

Travel Catering Research Centre Quarterly Report

Europe

January - March 2006 Forecast



Passenger Numbers by Overall Route (millions)

	Oct-Dec '05	Oct-Dec '04	% change	Jan-Mar '05	Forecast
Europe	59.84	56.68	5.85%	53.35	56.33
Intercontinental	17.58	16.41	7.11%	16.32	17.49
Total	77.42	73.09	5.93%	69.67	73.80

Passenger numbers have increased over 5% compare to same period last year. European seems has dipped almost 10% compared to 4th quarter 2005.

Passenger Numbers by Seat Class (millions)

	Oct-Dec '05	Oct-Dec '04	% change	Jan-Mar '05	Forecast
First	2.75	2.59	6%	2.47	2.62
Business	14.61	13.94	5%	13.15	13.78
Economy	60.07	56.56	6%	54.57	57.41

Growth has been about 6% in both First and Business class in comparison to the same period in 2004. Previous quarter in 2005 was slightly higher indicating a continued slow down in travel.

Passenger Numbers by Carrier (millions)

	Oct-Dec '05	Oct-Dec '04	% change	Jan-Mar '05	Forecast
Air France/KLM	17.12	15.93	7.46%	15.39	16.53
Alitalia			-	-	-
British Airways	8.52	9.29	-7.79%	8.10	7.47
Iberia	6.56	6.33	3.71%	6.18	6.41
Lufthansa	12.45	12.31	1.08%	11.19	11.30
SAS Group	8.95	7.64	17.01%	7.30	8.54
easyJet	7.41	6.66	11.31%	6.83	7.60
Ryanair	8.60	6.86	25.53%	6.73	8.45

Overall, the major European carriers saw little change over the year; Air France/KLM being the exception and showing an overall growth of 7%. Low-cost carrier traffic had helped maintain steady industry growth despite the stubbornly high cost of fuel. The low cost carriers saw growth rates in excess of 11% and the forecast for the first quarter of 2006 seems quite conservative as these carriers continue to expand.

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Estimated Complimentary Meal Numbers by Route (millions)

	Oct-Dec '05	Oct-Dec '04	% change	Jan-Mar '05	Forecast
Europe (non-domestic)	18.56	14.79	25.48%	13.93	17.47
Europe – Africa	3.96	3.75	5.42%	3.86	4.07
Europe – Middle East	1.80	1.63	9.68%	1.62	1.77
Europe – Atlantic	13.49	13.10	2.92%	12.90	13.32
Far East/Australasia	6.31	5.56	13.39%	5.53	6.27
Totals	44.17	38.91	13.53%	37.90	43.03

Meal numbers reflect trends in passenger numbers. Overall, meal numbers have increased by just under 13% in the last year due to the “low cost” airlines have shown particularly growth.

Headlines

Swissport and Ryanair

Swissport and Ryanair announced a six-year agreement under which Swissport will handle more than 54,000 flights per year at London Stansted, including those presently handled by Stansted Ground Operations. The deal becomes effective Feb. 20. Under the new agreement, Swissport will provide full passenger, ramp and ticketing services for all operations. The accord also will see some 120 current SGO employees transfer to Swissport.

<http://www.atwonline.com/news/topic.html>, 02/02/06

LSG Sky Chefs

LSG Sky Chefs has been awarded the catering business of Sterling, after the merger with Maersk (#773.CAT17). Europe's fourth largest low-cost carrier and the largest in Scandinavia. The new business contract takes effect on 1 April 2006 and runs over a period of five years. It covers more than 4.5 million meals per year for Sterling's scheduled and charter flights from Copenhagen, Billund, Stockholm-Arlanda, Oslo and Helsinki. Accommodating the contract for Sterling will mean significant increases in volume at LSG Sky Chef's key customer service centres in Scandinavia.

#779.CAT1

British Airways

BA Cuts U.K. Inflight Service. The measures include converting services from airports outside London to a no-frills style operation, reducing sales and marketing payments to British travel agents and culling 35 percent of management. According to the division, BA chief executive Willie Walsh has "made no secret of the fact that this new business model has to work" within two years, or face closure.

The aim of the reorganisation is to grow passenger volume by 10% and to reduce costs dramatically. The cost reduction target is £35 million, which Cassidy says will be achieved by simplification of the division's product and operations.

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The new initiative will see the Club Europe business class ditched on international services as the carrier moves to a one-class product – the carrier's domestic services already operate in a single class. Fares will be slashed by more than 40% to as little as £25 inclusive per leg – with ticket restrictions to be ditched.

Business class seating will be stripped out of the aircraft and catering will no longer be offered free-of-charge. However, tickets will become fully exchangeable in a bid to keep business customers. Although the move is expected to damage yields, this should be more than offset by increased ticket sales and lower costs. London City flights will be excluded from the changes, and will continue to offer a two-class full service.

Airline Business, 23/01/06

Charter Airlines

The Travel catering Research Centre at the University of Surrey have recently published a report entitled 'European Charter Airlines and In-flight Catering Provision. Please contact Professor Peter Jones (p.jones@surrey.ac.uk) for further details.

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Explanations

Passenger Numbers by Route

The data in this table is derived from the Monthly Traffic Snapshots found on the Association of European Airlines (AEA) web pages.

% change - This compares the last full quarter of this year with the same quarter in the previous year.

Forecast - The forecast is based on the trend derived from the equivalent quarter of the previous year and the percentage change in the last full quarter.

Passenger Numbers by Seat Class

The data in this table is derived from data found on Euromonitor's web pages. The seat class data is defined by country and is then applied to the major carrier for that country.

Passenger Numbers by Carrier

The data in this table is derived from the individual carrier's websites.

% change – Please see above.

Forecast – Please see above.

Estimated Complimentary Meal Numbers by Route

The data in this table is calculated by taking the total passenger numbers provided by the AEA (this specifically excludes budget airlines and charter passenger numbers) and applying a multiplier to provide an estimate of the total number of meals provided to passengers. The multipliers used are based upon consensus meal values agreed upon by a panel of experts and are subject to change on a monthly basis.

% change – Please see above.

Forecast – Please see above.