatory

The economic crisis has severely set back traffic by air. While traffic by air has shown a practical un-interrupted growth since several decades, at the end of 2008 and continuing in 2009, a decline is seen of unprecedented (negative) growth rates in almost all market segments. These market circumstances have forced European airlines to reduce their seat capacity significantly. Making a comparison between 2009 and 2008, total revenue passenger as well as available seat kilometers of European airlines declined by as much as 4%. But even this decline of 4% may not yet show the full scope of the crisis. Consistent figures of airfares are not available, but it cannot be excluded – looking to the current low airfares – that airlines have seen declining their revenues even more by reducing their airfares as well.

Nevertheless, since mid-2009 the economic climate seems not to deteriorate further, suggesting that the crisis bottoms out. The question is if this trend of more optimism is also seen in air traffic. Airneth is showing at this web-page the main trends and is periodically updating these trends, showing how deep the decline has been and showing the beginning of an eventual recovery. It will do this until further notice, at least as long as the crisis and an eventual recovery lasts.

For this purpose Airneth summarizes periodically the trends for Schiphol published monthly by Schiphol Airport[1] as well as for the European airlines, published also monthly by the Association of European Airlines[2] (AEA). The figures in this issue show traffic indicators (passengers, cargo and aircraft movements) at Schiphol, until and including May 2010 of the most relevant segments. They show also the most relevant indicators (passengers, revenue passenger kilometers, available seat kilometers and load factors) of the European airlines, until and including April 2010, broken down to main individual airlines.

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1 See www.schiphol.nl

2 See www.aea.be

Traffic Development at Amsterdam Airport Schiphol, 2008-2010

Developments 2008 - 2009

Amsterdam Airport Schiphol handled in 2009 close to 44 million passengers, 1.3 million tons of cargo and 391 thousand aircraft movements. All three indicators have declined significantly in 2009, compared to 2008. The economic crisis was clearly the dominant factor here, although the air ticket tax, introduced on 1 July 2008, but abolished one year later, has had its effects on passenger volumes as well.

The traffic at Schiphol declined by unprecedented percentages. Passenger traffic declined by 8.2%, while cargo declined even by almost 18%.The decline in aircraft movements was with almost 8.7% similar to the decline in passengers.

The developments in 2009 are better understood if a distinction is made between the first and second half of the year, when making a comparison with 2008. In comparing the first half of 2009 with the same period in 2008, there are two relevant external factors. Firstly, the economic climate, which was in the first half of 2009 significant worse than in the first half of 2008, when there was still little sign of the imminent economic crisis. The second factor is the ticket tax, which was applicable in the first half of 2009 and not yet in the same period of 2008. Both external factors are consistent with a decline in traffic indicators in the first half of 2009.

This decline is confirmed in the left part of the table below. Passenger numbers declined in the first half by 11.3%, but significant stronger in the terminating segment (14.9%, negatively affected by the crisis as well as ticket tax) than in the connecting segment (6.2% , only negatively affected by the crisis, but immune for the tax). Cargo was also immune for the tax and the decline of 26.7% can mostly be attributed to the crisis.

	Jan - June			**July - Dec**			**Full Year**		
	2008	**2009**	*%chg*	**2008**	**2009**	*%chg*	**2008**	**2009**	*%chg*
Passengers (excl.transito, *mln.)	**22.818**	**20.248**	***-11,3***	**24.574**	**23.275**	***-5,3***	**47.392**	**43.523**	***-8,2***
of which:									
Europe	15.272	13.427	*-12,1*	16.454	15.564	*-5,4*	31.726	28.990	*-8,6*
Intercontinental	7.546	6.821	*-9,6*	8.120	7.711	*-5,0*	15.666	14.533	*-7,2*
Terminating	13.205	11.235	*-14,9*	13.866	13.434	*-3,1*	27.072	24.669	*-8,9*
Connecting	9.613	9.013	*-6,2*	10.707	9.841	*-8,1*	20.320	18.854	*-7,2*
Cargo (*000 ton)	**804**	**589**	***-26,7***	**764**	**697**	***-8,7***	**1.568**	**1.286**	***-17,9***
Aircraft Movements (excl.GA, *000)	**211,5**	**191,7**	***-9,4***	**216,8**	**199,5**	***-8,0***	**428,3**	**391,3**	***-8,7***
Europe	169,4	153,8	*-9,2*	173,0	159,5	*-7,8*	342,4	313,3	*-8,5*
Intercontinental	42,2	37,9	*-10,0*	43,8	40,0	*-8,6*	85,9	78,0	*-9,3*

Source: Schiphol Group

When the second half of 2009 is compared with the second half of 2008, there are still the same external factors, however showing distinct effects. The economic climate got rapidly worse in the first half of 2009, while the climate alleviated somewhat in the second half of 2009. This would be consistent with only moderate declines of traffic. The ticket tax effect is reverse now: applicable in the second half of 2008, but not in the second half of 2009. This should positively affect the segments exposed to the tax. In summary the growth figures in the second half of 2009 are expected to be better than in the first half.

This indeed is confirmed in the table below, although the developments can clearly not be characterized as a strong recovery. Passenger decline moderated to 5.3% "only" (coming from 11.3% in the first half year), showing some recovery at least to single digit declines. The recovery is also stronger in the terminating segment, where in the second half of the year the decline was 3.1% only (coming from a deep 14.9% in the first half year). There the abolishment of the tax has done its work.

In the segments not affected by the tax, the growth indicators were still negative, if measured over the second half of the year. It shows again that an economic recovery is not yet clearly seen in aviation, at least not at Schiphol Airport. This is the case for cargo (a decline of 8.7%, but much better than the first half with 26.7%). It is also the case for the connecting passenger segment, of which the growth in the second half of 2009 was not even negative (8.1%), but – quite remarkable – more negative than in the first half (6.2% only). It remains to be seen which have been the reasons behind this. It may be attributed to the economic climate, but another reason may be losing market shares of Schiphol in connecting markets. Further monitoring of particularly this indicator may be relevant in the near future.

Finally, there is another marked difference between the first and the second half year. In the first half, the decline in aircraft movements is more moderate (9.4%) than the decline in passengers (11.3%). This shows – as observed already above - that the airlines have attempted to minimize the reduction of seat capacity, just to keep their competitive position in the market. However, the airlines – at least those using Schiphol Airport – could not maintain this policy after the summer. This is seen in the figures for the second half of the year, when the decline in movements (8.0%) is stronger than the decline in passengers (5.3% only).

Year 2010 to date

The recent developments at Schiphol over the first five months in 2010 show a significant recovery, if one compares to the same months in 2009. This recovery is a mixture of the abolishment of the ticket tax and a possible economic recovery. Nevertheless, April has shown another unprecedented event: the volcano eruption in Iceland. This has severely reduced traffic in April to such an extent that passenger traffic at Schiphol was in the first five months of 2010 still 0.2% lower than in the first months of 2009. Terminating traffic however was – despite of the volcano eruption – 4.1% higher than in the first five months of 2009, but this growth figure was helped by the abolishment of the ticket tax.

Connecting traffic however still shows a continuous decline. This segment was exempted from the ticket tax, but nevertheless it shows still a decline of 5.6% in the first five months and even still 1.6% in May 2010. Cargo growth was strong now (21% in the first five months and even 28% in May), The number of aircraft movements stays behind remarkably, when looking to the growth difference between passenger /cargo and aircraft movements. In the first five months aircraft movements decline by 5.8% and even in May (with strong traffic growth) aircraft movements still decline by 1.8%.

	2008	2009	%chg	January - May 2009	2010	%chg	May 2009	2010	%chg
Passengers (excl.transito, *mln.)	**47.392**	**43.523**	***-8,2***	**16.397**	**16.359**	***-0,2***	**3.892**	**4.095**	***5,2***
of which:									
Europe	31.726	28.990	*-8,6*	10.787	10.638	*-1,4*	2.706	2.806	*3,7*
Intercontinental	15.666	14.533	*-7,2*	5.610	5.721	*2,0*	1.186	1.289	*8,7*
Terminating	27.072	24.669	*-8,9*	9.061	9.431	*4,1*	2.350	2.578	*9,7*
Connecting	20.320	18.854	*-7,2*	7.336	6.928	*-5,6*	1.542	1.518	*-1,6*
Cargo (*000 ton)	**1.568**	**1.286**	***-17,9***	**489**	**592**	***21,1***	**100**	**129**	***28,2***
Aircraft Movements (excl.GA, *000)	**428,3**	**391,3**	***-8,7***	**157,4**	**148,3**	***-5,8***	**35,3**	**34,6**	***-1,8***
Europe	342,4	313,3	*-8,5*	125,9	117,1	*-7,0*	28,7	27,7	*-3,5*
Intercontinental	85,9	78,0	*-9,3*	31,5	31,2	*-1,0*	6,5	6,9	*5,5*

Source: Schiphol Group

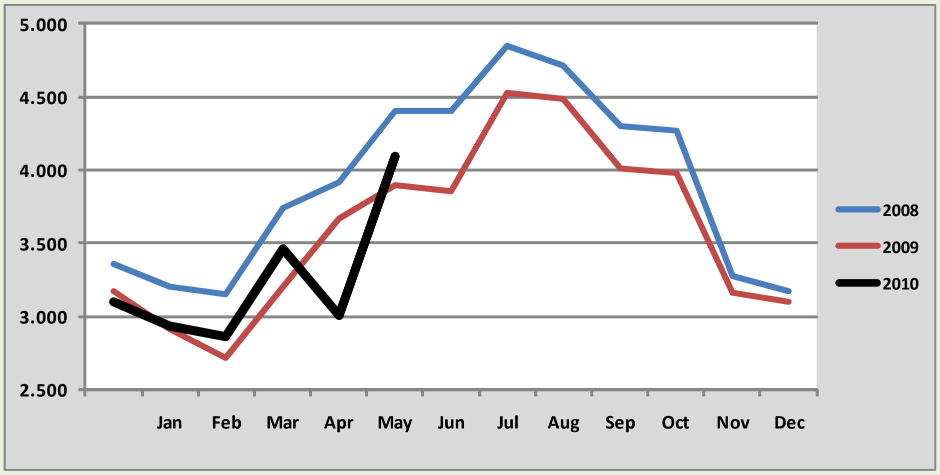
Developments over time

The developments over time are best illustrated by graphs. Three indicators have been selected here, illustrating monthly variations: total passengers (excluding transit), broken down by OD and transfer segment. The blue and red lines illustrate monthly developments in 2008 and 2009 respectively, while the black line illustrates the recent developments to date in 2010, until and including May. Of all indicators, traffic levels in 2009 as well as 2010 were significantly below the levels in similar months in 2008.

This indicates that one must conclude that – despite of more optimism in the economic climate – this optimism is not yet clearly seen in passenger traffic. The decline was most severe in the first half of 2009, when the ticket tax was applicable, showing double digit decline rates in most months. Since July 2009, the decline in passenger numbers did alleviate somewhat, where the decline rates reduced to 'single digit' only. While a recovery (at least 'single digit' declines only) seemed under way in the two summer months (with declines of 6.5% and 4.9% in July and August respectively), this trend has not firmly continued in September and October, as the decline in October was again 6.8%, still more pronounced than in August. November and December show more moderate declines again (of 3.5 and 2.1% "only"). Apart from April 2010 (the volcano month) traffic in 2010 is consistently higher than 2009, but still consistently lower than in 2008, indicating that the economic optimism is by far not yet completed.

Amsterdam Airport Schiphol: Passengers (excl. transito * 000) 2008 - 2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2008	3.201	3.153	3.741	3.919	4.403	4.400	4.847	4.716	4.297	4.272	3.272	3.168	**47.392**
2009	2.912	2.721	3.200	3.673	3.892	3.851	4.532	4.485	4.015	3.984	3.158	3.101	**43.523**
2010	2.935	2.856	3.466	3.007	4.095								
%	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Year**
08-09	-9,0	-13,7	-14,5	-6,3	-11,6	-12,5	-6,5	-4,9	-6,6	-6,8	-3,5	-2,1	**-8,2**
09-10	0,8	5,0	8,3	-18,1	5,2								



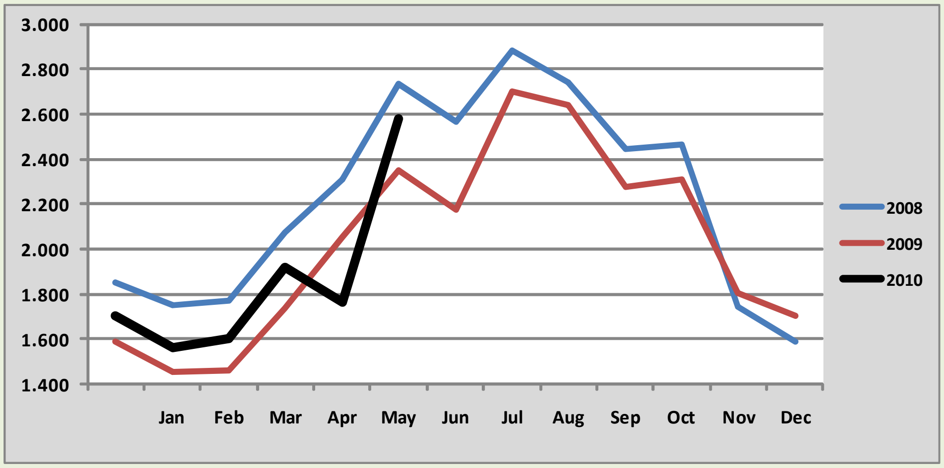
Source: Schiphol Group: http://www.schiphol.nl

This trend is even more pronounced when looking to similar developments in OD-traffic in the graph below. There we see ‘double-digit’ declines in the earlier 2009-month. After the tax-abolishment, the decline returned to ‘single-digit’ only, but since November 2009, a clear upward trend is seen, with growth rates of over 7% in December 2009 and January 2010 and around 10% since February 2010 (April excepted). Nevertheless, also in OD-traffic, the early 2010 figures are still below the early 2008 figures, indicating that the recovery is far from completed in this segment also.

The developments in OD- and connecting traffic are strongly contrasting. While the OD-segment shows at least positive growth rates now, this is by far not the case in the connecting segment, as the other graph below shows. November and December 2009 showed even ‘double digit’ declines again (over 11%), alleviating somewhat in the early 2010 months. This segment has been immune for the tax, and these declines can mostly be attributed to the economic downturn, although eventual market share changes of KLM (Schiphol) in the connecting markets are also reflected in these figures. The relative effect of both factors is however not seen in these figures.

Amsterdam Airport Schiphol: OD Passengers (* 000) **2008 - 2010**

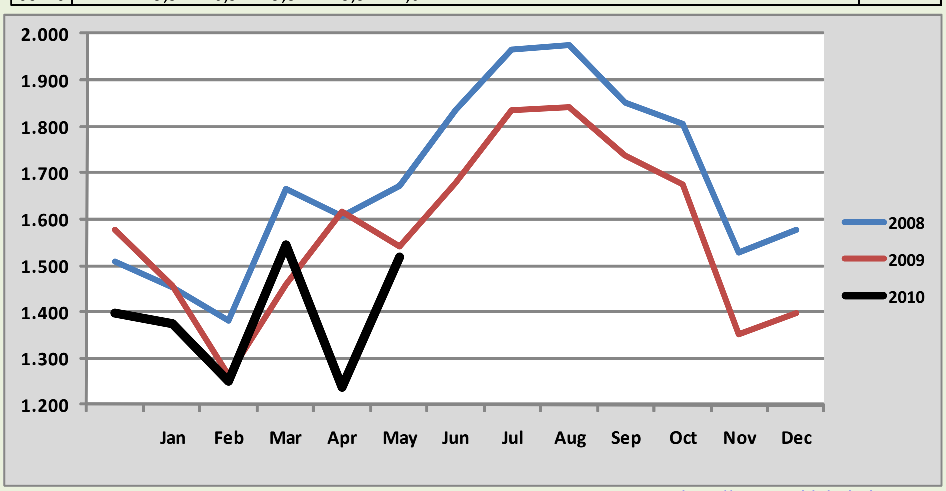
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2008	1.749	1.773	2.075	2.312	2.732	2.564	2.882	2.740	2.446	2.465	1.742	1.590	**27.072**
2009	1.457	1.458	1.740	2.056	2.350	2.174	2.699	2.642	2.278	2.308	1.806	1.702	**24.669**
2010	1.561	1.604	1.921	1.768	2.578								
%	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Year**
08-09	-16,7	-17,7	-16,2	-11,0	-14,0	-15,2	-6,4	-3,6	-6,9	-6,4	3,6	7,0	**-8,9**
09-10	7,2	10,0	10,4	-14,0	9,7								



Source: Schiphol Group: http://www.schiphol.nl

Amsterdam Airport Schiphol: Transfer Passengers (* 000) **2008 - 2010**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2008	1.452	1.380	1.666	1.607	1.671	1.837	1.965	1.977	1.851	1.807	1.530	1.578	**20.320**
2009	1.455	1.263	1.460	1.616	1.542	1.677	1.834	1.843	1.737	1.676	1.353	1.398	**18.854**
2010	1.374	1.252	1.545	1.239	1.518								
%	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Year**
08-09	0,2	-8,5	-12,4	0,6	-7,7	-8,7	-6,7	-6,8	-6,1	-7,2	-11,5	-11,4	**-7,2**
09-10	-5,5	-0,9	5,8	-23,3	-1,6								



Source: Schiphol Group: http://www.schiphol.nl

Traffic Development of European Airlines (AEA), 2008-2010

Developments 2008 - 2009

Passenger traffic of members[3] of the Association of European Airlines (AEA) showed a strong decline in 2009, compared to 2008. Measured in passenger numbers the decline was 5.1%, but as average distance increased, the overall decline of "revenue passenger kilometers" (RPK's) was slightly less, 4.1% "only". Of the four major airlines, British Airways and Lufthansa performed, again measured in RPK's, slightly better than average, but showed in 2009 still a decline of 3.2 and 2.5% respectively. Measured over the full year, the average load factor decreased only little (0.2%), showing that the European airlines have reduced their capacity, measured in "available seat kilometers" (ASK's), as well. Nevertheless there were in this context significant differences between the first and second half of the year, which issue is further addressed in the section below. Regarding the load factors, the four major airlines show in both years consistently higher load factors than all other airlines. Within these four, KLM showed the highest load factors (over 80% in both years).

There is a marked difference between the first and second half of the year, as the table below shows. In the first half demand declined strongly: passengers by 7.8% and revenue passenger kilometers by 6.3%. This was insufficiently followed by a capacity reduction. Airlines have tried – possibly also to keep their product in the market – to limit capacity reduction, although available seat kilometers still reduced also by 4%, but clearly not enough to prevent a reduction in average load factor from 75.7 to 73.9%.

The second half of the year the development was reverse: the capacity reduction went on by a similar percentage (3.7%), but the demand reduction between the two second year halves was more moderate (passengers -2.6% and revenue passenger kilometers -2%). This resulted, in contrast to the comparison of the two first year halves, in an increase of average load factor from 78 to 79.3%. The overall full year effect on load factors was negligible, but still the result of the two contrasting year parts.

3 The table summarizes traffic of all major members, except Alitalia and Olympic Airways, which airlines are not included in all months of the 2008-2010 period

	Jan - Jun			Jul - Dec			Full Year		
	2008	2009	% chg	2008	2009	% chg	2008	2009	% chg
Passengers (*mln.)	**155,5**	**143,5**	***-7,8***	**160,9**	**156,8**	***-2,6***	**316,4**	**300,2**	**-5,1**
Average Distance (kms)	2.321	2.358	*1,6*	2.384	2.398	*0,6*	2.353	2.379	1,1
Revenue Pass.Kilometers (*bln)	**361,1**	**338,4**	***-6,3***	**383,6**	**375,9**	***-2,0***	**744,7**	**714,3**	**-4,1**
of which:									
British Airways (BA)	56,6	54,0	*-4,6*	59,1	58,0	*-1,9*	115,7	112,0	*-3,2*
Air France (AF)	64,2	60,6	*-5,7*	67,4	65,7	*-2,6*	131,7	126,3	*-4,1*
K.L.M. (KL)	37,1	34,8	*-6,1*	40,4	38,6	*-4,4*	77,5	73,5	*-5,2*
Lufthansa (LH)	61,9	57,9	*-6,4*	64,4	65,2	*1,3*	126,3	123,1	*-2,5*
Others	141,2	131,1	*-7,2*	152,2	148,4	*-2,5*	293,5	279,5	*-4,8*
Available Seat Kilometers (*bln.)	**477,0**	**457,8**	***-4,0***	**491,9**	**473,8**	***-3,7***	**968,9**	**931,5**	**-3,9**
Load Factor (%)	**75,7%**	**73,9%**	***-2,3***	**78,0%**	**79,3%**	***1,7***	**76,9%**	**76,7%**	**-0,2**
of which:									
British Airways (BA)	76,0%	75,3%	*-1,0*	78,8%	80,9%	*2,7*	77,4%	78,1%	*0,9*
Air France (AF)	78,2%	76,5%	*-2,2*	79,9%	81,1%	*1,5*	79,0%	78,8%	*-0,3*
K.L.M. (KL)	80,6%	78,7%	*-2,3*	83,7%	83,8%	*0,2*	82,2%	81,3%	*-1,0*
Lufthansa (LH)	78,4%	75,2%	*-4,1*	79,1%	80,3%	*1,5*	78,8%	77,8%	*-1,2*
Others	72,3%	70,6%	*-2,2*	75,1%	76,6%	*2,0*	73,7%	73,7%	*0,0*

Source: Association of European Airlines (AEA)

The first four months of 2010

The table below shows these developments in the first four months of 2010. Although a recovery is under way in this period, traffic was set back in April 2010 by the volcano eruption in Iceland. This led European-wide to unprecedented declines in April. Total revenue passenger kilometers declined in April by almost 17% and for British Airways this decline was even over 22%.

This event has even resulted in a decline of RPK's of 2.2% over the first full four months. This has completely vanished the eventual recovery. Nevertheless there is a marked difference in RPK growth, when looking to the performance of individual airlines. British Airways saw the biggest decline of RPK's over the first four months of over 10%. The smaller AEA-members could even increase their RPK's by little over 1%.

				January - April			April		
	2008	2009	% chg	2009	2010	% chg	2009	2010	% chg
Passengers (*mln.)	**316,4**	**300,2**	***-5,1***	**90,5**	**87,6**	***-3,2***	**25,7**	**21,5**	**-16,7**
Average Distance (kms)	2.353	2.379	*1,1*	2.404	2.428	*1,0*	2.315	2.403	3,8
Revenue Pass.Kilometers (*bln)	**744,7**	**714,3**	***-4,1***	**217,6**	**212,8**	***-2,2***	**59,6**	**51,6**	**-13,5**
of which:									
British Airways (BA)	115,7	112,0	*-3,2*	35,0	31,3	*-10,6*	9,3	7,2	*-22,3*
Air France (AF)	131,7	126,3	*-4,1*	39,6	37,6	*-4,9*	10,7	8,9	*-17,0*
K.L.M. (KL)	77,5	73,5	*-5,2*	22,8	22,6	*-0,7*	6,1	5,3	*-13,2*
Lufthansa (LH)	126,3	123,1	*-2,5*	36,5	36,4	*-0,4*	10,0	8,9	*-10,5*
Others	293,5	279,5	*-4,8*	83,7	84,8	*1,3*	23,5	21,2	*-9,7*
Available Seat Kilometers (*bln.)	**968,9**	**931,5**	***-3,9***	**298,4**	**282,2**	***-5,4***	**77,8**	**67,3**	**-13,5**
Load Factor (%)	**76,9%**	**76,7%**	***-0,2***	**72,9%**	**75,4%**	***3,4***	**76,6%**	**76,6%**	**0,0**
of which:									
British Airways (BA)	77,4%	78,1%	*0,9*	74,1%	74,9%	*1,1*	78,2%	76,7%	*-1,9*
Air France (AF)	79,0%	78,8%	*-0,3*	75,7%	78,0%	*3,1*	79,1%	78,7%	*-0,5*
K.L.M. (KL)	82,2%	81,3%	*-1,0*	78,2%	80,8%	*3,3*	82,5%	82,3%	*-0,3*
Lufthansa (LH)	78,8%	77,8%	*-1,2*	74,7%	75,7%	*1,3*	75,6%	76,6%	*1,4*
Others	73,7%	73,7%	*0,0*	69,2%	73,0%	*5,5*	73,9%	74,4%	*0,7*

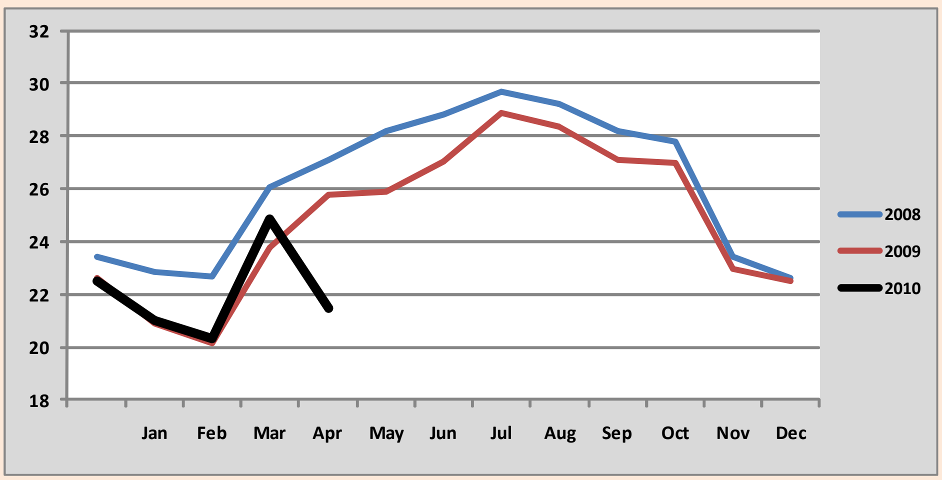
Source: Association of European Airlines (AEA)

Graphs

Two indicators have been selected to present graphs, illustrating monthly variations: total passengers and load factors. The blue and red lines illustrate monthly developments in 2008 and 2009 respectively, while the black line illustrates the monthly developments to date in 2010. The passengers volumes in all months in 2009 are below the levels in 2008. However, due to the rapid capacity reduction in the recent months, the overall load factor of AEA's airlines is improving rapidly and reaches now levels that were recorded in pre-crisis 2008.

Association of European Airlines: Passengers (*mln): All Routes 2008 - 2010

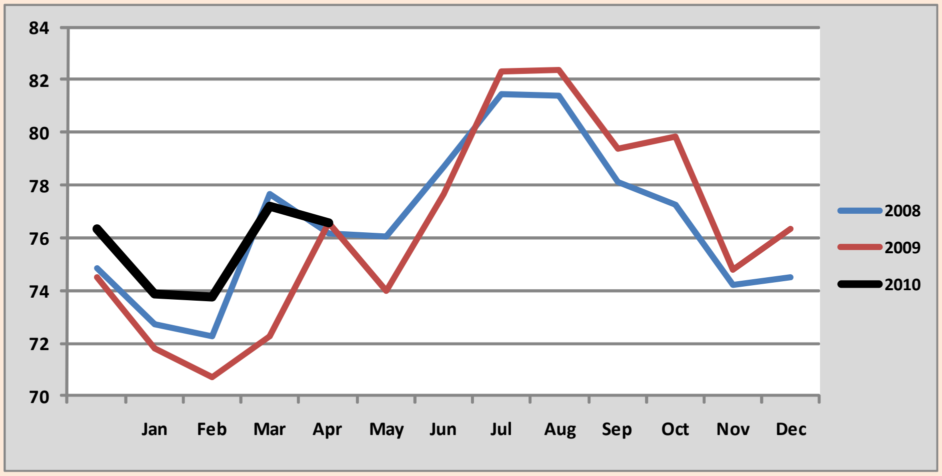
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2008	23,42	22,8	22,6	26,0	27,1	28,2	28,8	29,7	29,2	28,2	27,8	23,4	22,6	**316,4**
2009	22,6	20,9	20,2	23,7	25,7	25,9	27,1	28,9	28,3	27,1	27,0	22,9	22,5	**300,2**
2010	22,5	21,0	20,3	24,9	21,5									
%		**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Year**
08-09		-8,5	-11,0	-8,9	-4,9	-8,0	-6,1	-2,7	-2,9	-3,9	-2,8	-2,0	-0,5	**-5,1**
09-10		0,6	0,8	4,7	-16,7									



Source: AEA: http://www.aea.be/research/traffic/index.html

Association of European Airlines: Load Factor (%) All Routes 2008 - 2010

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2008	74,82	72,7	72,2	77,7	76,2	76,0	78,7	81,4	81,4	78,1	77,2	74,2	74,5	**920,4**
2009	74,5	71,8	70,7	72,2	76,6	74,0	77,7	82,3	82,3	79,4	79,8	74,8	76,3	**918,0**
2010	76,3	73,9	73,8	77,2	76,6									
%		**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Year**
08-09		-1,3	-2,1	-7,0	0,5	-2,7	-1,3	1,1	1,2	1,6	3,3	0,8	2,4	**-0,3**
09-10		2,9	4,3	6,9	0,0									



Source: AEA: http://www.aea.be/research/traffic/index.html