

# Travel Business Analyst

Information + Knowledge + Insight + Analysis + Outlook

Europe ■ SEPTEMBER 2005

Travel agencies

## 2004 results

In 2004, travel agency locations in Europe increased 2%, sales revenue increased 17%, resulting in a 14% increase in sales-per-agency, see tables in this report. Following is a review of markets.

(A review of the major world regions was published in the August edition of this newsletter. Data is provided Travel Business Analyst by IATA (the International Air Transport Association).)

Results for travel agencies have been skewed by various non-travel traumas in recent years – most particularly the 9/11 attacks in the US, and then the SARS pandemic in Asia and Canada in early 2003.

But there are no longer indications that what we expected to happen is happening – that OTAs (online travel agencies) would cause B&M (brick-and-mortar) agencies to lose revenue.

In all five markets in Europe where the internet is best established

(France, Germany, Netherlands, the Nordic markets, UK), there was a decline in B&M travel agency revenue in 2001, although much of that was probably 9/11-related. In 2002 there was a decline in three of the five. But in 2003 and in 2004 there was an increase in all five and in some, growth was strong.

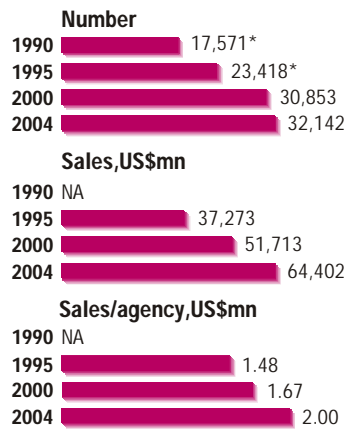
So much for that theory? Maybe not; location numbers in all those five were either static or falling in 2004.

Locations, see Table 2. Market milestones over the past 15

► contd on p2

Table 1

### IATA passenger travel agencies in Europe



Notes: New criteria from 1993. \*Through June of year. Source: See Table 2.

## Main News

Recent corporate developments - big or significant.

- Easy Hotel has opened its first hotel, in London. Taking a much-used phrase from low-fare airlines, we think it is a 'rip-off'.
- The World Trade Organisation begins its investigation into the Airbus and Boeing subsidy dispute.
- TUI has bid for CP Shipping, a container-ship company. Is this the beginning of TUI's move away from the travel business, a couple of years after completing its transition from an industrial giant?

► contd on p4

Aviation

## First half

Indicators from various aviation figures for the first half:

• Member airlines of AEA (the Association of European Airlines) got the equation right in 2004 and this year. They added more traffic than capacity in the first half - instead of the other way round in 2003, see Table 1.

But growth was slower than in 2004 (which had been boosted by recovery from SARS in 2003) – up 5% in capacity, and 6% in traffic. In 2004, AEA started to record the number of seats sold. The figure increased just under 10% in 2004, and another 5% this year.

The faster increase in RPKs than in seats sold indicates that more growth is in longer-haul travel rather than shorter-haul.

• Of Europe's three largest airlines, all three continued to add

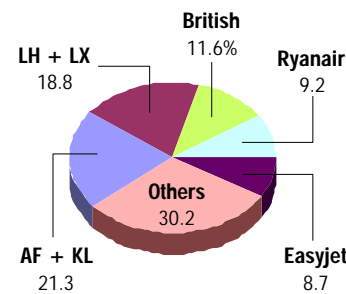
capacity, but much more cautiously than in 2004, see Table 2. Lufthansa added an amazing 13% in 2004, and only 3% this year. Likewise in traffic (RPKs). Again, growth at LH was one quarter its growth in 2004.

In the newly-available measure for seats sold, are these signs of trouble ahead? A decline at BA, only 1% growth at LH, making AF's 5% impressive.

LH is now more than one-third bigger than BA in this SS measure. But we think BA's relative decline is partly caused by stronger and wider home-base competition than AF and LH must face (neither has a home-base challenger; BA has BMI and Virgin). We think stronger competition is still to come for those two, albeit in the form of LFAs rather than regular airlines.

Table 6

### Share\* of market, %



Notes/Source: \*Seats sold; based on total of airlines shown in other tables (Easyjet and Ryanair counts reduced by 10%; see editorial). Then as Table 1.

Main News...1; Market Intelligence...1; Net Value...6; Trends...11; Tables...7: Airlines; Air traffic - associations, regions; Airports; Travel company stock prices; Resident departures; Resident spending; Internet sales; GDS Sales; Hotels; Travel agencies; Channel tunnel; Economics; Visitor spending; Visitor arrivals.

Table 2

IATA BSP travel agency locations in Europe			
Market	2004 Number	2003 Growth,%	2004 Growth,%
Austria	253	-1.9	-4.1
Belgium†	755	NA	-0.8
Bulgaria	149	8.8	-0.7
Croatia	93	6.9	na
Cyprus	146	-0.7	4.3
Czech R†	217	4.3	1.5
Finland	286	-2.4	-6.4
France	3,633	NA	2.6
Germany	4,441	-2.6	-3.9
Greece	1,010	-0.7	0.7
Hungary	256	-1.5	7.0
Ireland	460	-2.3	0.4
Italy	5,493	4.7	5.1
Malta	93	2.2	23.0
Netherlands	557	-3.8	1.2
Nordics†	1,443	0.0	2.2
Poland	366	7.3	-5.3
Portugal	863	3.4	-0.2
Romania	218	19.8	28.2
Serbia	148	na	na
Slovenia	53	3.9	-1.9
Spain	7,265	10.0	1.8
Switzerland†	853	1.3	-1.3
Turkey	379	8.6	-3.9
UK	2,712	-4.8	-10.5
<b>Total</b>	<b>32,142</b>	<b>2.4</b>	<b>0.4</b>

Notes: See text. IATA = International Air Transport Association, BSP = Billing & Settlement Plan, NA = not available, na = not applicable. \*Quoted in US\$. †Additional countries in relevant BSP program, in order of listing: Luxembourg, Slovakia, Baltic states, Liechtenstein. Source: IATA BSP.

Table 3

IATA BSP travel agency net sales in Europe, US\$mn*			
Market	2004 Number	2003 Growth,%	2004 Growth,%
Austria	1,133	27.0	16.3
Belgium†	1,653	20.0	16.2
Bulgaria	107	46.3	25.5
Croatia	91	26.6	15.3
Cyprus	246	19.7	19.5
Czech R†	358	27.5	11.8
Finland	990	36.8	11.5
France	9,516	18.2	21.4
Germany	10,061	17.8	9.9
Greece	1,051	9.4	28.0
Hungary	273	10.3	14.1
Ireland	712	8.8	5.3
Italy	6,109	10.6	15.9
Malta	64	19.9	9.9
Netherlands	2,412	14.8	8.1
Nordics†	4,967	6.2	9.5
Poland	429	22.1	13.2
Portugal	933	16.4	20.9
Romania	241	17.7	52.2
Serbia	86	398.5	na
Slovenia	67	29.5	120.1
Spain	5,251	16.2	22.3
Switzerland†	2,313	14.6	4.7
Turkey	608	42.1	7.7
UK	14,732	20.3	5.0
<b>Total</b>	<b>64,402</b>	<b>16.9</b>	<b>12.4</b>

Notes/Source: See Table 2.

Table 4

BSP net sales in Europe per travel agency				
Market	2004 US\$mn*	2003 Growth %	2004 Growth %	1995 US\$mn*
Austria	4.48	29.5	6.3	2.87
Belgium**	2.19	20.0	6.2	1.96
Bulgaria	0.72	34.5	na	na
Croatia	0.97	18.4	473.8	na
Cyprus	1.69	20.5	11.5	0.77
Czech R†	1.65	22.2	-0.7	na
Finland	3.46	40.2	3.5	2.13
France	2.62	18.2	3.6	1.43
Germany	2.27	20.9	5.2	1.87
Greece	1.04	10.2	-29.0	1.29
Hungary	1.06	12.0	24.5	0.75
Ireland	1.55	11.4	4.5	1.11
Italy	1.11	5.6	-1.4	0.80
Malta	0.69	17.3	-3.1	0.66
Netherlands	4.33	19.3	3.3	3.63
Nordics†	3.44	6.2	0.2	3.58
Poland	1.17	13.7	8.2	na
Portugal	1.08	12.6	0.2	0.94
Romania	1.10	-1.7	9.3	na
Serbia	0.58	401.9	na	na
Slovenia	1.26	24.6	na	na
Spain	0.72	5.7	-5.9	0.66
Switzerland†	2.71	13.1	16.0	2.71
Turkey	1.61	30.9	32.7	0.77
UK	5.43	26.3	6.0	1.42
<b>Total</b>	<b>2.00</b>	<b>14.2</b>	<b>0.3</b>	<b>1.48</b>

Notes/Source: See Table 2.

years:

- In 1993/94 the Nordic markets became the sixth in Europe to count more than 1000 agency locations.
- In 1994 both Germany and the UK topped 4000.
- In 1995 Europe topped 25,000 agency locations, then 30,000 in 2000.
- In 1996 Spain topped 4000 locations, then climbed above 5000 in 1998, making it Europe's largest.
- In 1997 France topped 3000.
- Spain carries on regardless; its total topped 6000 in 2001 - almost 50% more than, say, solid Germany.
- Greece topped 1000 in 2001, although it nearly fell back below in 2002.
- In 2003, Italy topped 5000, and the UK dropped below 3000.
- Spain again; its total topped 7000 in 2004.

Spain and Italy each have more agencies than does, for instance, France. Part of the reason is that these two are also major inbound markets. As a result, inbound agencies register as IATA BSP operations so that they have the convenience, if necessary, to provide outbound services for their inbound clients. Plus, of course, if they are large-enough inbound agencies, they might also do some work in outbound travel - because it does not cost much more.

That said, growth has been relatively rapid in Spain. As we predicted, and remarkable as it may seem, Spain actually overtook the UK in 1998 to become Europe's most-populated agency market. Growth has continued since, sometimes rapidly. It is now approaching three times the number of agency locations in the UK.

In the six other major markets (more than 1000 locations), there

**Volume 15 Number 9**

**ISSN-0256-419X**

Email annual subscription rate for the monthly 12-page Europe edition is US\$775 a year. Email annual subscription rate for the monthly 12-page Asia Pacific edition is US\$775 a year. Email annual subscription rate for the monthly single-page Net Value is US\$100. There are linked rates for these three products; see back page for more details and subscription form. Airmailed print-copy subscriptions are also available.

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was growth only in Italy - although IATA shows unchanged figures for France and the Nordics. The UK has dropped for six years running. Germany has not done much better, managing a small increase only in 2000.

Italy, despite having the second-largest numbers in Europe, grew faster in 2003 and 2004 than any other in the 1000-plus group. *But this is partly for the same reasons as growth in Spain – inbound travel.*

The secondary markets (those with 500-1000 agencies), were sluggish in 2003 and 2004.

And in the tertiary markets (up to 500 agency locations), note that relative—newcomer Hungary overtook Austria in 2003. New entrants were Croatia and Romania in 1999, Bulgaria and Slovenia in 2000, and Serbia in 2003.

Some of these have been a disappointment, notably Croatia and Slovenia, considered relatively wealthy markets. But Serbia started with a reasonable number – close to the size of Bulgaria and Romania.

Ireland, which in outbound travel measures is a surprisingly-high-yield market, is weakening – *possibly an OTA/B&M matter.*

**Revenue**, see Table 3. Market milestones over the past 15 years:

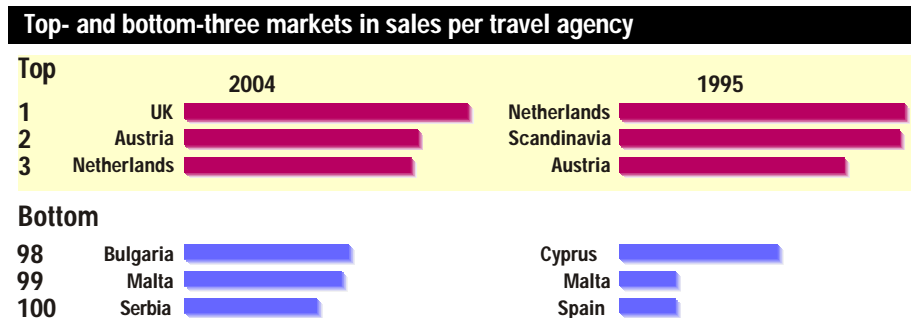
- In 1992 Germany topped US\$5bn, France in 1998, Italy in 2000 (losing it in 2001, then regaining in 2003), and Spain in 2004.
- In 1995 Belgium/Luxembourg topped US\$1bn turnover.
- In 2000, the Nordic markets topped US\$5bn, but then fell back below in 2001, and are still below.
- In 1997, the UK topped US\$10bn, Germany in 2004.

In 2000 all markets in Europe increased, then in post-9/11 2001 only five increased. 2002 was much better; 17 recorded an increase. But in 2003 and 2004 all increased again.

There were declines in the UK in 1999 and 2001, although it is still by far Europe's largest in terms of revenue, counting near US\$15bn, 50% above the next largest, France and Germany, with around US\$10bn.

There are just four major markets (those with revenue above US\$5bn) after the Nordics dropped below in 2001, and Italy regained that level in 2003.

Table 5



Notes/Source: See Table 2.

In 2002, two - Germany, UK - fell for the second year running; France and Italy grew. France has a good record; it has shown good 10-year growth apart from corrections in 1995 and 2001. It was up nearly a quarter in 1998, then an amazing 21% in 2003 and another 18% in 2004.

In 2004, all four performed very well – the slowest (Italy's) was 11%!

In Europe's secondary markets (revenue US\$1-5bn), growth was good in 2003 for the five, with Switzerland's 5% the slowest. Greece made the total six in 2004; again growth was good with 6% (from the Nordics, the largest with almost US\$5bn) the slowest.

And for the 14 tertiary markets (revenue under US\$1bn), almost all news was good. The slowest was Ireland, as it was in 2003.

**Productivity**, see Table 4. Market milestones over the past 10 years:

- In 2000 Finland and France topped US\$2mn per agency (France fell below in 2001, not recovering until 2003), followed by Belgium and Germany in 2004.
- In 2003 the UK topped US\$4mn, followed by Austria and the Nordics in 2004.
- In 2004 the UK topped US\$5mn.

In 2000 there were declines in only five markets in Europe, although two of those were in 'over-populated' major markets - Italy and Spain. 2001 was perhaps worse than expected; down in all markets. Then continued recovery in 2002, 2003, and 2004 - growth in most markets.

Market dynamics (mainly the growth of sales by OTAs) may now improve productivity for B&M agencies, as it has done in the US. More agencies close but revenue-per-customer may increase as the simpler transactions move to the internet.

In the region's seven main markets (those with 1000-plus agency locations),

growth was less fast in 2004 - Italy, Nordics, and Spain each at 6%. Yet in Greece, one of the markets where, largely, we think there are productivity problems, there was 10% growth, following 27% in 2003, and 19% in 2002! The UK market is mature, but its growth has been immaturely high – 26% in 2004, 17% in 2003, 23% in 2002!

Agencies in the market with Europe's largest number of agencies - Spain - have the lowest productivity, apart from agencies in much-smaller and less-mature markets of Bulgaria, Malta, and Serbia. Earlier, new-entrants Croatia and Romania overtook Spain after their first year. Spain's productivity has not changed much over the past 10 years, apart from a big increase in 2003. Yet the number of agency outlets in Spain has not dropped in any year since we started tracking results in 1994!

The UK showed great growth in 2004 – up US\$1mn per agency. Austria and Netherlands make up the top three, and each agency in Austria also added an average US\$1mn to their revenues in 2004.

There have been changes with the three markets with the least-productive agencies. In 1999 lowest were Croatia, Hungary, Spain; in 2000 Spain, Malta, Greece; in 2001 Malta, Spain, and newcomer Bulgaria; in 2002 Spain, Bulgaria with another newcomer, Slovenia; in 2003 and 2004 Malta, Bulgaria, and newcomer Serbia.

However, money totals cannot be the only indicator. Low figures in emerging markets such as Croatia and Serbia may be more valuable than, say, higher figures in mature western European economies. That is one reason why Spain's agencies still look vulnerable. ■

contd from p1 — Aviation

Table 1

Passenger traffic on AEA member airlines, first half				
Item	Number 2005	Growth,% 2005	2004	2003
SS,mn	104.0	4.6	9.6	NA
ASKs,bn	403,609	4.5	7.9	1.4
RPKs,bn	303,757	6.2	12.7	-1.3
SF,%	75.3	1.2*	3.2*	-1.9*

Notes: Domestic and international. AEA = Association of European Airlines, ASK = available seat kilometre, RPK = revenue-passenger kilometre, SF = seat factor, SS = seats sold. \*Points. Source: AEA.

Table 2

Passenger traffic on major Europe airlines, first half						
Item	Air France		British		Lufthansa	
	2005	2004	2005	2004	2005	2004
SS,mn	23	22	17	17	24	23
growth,%	4.5	6.6	-0.2	3.1	1.3	7.5
ASK,bn	71	69	72	71	70	68
growth,%	3.2	8.6	1.5	6.2	3.1	12.9
RPK,bn	55	52	54	52	54	52
growth,%	6.4	9.9	3.6	9.0	3.8	15.3
SF,%	77.2	74.8	74.3	72.8	77.8	77.3
growth,pts	2.4	0.9	1.5	1.9	0.5	1.6

Notes/Source: See Table 1.

• Seat sales among Europe's secondary airlines in the first half in 2004 declined at SAS, BMI, TAP, and Finnair, and hardly moved at Austrian.

SAS is restructuring, and so this may be a technical adjustment. But for BMI, if this continues through the year it could be the beginning of the end. *The airline is a hybrid – part-low-fare, part-regular – which is a risky formula. LFAs are generally still expanding fast enough that 20% growth would seem 'mature growth' or even slow. And so a decline is disaster – although interpreting BMI's decline could be confused by its hybrid status.*

KLM and Swiss are now divisions of bigger airlines, see below. So, steadily, their results will reflect those of their parent airlines.

And then there is Alitalia. Its apparently impressive increase must be read in the context of its one-third decline since 2001.

• Results for the airline 'combines' are not noticeably impressive, although AF+KL's 5% is much better than the other two\*, see Table 4. Impressive though, is the market share of these three groups – near 60%.

\*BA+IB is not a combine; here for illustrative purposes.

• Seats sold on Europe's two leading low-fare airlines, Easyjet and Ryanair, see Ta-

ble 5, cannot be compared directly with other airlines because the figure includes no-shows (the airline gets the airfare money whether passengers show up or not) and free tickets. We guess that accounts for about 10% of the totals shown.

By seats sold, the two airlines are about the same size and growing at about the same pace.

In comparison with traditional airlines, the LFAs are impressive. They are bigger than all in our 'secondary' list, even after deducting 10% from the LFA

Table 3

Seats sold on selected <sup>†</sup> Europe airlines, Jan-Jun 05		
Airline	No,mn	Growth,%
Iberia	13.1	3.7
SAS	12.2	-3.8
Alitalia	11.4	11.3
KLM	10.3	5.3
Turkish	6.2	21.7
Swiss	4.7	2.0
Austrian	3.7	0.9
BMI	3.2	-3.2
TAP	3.1	-2.3
Spanair	3.1	15.4
Finnair	3.0	-3.3
Olympic	2.7	2.6
Virgin A'tic	2.2	2.9
Czech	2.1	11.6

Notes/Source: <sup>†</sup> Above 2mn seats sold; AF BA LH and LFAs in other tables. Then as Table 1.

Table 4

Seats sold on airline 'combines', Jan-Jun 05			
Combine	No,mn	Growth,%	Share,%
AF + KL	33.1	4.7	21.6
BA + IB	30.3	1.5	19.8
LH + LX	28.3	1.4	18.5

Notes/Source: See Table 1.

Table 5

Seats sold on low-fare airlines <sup>†</sup> , Jan-Jun 05		
Airline	No,mn	Growth,%
Ryanair	15.2	21.5
Easyjet	14.4	21.3

Notes/Source: <sup>†</sup> Data includes free tickets and no-shows. Then as Table 1.

traffic totals to make figures more comparable.

With growth rates 6-12 times faster than those of British, in 2004 we said that Ryanair would likely overtake British in 2005; that still looks likely. For sure you will hear and read all about it when/if it does happen.

• In market share, see Table 6 on page 1, the two combines – AF+KL and LH+LX – are well ahead of the rest. This includes one-time-giant British, now being approached by the two leading low-fare airlines.

*And approached in other ways as well? Something seems likely to happen. Will BA finally sign an AF/LH-type deal with another airline, of which Iberia looks the most likely? Or will its new CEO, taking over next month, start to move BA to become, itself, a LFA (as that CEO did in his previous job, at Aer Lingus), or reverse past policies by buying or starting an LFA?*

Cruising

## Not so easy?

Easy Cruise, the new low-rate cruising operation, reports cabin occupancy of 59% in the first month, May, 55% in June, 74% in July, and probably 85% in August.

*Not known is how EC measures occupancy. Traditional cruise operators measure berth occupancy, not cabins, but have an endearingly inept way of calculating this.*

They count capacity by multiplying the number of cabins by two beds – even though some cabins will have three or

four. Yet when they calculate occupancy, they divide people into that unreal berth total. So it is possible to have occupancies above 100%, and still not be doing well.

EC seems to count one person in a cabin the same as three people (in a 3-berth cabin) – which is just as unhelpful in business terms. And, following practices of low-fare airlines, includes those who book and do not show-up (not bothering to cancel because there is no refund), and free passengers.

Our cavalier estimate for 'real' paid occupancy (occupied berths related to available berths) is at least 10 points below those official EC figures, and as much as 20 points below.

But EC's product looks good – even if a low-cost discount-mentality may not work so well for cruises. Customer psychology is different for relaxing cruises than for get-me-there-quick-and-cheap low-fare-airline flights. That said, the average age of EC's passengers is currently 33 years, more than 20 years younger than the published industry average of 54.

EC has been operating a weekly itinerary on the French and Italian rivieras – with sales-pulling destinations such as Cannes, Monte Carlo, Nice, Portofino, St Remo, St Tropez. Passengers can join and leave the cruise where and when they wish (although there is a 2-night minimum, 14-night maximum).

Also different from most cruise operations is that the ship stays in port every night, sailing around 0400 and arriving in the next port around 1300. Officially that is to allow passengers to participate in the nightlife ashore, but it is also because the ship is not geared to providing alternate attractions onboard.

From November, EC moves its ship for a Caribbean itinerary, but sailing would be at midnight, arriving in the next port around 1000.

Lowest rates look attractive – about US\$30 per 2-person cabin per night. Even if these are almost half Mediterranean prices, selling might be more difficult.

One reason is the destinations - including Barbados, Grenada, Martinique, and St Lucia – which do not have the same pull as those in the Mediterranean. Another is the distance (and thus air travel cost) from what is EC's main market, the UK. And is a 'discount-mood' (see above) right for visitors to the Caribbean?

### This month in Travel Business Analyst Asia Pacific:

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To solve the air travel problem, EC is seeking to work with travel agencies and GDSs. Presumably it hopes those travel-industry partners will have forgotten the deliberately-rude, dismissive, and provocative statements made by the head of the Easy Group, Stelios Haji-Ioannou, about them, in the first few years following the launch of the group's Easyjet.

#### Hotels

### Europe's first half

Average rates in five-star hotels in London topped US\$500 in the first half, see table, not far short of US\$100 more than similar hotels in Paris.

Hotels at the city's main airport, Heathrow, were also well ahead of those at Paris Charles de Gaulle.

Part of the reason is occupancy. Lon-

### Hotel revpar, Jan-Jun 05

London	224.94
Paris	181.52
Rome	233.61
Average	158.10

Notes/Source: See main table.

don's near-10 point occupancy advantage helps its hoteliers push for higher prices. But in cities, Moscow was still at the top, touching 80% in the first half – impressive considering that this includes slow months of January-March.

The region's overall average was 69% occupancy at US\$228 average rate, producing a US\$158 revpar. ■

### People-in-Travel

Starting October 2005, Travel Business Analyst will publish People-in-Travel, a monthly report tracking travel's leaders.

An email annual subscription to People-in-Travel costs just US\$50 (full price US\$100) - for subscribers to Travel Business Analyst.

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### Hotel results in Europe, Jan-Jun 05

City	Occupancy %	Average room rate, US\$*	Revpar US\$*
Amsterdam	70.7	221.47	156.54
Berlin	61.1	174.23	106.47
Brussels	65.6	172.58	113.26
Copenhagen	66.7	172.21	114.87
Frankfurt-all	65.3	194.43	126.97
L-4	57.3	163.38	93.54
U-4	67.8	202.62	137.41
Geneva	62.8	290.83	182.67
London-all	75.3	298.91	224.94
L-4	80.4	200.23	160.99
U-4	76.1	325.52	247.70
5-star	63.2	510.51	322.86
LHR AP	83.4	151.30	126.25
Madrid	71.8	224.54	161.11
Moscow	80.0	208.45	166.83
Paris-all	67.1	270.66	181.52
L-4	66.1	193.41	127.75
U-4	69.9	249.07	174.03
5-star	62.9	422.21	265.73
CDG AP	64.1	186.30	119.43
Rome	71.8	325.19	233.61
Zurich	70.5	182.04	128.38
<b>AVERAGE</b>	<b>69.1</b>	<b>227.96</b>	<b>158.10</b>

Notes: Revpar = revenue per available room. \*At average exchange rates over the period. Source: hotels to Travel Business Analyst.



# NET VALUE

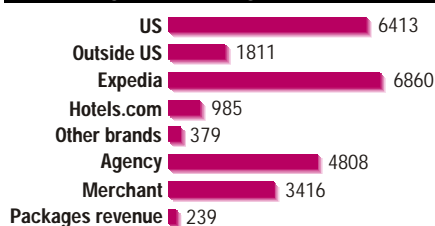
## Statistics and Analysis on Travel and the Internet

### Expedia alone

Expedia has reported its first results after being spun off from InterActive -- trading separately from this August. Main brands in the company are Expedia itself, and Hotels.com.

Growth in bookings in the first half of this year was slowing -- 24% (to US\$8.2bn) compared with 34% for Jan-Dec 04, see Table 1.

#### Expedia gross bookings, Jan-Jun 05



Notes/Source: as Table 1.

market reasons for this standstill?

- Transaction growth is slowing, from 28% for Jan-Dec 04, to 18% this year.
- Roomnight growth seems to be slowing as well -- from 21% for Jan-Dec 2004, to 7% this year.
- But gross bookings revenue per transaction is increasing, from US\$365 in 2003, to US\$417 this year.

\*Expedia defines these as 'domestic' and 'international', but these should be defined 'US'

#### Priceline results, first half

Item	2005	Growth,%	2004	Growth,%
Air tickets sold,x1000	1536	6.4	1444	45
Roomnights sold,x1000	5292	43.9	3677	34.2
Rental car days sold,x1000	2813	7.2	2623	71.4

Source: company.

and 'Outside US', as our tables. In fact, Expedia does not separate domestic and international bookings.

### More trouble at Priceline

First half revenue at Priceline was sluggish, managing an increase of 3.4%. But perhaps more worrying is that sales of travel offers with negotiated prices ('merchant' rates) actually fell, by 0.6%.

For an internet travel company, these should be troubling figures, and even question the longterm viability of Priceline's opaque sales model.

Air ticket sales increased 6%, see table, following a 45% increase in 2004 over 2003. Again, for an internet travel company, these are poor results.

However, hotel revenue, which has become the largest element, continued strong

Table 1

#### Expedia gross bookings

Item	HY 2005		HY 2004	FY 2004		FY 2003
	Growth,%	Share,%		Growth,%	Share,%	
US	16.1	78.0	83.5	24.0	81.8	88.1
Outside US	66.5	22.0	16.5	103.4	18.2	11.9
Expedia	29.2	83.4	80.3	31.1	81.1	82.6
Hotels.com	2.2	12.0	14.6	12.6	13.9	16.5
Other brands	11.1	4.6	5.2	647.1	5.0	0.9
Agency	29.6	58.5	56.1	30.3	57.5	58.9
Merchant	17.7	41.5	43.9	38.1	42.5	41.1
Packages revenue	20.7	2.9	3.0	33.8	3.1	3.1
Total	24.4	100.0	100.0	33.5	100.0	100.0

Notes: FY=full year, HY=half year, Jan-Jun. Source: company.

That is not the only point of concern; of selected business categories:

- Growth is still faster outside the US\*, growing from a 12% share in 2003, to 22% in the first half of this year.
- Despite acquisitions, growth of its principal brand -- Expedia itself -- is still faster than for other brands. Expedia's share is around 83%. But Hotels.com, considered a star in the company, has lost share, falling from 17% in 2003 to 12% this year.
- Merchant revenue, considered to have strong market potential, has stuck at around 41/42% share. Is this a ceiling, or are there

Table 2

#### Expedia operations

Item	HY 2005	Growth %	FY 2004
Transactions,mn	20	18	27.9
Revenue per transaction,US\$	417	5.4	4.4
Merchant roomnights,mn	16	6.5	20.9

Notes/Source: as Table 1.

growth, up 44%, although this is boosted by Priceline's acquisition of Active Hotels in September 2004.

Growth in the car rental sector was also sluggish, at 7%.

### Bites

- How high can you go? **Ryanair's** internet booking share was at 98% at the end of the first half, compared with 97% end-June 2004, 94% 2003, and 91% 2002.
- Pricewaterhouse Coopers (PwC) notes:
  - Europe's top four -- Travelocity/Lastminute, Expedia, Cendant/Ebookers, and Opodo - have 60% of the regional online market. (In the US, the top three - Expedia, Sabre/Travelocity, and Cendant - have 93% of the online market.)
  - In Germany, the top five companies have 70% of the market.
  - There are significant opportunities for increased online sales in the fragmented hotel sector.
  - There has been a shift in sales to supplier sites from agency sites. And growth of low-fare air travel will continue to drive sales to supplier sites.
  - PwC hints, but does not say, that big package tour operators like TUI, Thomas Cook, My Travel, and Rewe, will be in trouble -- because of online agency sales growth, and low-fare airlines.

Net Value, published by Travel Business Analyst, is available as part of a subscription to the Europe edition of Travel Business Analyst.

An annual subscription to Net Value alone, costing US\$100, is delivered separately from Travel Business Analyst Europe only via email in PDF format.

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# MARKET DATA

## Headlines

### Comments on tables

- 1 First half for all airlines. In terms of seat sales, only Turkish is doing well, along with Alitalia – though that airline is still a long way from making up what it has lost earlier. Declines – so trouble? – for British, SAS, and TAP-Air Portugal. The two low-fare airlines both grow in seat sales at 21%. Loads at Easyjet, almost 85%, look good, but we think Ryanair's 80% is too low. Given its impressively-low fares, its loads need to be at least at Easy's level. See also full review in this issue.
- 2 First half for Europe and the US. Fair results in Europe, with traffic increasing 5-6%, but with load factors managing only 1-point growth. In the US, growth is double-digit, with 12% in seats sold; that is remarkable growth in a mature market.
- 3 First half for three of the four biggest. Amsterdam managed just 3%, Frankfurt ditto. And London grew 5% for the top three combined, but the major airport, Heathrow, matched Amsterdam and Frankfurt, with just 3% growth.
- 4 First quarter for the US – up 8%. But although Spain is one of the smaller country-pairs in Europe, there was a serious 13% decline in to/from traffic. Both France and Germany doing well, but the UK not looking so good. YTD in Germany up a strong 10%, and in the UK 7%.
- 5 Easyjet marked down in growing market.
- 7 More updates with 2004 data (courtesy WTO) – including Austria, Netherlands, Sweden, Switzerland.
- 10 Half-year. Occupancy almost 10 points ahead of same-period 2004, average room rate in US\$ also shows strong growth. Different categories are shown each month, but all are available to those that require the additional measures; contact us.
- 14 More updates with 2004 data (courtesy WTO) – including Austria, Denmark, Switzerland, and Turkey.
- 15 More updates with 2004 data (courtesy WTO) – including Austria, Belgium, Denmark, Netherlands, Sweden, Switzerland, and Turkey.

1 Passenger traffic* on selected Europe airlines, 2005														Low-fare airline traffic			
Airline		SS	+/-	RPK	+/-	Jan	SS	+/-	ASK	+/-	RPK	+/-	SF	+/-	Airline	Month	Jan thru
	Mth:	1000	%	mn	%	thru:	1000	%	mn	%	mn	%	%	pts			
Air France	Jun	4305	6.0	9929	7.7	Jun	22857	4.5	71199	3.2	54938	6.4	77.2	2.4	Easyjet	Jun	Jun
Alitalia	Jun	2156	14.2	3329	14.0	Jun	11399	11.3	25802	14.0	17603	14.7	68.2	0.4			
Austrian	Jun	743	7.1	1643	3.7	Jun	3686	0.9	11811	3.7	8281	2.2	70.1	-1.0	SS,x1000	2587	14403
British AW	Jun	3206	0.4	9747	4.6	Jun	17259	-0.2	72251	1.5	53714	3.6	74.3	1.5	Growth,%	15.4	21.3
Iberia	Jun	2376	4.0	4063	6.0	Jun	13074	3.7	31006	6.1	23285	7.0	75.1	0.6	SF,%	85.6	84.8
KLM	Jun	1883	5.5	5735	7.9	Jun	10270	5.3	39779	6.4	32479	7.6	81.6	0.9	Growth,pts	-0.4	0.3
Lufthansa	Jun	4483	3.9	10238	3.9	Jun	23580	1.3	69900	3.1	54360	3.8	77.8	0.5			
Olympic	Jun	524	0.0	695	12.6	Jun	2706	2.6	5066	1.7	3370	11.0	66.5	5.6	Ryanair	Jun	Jun
SAS	Jun	2365	-2.9	2615	-1.9	Jun	12170	-3.8	19507	-2.9	13415	-1.6	68.8	1.0			
Swiss	Jun	863	8.6	1797	4.9	Jun	4735	2.0	12993	-6.7	9998	-2.3	76.9	3.5	SS,x1000	2988	15199
TAP	Jun	539	-7.3	1190	5.2	Jun	3090	-2.3	9628	4.9	6918	5.2	71.8	0.2	Growth,%	20.5	21.5
Turkish	Jun	1210	22.0	1776	19.6	Jun	6242	21.7	12867	14.2	9389	20.1	73.0	3.5	SF,%	87.0	80.1
Virgin A'tic	Jun	385	-2.3	2745	0.9	Jun	2186	2.9	21074	11.3	15586	5.9	74.0	-3.8	Growth,pts	-3.0	0.0

Notes: See Master Notes this page. pts=points. \*Domestic and international. SS and SF for low-fare airlines includes free tickets and no-shows. Source: airlines, Association of European Airlines.

## 2 Operating results on airlines of regional associations, 2005

Item	Europe,AEA									
	Mar 05	Growth,%	Apr 05	Growth,%	May 05	Growth,%	Jun 05	Growth,%	YTD 05	Growth,%
SS,mn	17.6	5.5	18.0	1.9	18.9	5.4	19.8	5.3	104.0	4.6
ASKs,mn	67,728	5.9	68,096	4.8	71,262	4.7	71,098	4.2	403,609	4.5
RPKs,mn	51,766	7.5	51,550	4.1	53,281	7.1	56,141	6.4	303,757	6.2
Pax LF,%	76.4	1.3*	75.7	-0.6*	74.8	1.7*	79.0	1.6*	75.3	1.2*
Item	US,ATA									
	Mar 05	Growth,%	Apr 05	Growth,%	May 05	Growth,%	Jun 05	Growth,%	YTD 05	Growth,%
SS,mn	5.6	16.4	5.2	10.3	5.4	12.5	5.8	10.4	31.5	11.9
ASKs,mn	32,489	13.3	32,292	11.7	33,957	9.3	34,317	9.4	193,823	10.8
RPKs,mn	26,732	14.9	25,217	11.3	27,226	11.9	29,208	9.9	153,842	11.8
Pax LF,%	82.3	1.2*	78.1	-0.2*	80.2	1.9*	85.1	0.4*	79.4	0.7*
Item	Asia Pacific,AAPA									
	Jan 05	Growth,%	Feb 05	Growth,%	Mar 05	Growth,%	Apr 05	Growth,%	YTD 05	Growth,%
SS,mn	9.4	1.8	9.1	9.8	9.8	13.0	9.6	6.9	37.9	7.7
ASKs,mn	60,145	5.0	49,362	4.0	53,275	7.2	52,999	5.6	215,782	5.4
RPKs,mn	44,657	2.8	35,707	6.7	38,726	11.3	37,675	6.3	156,765	6.5
Pax LF,%	74.2	-1.6*	72.3	1.8*	72.7	2.7*	71.1	0.5*	72.6	0.7*

Notes: International. \*Points. Source: Air Transport Association, Association of European Airlines, Association Of Asia Pacific Airlines.

Master Notes: AL = Airline, ASK = available-seat km, ATK = available-tonne km, AW = Airways, CH = Switzerland, DE = Germany, E = TBA estimate, ES = Spain, FR = France, GB = UK, IT = Italy, J-D = January-December, LF = load factor, NA = not available, na = not applicable, NL = Netherlands, P = provisional, Pax = passenger, RPK = revenue-passenger km, RTK = revenue-tonne km, Q = quarter (of year), SE = Sweden, SF = seat factor, SS = seats sold, YTD = year-to-date.

# MARKET DATA

## 3 International traffic\* at Europe's leading airports, 2005

Airport	Month	Passengers,x1000			Aircraft movements,x1000			Seats sold per aircraft			
		Month	Growth,%	YTD	Growth,%	Month	Growth,%	YTD	Growth,%	Month	YTD
Amsterdam	Jun†	3,950	3.7	20,655	3.2	35.2	1.1	196.4	0.7	112	105
Berlin*,x3	Mar†	1,320	17.4	3,491	17.1	18.6	4.4	51.1	4.0	71	68
Brussels*	Mar†	1,201	6.5	3,187	5.1	20.9	-3.0	58.5	-1.9	58	55
Copenhagen*	Mar†	1,561	2.0	4,142	3.0	22.2	-5.0	64.2	-1.3	70	65
Frankfurt	Jun†	3,988	4.1	21,092	2.8	34.8	4.8	197.4	4.6	114	107
London,x3	Jun†	10,074	4.3	51,691	4.9	66.5	2.5	370.0	1.9	152	140
LHR	Jun†	5,422	1.6	29,498	2.5	34.4	0.2	201.9	-0.2	158	146
LGW	Jun†	2,871	5.2	13,136	7.4	18.9	4.7	95.4	5.5	152	138
STN	Jun†	1,782	11.7	9,057	9.9	13.2	5.5	72.7	3.4	135	125
Madrid*	Mar†	3,476	12.0	9,237	7.5	34.9	3.8	99.1	3.8	99	93
Milan*,x3	Mar†	2,614	6.4	6,977	4.8	32.6	4.0	91.4	1.8	80	76
Paris*,x2	Mar†	6,267	5.6	17,341	4.2	60.7	-1.7	176.5	-0.2	103	98
CDG	Mar†	4,266	7.1	11,691	4.1	42.3	-2.5	122.7	-2.1	101	95
ORY	Mar†	2,001	2.6	5,650	4.5	18.3	0.4	53.8	4.4	109	105
Rome*,x2	Mar†	2,637	9.1	6,830	7.8	30.4	7.3	85.7	6.1	87	80
Zurich*	Mar†	1,446	6.8	3,888	3.8	22.4	10.3	63.6	5.4	64	61
EUROPE*	Mar†	92,643	8.7	247,471	7.0	1,401.1	2.9	3,852.9	3.0	66	64

Notes: \*Domestic and international. Source: respective airports, except ACI for Berlin, Brussels, Copenhagen, Madrid, Milan, Paris, Rome, Zurich, and all-Europe.

## 4 Air passenger traffic to/from selected countries, x1000

From/to	France†				Germany				UK			US				
	May 05	+/-* %	YTD 05	+/-* %	May 05	+/-* %	YTD 05	+/-* %	Apr 05	+/-* %	YTD 05	+/-* %	Mar 05	+/-* %	YTD 05	+/-* %
France	na	na	na	na	543	1.8	2376	5.4	912	-3.0	3422	0.6	485	7.6	1258	6.9
Germany	341	-0.9	1566	4.5	na	na	na	na	906	8.2	3403	12.4	622	5.9	1629	5.1
Italy	431	-2.7	1815	-6.5	885	10.7	3419	6.3	853	14.2	3045	5.7	188	8.0	444	9.0
Netherlands	94	5.9	415	7.5	218	7.9	935	2.9	689	-0.8	2882	1.9	342	5.9	928	7.5
Spain	446	18.4	1816	12.3	1922	12.2	7324	8.4	2507	-0.3	8432	2.3	132	-6.6	325	-12.5
Switzerland	140	6.7	737	7.6	340	6.3	1616	10.3	385	-1.7	1816	7.7	122	7.6	327	7.2
UK	380	-0.4	1820	-3.6	940	12.4	4315	15.0	na	na	na	na	1429	3.6	3729	2.0
US	558	11.8	2273	9.1	787	7.2	3110	4.9	1523	0.3	5384	3.2	na	na	na	na
Total	NA	NA	NA	NA	11252	10.9	45294	9.7	13341	3.4	49222	7.4	10273	12.6	27783	7.9

Notes: \*Over same period, year earlier. †Paris airports only. Source: Aeroports de Paris, Statistisches Bundesamt, Civil Aviation Authority, Department of Transportation.

## 5 Stock market last-day closing prices

Company	Market	Price, local currency*				Growth†,%	
		Dec 03	Dec 04	Jun 05	Jul 05	stock	market
<b>Airlines</b>							
Air France	Paris	12.2	14.0	12.6	13.7	9.3	5.3
Alitalia	Milan	0.26	0.25	0.25	0.25	0.0	3.0
British Airways	London	233	235	264	287	8.9	3.3
Easyjet	London	NA	188	258	247	-4.3	3.3
Iberia	Madrid	2.28	2.59	2.37	2.58	8.9	3.4
Lufthansa	Amsterdam	13.3	10.6	10.2	10.4	2.4	6.5
Ryanair	Dublin	6.59	5.25	6.39	6.85	7.2	3.6
<b>Hotels</b>							
Accor	Paris	35.9	32.2	38.8	42.4	9.5	5.3
Hilton	London	225	285	286	293	2.2	3.3
InterContinental	London	529	648	707	733	3.7	3.3
Sol Melia	Madrid	6.79	7.40	10.0	11.7	16.5	3.4
<b>Others</b>							
Amadeus	Madrid	5.15	7.57	7.23	7.37	1.9	3.4
Avis Europe	London	95.0	53.8	63.5	50.0	-21.3	3.3
BAA	London	496	584	620	609	-1.9	3.3
Eurotunnel	London	37.5	17.0	17.0	17.8	4.4	3.3
Kuoni	Zurich	414	500	534	504	-5.6	5.6
Lastminute.com	London	216	121	164	166	0.9	3.3
My Travel	London	10.9	6.00	5.75	NA	NA	3.3
TUI	Frankfurt	16.5	17.4	20.9	21.8	4.7	6.5

Notes: See Master Notes, page 7. \*Euro in Euro countries (in table includes AT, FR, DE, IE, IT, NL, ES). †Latest month over month earlier. Source: Wall Street Journal(s).

## 6 Outbound travel by residents

Country	Jan thru*	Departures x1000	Growth %	Source:
Austria	Dec	4,660	17.9	WTO
Belgium	Dec†	7,746	-18.0	WTO
Denmark	Dec	5,125	5.9	WTO
Finland	Dec†	6,318	6.8	WTO
France	Dec	19,886	19.0	WTO
	Dec†	19,265	-3.1	WTO
Germany	Dec†	73,400	NA	WTO
	Dec	74,400	1.4	WTO
Ireland	Dec	3,814	6.7	WTO
Italy	Dec	21,993	16.0	WTO
	Dec†	21,502	-2.2	WTO
Netherlands	Dec	13,896	-2.0	WTO
	Dec†	14,220	2.3	WTO
Russia	Dec†	17,940	-2.3	WTO
Spain	Dec	4,100	16.7	WTO
	Dec†	4,139	1.0	WTO
Sweden	Dec†	10,500	1.0	WTO
Switzerland	Dec†	11,823	NA	WTO
	Dec	12,351	4.5	WTO
UK	Dec	56,837	5.5	NTO
	Dec†	59,030	3.9	NTO

Notes: ETM=European Travel Monitor, NTO=national tourist office, Ot=Other. \*2000 unless stated otherwise. †1999. ‡2001. Source: See column.

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## 7 Spending on foreign travel by residents

Source	Jan thru <sup>†</sup> :	Spending US\$mn	Growth %
Austria	Dec <sup>†</sup>	11,415	-11.7
Belgium	Dec <sup>†</sup>	13,853	3.5
Czech R	Dec	1,928	5.6
France	Dec	23,273	0.6
	Dec <sup>†</sup>	28,636	11.1
Germany	Dec	63,402	3.0
	Dec <sup>†</sup>	72,271	1.6
Greece	Dec	2,370	-17.3
Hungary	Dec	2,594	-1.7
Ireland	Dec	4,709	6.2
Italy	Dec <sup>†</sup>	20,544	-9.4
Luxembourg	Dec	2,373	5.0
Netherlands	Dec <sup>†</sup>	16,676	3.9
Norway	Dec	6,436	14.4
Portugal	Dec	2,704	0.3
Russia	Dec	12,880	14.1
	Dec <sup>†</sup>	15,730	22.1
Spain	Dec	8,275	4.2
Sweden	Dec <sup>†</sup>	10,123	11.8
Switzerland	Dec <sup>†</sup>	8,334	3.0
Turkey	Dec	2,113	12.4
UK	Dec	47,443	7.2
	Dec <sup>†</sup>	55,930	4.1

Notes: Growth may not tally with previous figure shown. \*2003 unless stated otherwise. <sup>†</sup>2002. <sup>‡</sup>2004. A=Local currency. Source: WTO, national tourist offices.

## 8 Internet bookings/sales of selected companies/markets

Company, item	Period	Number	Previous period
Priceline air sales	Q1 2005	NA	up 20%
Germany, internet look/book shares	Jan 05	33%/15%	27%/9% (03)
Interval Intl internet share	Q1 2005	21%	17%
Air & hotel package purchases share (PCW)	2004	50%	NA
online travel bookings in Europe (TRC)	2004	\$21b	up 36%
Europe share FR DE GB (TRC)	2004	11% 22% 36%	NA 26% 30% 03
Opodo France sales	2005	\$519m	up 11%
US hotels revenue loss due to internet (PwC)	2005	\$1.7b	\$1.3b 03

Notes: See Master Notes, page 7, and Net Value. All \$s are US\$. Source: various.

## 9 Networks of computer reservations systems

System	Country
<b>Amadeus</b>	Ww: A64377†S184347. Ap: A11077 S34658. Eu: A37567 S125299. Na: A5066 S11551. FR: A4470 S9952. DE: A16300 S41300. IT: A492 S804. ES: A4800 S13000. CH A200. GB: A126 S370. B: 386mn.
<b>Galileo</b>	Ww: A43000†S176100. Ap: A7250†S20708. Eu: A18300†S38596. Na: A14200†S62125. BE: A214 S652. FR: A710†S380. IT: A467 S1221. NL: A786 S2286. ES: A360 S3000. CH: A261 S1752. GB: A1683 S9503. B: \$345mn.
<b>Sabre†</b>	Ww: A56000†S124828. Ap: A11771†S4500. Eu: A5783†S13428. Na: A17478. FR: A401 S937. DE: A736 S1856. IT: A797 S1473. NL: A61 S130. ES: A150. CH: A380 S1184. GB: A854 S3546. B: \$467mn.
<b>Worldspan</b>	Ww: A20000†S49500. Ap: 714. Eu: A10208†S11000. Na: A35106. BE: A251 S541. FR: A180 S700. DE: A480. IT: A192 S304. NL: A220 S600. CH: A140 S981. GB: A1450 S1980. US: A8560.

Notes: See Master Notes, page 7. Latest figures available; A and S dates may not be the same; <sup>†</sup>denotes later figure. A-Agencies/other outlets, Ap-Asia Pacific, B-bookings (in numbers or US\$), BE-Belgium, Eu-Europe, Na-North America, S-Screens, Ww-worldwide. †With Abacus. Source: companies.

## 10 Hotel results in Europe, US, and Asia, June

City	Occupancy,%				Average room rate				Revpar				
	2005		2004		local		US\$*		2005		2004		
	Mth	YTD	Mth	YTD	2005	2005	2004	2004	Mth	YTD	Mth	YTD	
<b>EUROPE*</b>													
Amsterdam	79.3	70.7	81.2	73.4	143.05	190.81	221.47	186.22	166.80	151.31	156.54	151.22	122.51
Berlin	68.9	61.1	71.8	62.8	112.53	128.23	174.23	157.60	151.77	88.30	106.47	113.23	95.29
Brussels	74.1	65.6	69.5	66.1	111.47	136.60	172.58	133.36	136.66	101.20	113.26	D92.70	90.36
Copenhagen	82.0	66.7	90.6	68.9	828.76	152.10	172.21	137.85	128.01	124.68	114.87	124.87	88.23
Frankfurt-all	70.5	65.3	62.6	59.3	125.58	141.47	194.43	136.51	151.82	99.74	126.97	85.40	90.03
U-4	72.3	67.8	NA	NA	130.87	150.22	202.62	NA	NA	108.56	137.41	NA	NA
Geneva	74.5	62.8	79.0	63.5	289.99	220.52	290.83	256.37	222.77	164.31	182.67	202.56	141.55
London-all	83.4	75.3	81.7	69.5	132.16	254.43	298.91	286.53	253.42	212.08	224.94	234.06	176.20
5-star	75.4	63.2	NA	NA	225.72	427.79	510.51	NA	NA	322.62	322.86	NA	NA
LHR AP	89.9	83.4	NA	NA	66.90	120.94	151.30	NA	NA	108.67	126.25	NA	NA
Madrid	80.2	71.8	72.7	66.5	145.03	183.02	224.54	188.94	186.70	146.84	161.11	137.30	124.20
Moscow	85.3	80.0	88.4	74.2	4849.54	163.64	208.45	161.58	146.97	139.60	166.83	142.90	109.01
Paris-all	77.7	67.1	75.2	65.9	174.81	248.07	270.66	226.66	201.55	192.75	181.52	170.39	132.90
5-star	77.2	62.9	NA	NA	272.70	400.99	422.21	NA	NA	309.75	265.73	NA	NA
CDG AP	68.9	64.1	NA	NA	120.33	166.13	186.30	NA	NA	114.44	119.43	NA	NA
Rome	83.0	71.8	77.1	67.3	210.04	289.95	325.19	300.51	257.56	240.67	233.61	231.58	173.38
Zurich	80.6	70.5	81.5	70.7	181.52	136.79	182.04	137.61	138.75	110.24	128.38	112.10	98.03
AVERAGE	78.3	69.1	77.6	67.4	na	187.14	227.96	192.48	178.57	147.64	158.10	149.86	120.14
<b>Others††</b>													
Los Angeles	78.4	74.7	73.9	72.5	102.44	101.55	102.44	95.03	95.48	79.62	76.52	70.23	69.21
New York	87.6	81.7	86.7	84.0	191.42	210.66	191.42	183.02	180.09	184.54	156.39	158.68	151.25
Tokyo	69.9	73.5	69.3	72.6	22458	195.36	255.20	205.52	217.25	136.47	187.67	142.49	157.70

Notes: See Master Notes, page 7. Not all categories are shown every month; all categories available at low additional cost. Source: \*Travel Business Analyst Europe, <sup>†</sup>Smith Travel Research, <sup>††</sup>Travel Business Analyst Asia Pacific.

# MARKET DATA

## 11 IATA travel agencies<sup>†</sup> in Europe, 2004

Country	Locations	Growth %	Net sales US\$mn*	Growth %	Per agency US\$mn*	Growth %
Austria	253	-1.9	1,133	27.0	4.48	29.5
Belgium <sup>†</sup>	755	0.0	1,653	20.0	2.19	20.0
Bulgaria	149	8.8	107	46.3	0.72	34.5
Croatia	93	6.9	91	26.6	0.97	18.4
Cyprus	146	-0.7	246	19.7	1.69	20.5
Czech R <sup>†</sup>	217	4.3	358	27.5	1.65	22.2
Finland	286	-2.4	990	36.8	3.46	40.2
France	3,633	0.0	9,516	18.2	2.62	18.2
Germany	4,441	-2.6	10,061	17.8	2.27	20.9
Greece	1010	-0.7	1,051	9.4	1.04	10.2
Hungary	256	-1.5	273	10.3	1.06	12.0
Ireland	460	-2.3	712	8.8	1.55	11.4
Italy	5,493	4.7	6,109	10.6	1.11	5.6
Malta	93	2.2	64	19.9	0.69	17.3
Netherlands	557	-3.8	2,412	14.8	4.33	19.3
Nordics <sup>†</sup>	1443	0.0	4,967	6.2	3.44	6.2
Poland	366	7.3	429	22.1	1.17	13.7
Portugal	863	3.4	933	16.4	1.08	12.6
Romania	218	19.8	241	17.7	1.10	-1.7
Serbia	148	na	86	398.5	0.58	401.9
Slovenia	53	3.9	67	29.5	1.26	24.6
Spain	7,265	10.0	5,251	16.2	0.72	5.7
Switzerland <sup>†</sup>	853	1.3	2,313	14.6	2.71	13.1
Turkey	379	8.6	608	42.1	1.61	30.9
UK	2,712	-4.8	14,732	20.3	5.43	26.3
Europe	32,142	2.4	64,402	16.9	2.00	14.2
US	23,324	-9.0	65,911	6.6	2.83	17.1
Asia Pacific	13,116	1.7	42,185	26.6	3.22	28.4
World	68,582	-1.9	172,498	17.8	2.52	26.7

Notes: See Master Notes, page 7. World; regions listed here. IATA=International Air Transport Association. \*Quoted in US\$. <sup>†</sup> Under the IATA billings and settlement plan. <sup>‡</sup> Additional countries, in order of listing: Luxembourg, Slovakia, (3) Baltics, Liechtenstein. Source: IATA.

## 12 Eurotunnel traffic

Item,x1000	Oct-Dec 04	Growth %	Jan-Mar 05	Growth %	Apr-Jun 05	Growth %	YTD 05	Growth %
Cars	551	-5.2	439	4.2	513	-2.1	952	0.7
Buses	18	-12.5	18	48.6	22	23.6	40	33.5
Eurostar passengers	1872	12.7	1695	5.5	1981	10.1	3676	7.9

Source: Eurotunnel.

## 13 Economic indicators of major countries in Europe, 2005

Country	GNP/GDP		Retail sales	Consumer prices <sup>†</sup>		Wages/earnings <sup>‡</sup>	
	1 year	3 mths*	1 year	1 year	year ago	1 year	year ago
France	1.2 Q2	0.4	0.8 Jun	1.7	2.3 Jul	2.9	2.8 Q1
Germany	1.1 Q1	4.2	2.7 May	1.8	1.7 Jun	0.6	1.9 May
Italy	-0.2 Q1	-1.8	-4.6 Apr	1.8	2.4 Jun	3.1	3.3 May
Netherlands	1.3 Q2	4.9	-2.3 May	1.6	1.1 Jul	0.8	1.0 Jul
Spain	3.3 Q1	3.5	2.2 May	3.1	3.5 Jun	3.0	3.2 Q1
Switzerland	0.8 Q1	0.2	3.2 Jun	1.2	0.9 Jul	0.9	1.4 '04
UK	1.7 Q2	1.5	1.7 Jun	2.3	1.4 Jul	4.2	4.2 Jun
Euroland	1.4 Q1	1.9	2.0 May	2.1	2.4 Jun	3.1	3.0 Q1
Others							
Japan	1.3 Q1	4.9	3.6 Apr	0.2	-0.5 May	-0.2	2.2 May
US	3.7 Q1	3.8	4.3 May	2.5	3.3 Jun	2.7	2.0 Jun

Notes: All figures are percentage changes, at annual rate. \*Average of latest 3 months compared with average of previous 3 months, at annual rate. <sup>†</sup> Figures not seasonally adjusted. <sup>‡</sup> Germany, hourly wages; Japan and UK, monthly earnings; USA, hourly earnings. Source: The Economist.

## 14 Visitor spending in Europe destinations

Destination	Jan thru*:	Spending-A	Growth,%	Source
Austria	Dec <sup>†</sup>	15,412	0.4	WTO
Belgium	Dec	8,288	-1.0	WTO
Bulgaria	Dec	1,623	21.3	WTO
Czech Republic	Dec	3,554	4.2	WTO
Cyprus	Dec	1,977	-10.4	WTO
Denmark	Dec <sup>†</sup>	5,669	-7.7	WTO
Estonia	Dec	682	1.8	WTO
Finland	Dec	1,894	0.0	WTO
France	Dec	36,347	-5.4	WTO
	Dec <sup>†</sup>	40,842	1.5	WTO
Germany	Dec <sup>†</sup>	27,657	8.9	WTO
Greece	Dec	10,629	-8.0	WTO
Hungary	Dec	3,426	-12.1	WTO
Ireland	Dec	3,875	4.7	WTO
Italy	Dec	31,286	-2.1	WTO
	Dec <sup>†</sup>	35,658	3.8	WTO
Lithuania	Dec	568	4.0	WTO
Luxembourg	Dec	2,779	2.3	WTO
Malta	Dec	693	5.2	WTO
Netherlands	Dec	9,228	0.2	WTO
Norway	Dec	2,548	4.3	WTO
Portugal	Dec	6,927	1.2	WTO
Romania	Dec	792	12.5	WTO
Russia	Dec	4502	8.0	WTO
Slovakia	Dec	863	-3.3	WTO
Slovenia	Dec	1,338	7.0	WTO
Spain	Dec	41,708	3.7	WTO
	Dec <sup>†</sup>	45,248	3.8	WTO
Sweden	Dec	5,290	-6.1	WTO
Switzerland	Dec <sup>†</sup>	10,309	1.8	WTO
Turkey	Dec <sup>†</sup>	15,888	20.3	WTO
UK	Dec	19,511	1.1	WTO
	Dec <sup>†</sup>	27,299	7.5	WTO

Notes: See Master Notes, page 7. Growth may not tally with previous figure shown. \*2003 unless stated otherwise. <sup>†</sup> 2004. A = In millions of US\$. Source: As shown.

## 15 Visitor arrivals in Europe destinations

International arrivals						
Destination	Jan thru*:	Arrivals x1000	Growth %	Source	Stay days	PVPD US\$-C
Andorra	Dec	3,138	-7.4	WTO	2.93	NA
Austria	Dec	19,078	2.5	WTO	5.2-F	142.90
	Dec <sup>†</sup>	19,373	1.5	WTO	5.2-F	142.90
Belgium	Dec <sup>†</sup>	9,120	-2.1	WTO	2.5	55E
Bulgaria	Dec	4,048	17.9	WTO	2.8-F	48.39
Croatia	Dec	7,409	6.7	WTO	NA	473-V
Cyprus	Dec	2,303	-4.8	WTO	11	59.13
Czech R	Dec	5,076	7.0	WTO	2.8-F	48.39
Denmark	Dec <sup>†</sup>	5,669	-2.1	WTO	3.60	1928-V
Finland	Dec	2,601	-9.5	WTO	5.86	62.92
France	Dec	75,048	-2.6	WTO	7.16-F	54.4
	Dec <sup>†</sup>	75,123	0.1	WTO	7.16-F	54.4
Germany	Dec	18,399	2.4	WTO	7.16-F	54.4
	Dec <sup>†</sup>	20,137	9.5	WTO	7.16-F	54.4
Greece	Dec <sup>†</sup>	12,872	9.0	WTO	14	20.23
Hungary	Dec	15,706	-1.0	WTO	3.41-F	15.19
Iceland	Dec	771	9.4	WTO	2.8	267.56
Ireland	Dec	6,369	5.0	WTO	11.0-F	39.06
	Dec <sup>†</sup>	6,575	3.2	WTO	11.0-F	39.06

► contd on p12

# Trends

## Starwood-plus

Meridien, Starwood, and Lehman have mutually agreed the terms for Meridien's takeover by Starwood and Lehman. The deal is expected to be finalised around end of this month.

Meridien says the 130-hotel company will retain its identity. Our comments:

- Starwood is starting to look over-stretched, with the group committed to creating a new brand (codename XYZ), and a new purchase in France (see below), as well as Meridien.
- Meridien's alliance with Japan Airlines-owned Nikko Hotels looks vulnerable. The alliance seems likely to be abandoned, or the Nikko name bought and absorbed into one of the Starwood brands.

And could Starwood's agreement in July to buy Societe Du Louvre/Louvre Hotels (SDL), Europe's second largest hotel network, mean it is heading for the bottom?

SDL has 14 upmarket hotels with 3000 rooms in France, Germany, and Switzerland, including Crillon in Paris and Martinez in Cannes. But it is also second-largest budget hotel chain in Europe, comprising 805 budget hotels (211 owned) with more than 51,000 rooms (15,940 owned) in Europe, including brands Campanile, Kyriad, and Premiere Classe.

This could mean great change, as SDL has run its hotel group inefficiently for two decades. Only in 2003 did the company appear to have finally understood that there were many possible synergies.

However, Starwood might simply incorporate the hotels it wants into its own operation, and abandon the brand and half-brand names of the SDL hotels. Unless it decides to move whole-heartedly into the budget brand.

Some rationalisation seems likely, with some Concorde hotels becoming Meridiens, or some unbranded becoming St Regis, etc. But many disposals, either of single hotels or a brand.

## Watch this space

US-based Space Adventures is due to send its third passenger into space next month.

Business has been bad. There is one avail-

able seat on the space shuttle every April and October, but load factor was 50% in 2000 (Tito), the same in 2001 (Shuttleworth), but 0% in the following three years.

We have long suggested the operator, the Russian Space Agency, and SA, lower their US\$20mn air fare (roundtrip) – excluding other costs such as travel to Russia for the launch, accommodation during six-months' training, etc.

Yet SA is going for even bigger things – to the moon and back in a new vessel, which could be ready in five years. There would be seats for two passengers. The cost? US\$100mn each.

Although we know there is no such thing as a free launch, this looks daunting.

## KLM out-sources BC

Privat Air (sic) is due to operate business-class-only flights for KLM starting from late October.

PA will use a 44-seat Boeing Business Jet (based on the B737-700) over Amsterdam-Houston six days weekly. PA will provide aircraft, all crew, maintenance, and insurance. KLM, will provide marketing, catering, and inflight entertainment.

KL also operates a B747 aircraft on some days, but this will not have BC.

PA also operates similar BC services for Lufthansa (three routes, Dusseldorf-Chicago/New York Newark and Munich-NYC, with 48-seat A319s), and for Swiss (Zurich-New York Newark, 56-seat BBJ).

Presumably if this new BC service works well for KLM, then the airline's owner, Air France, will also look at out-sourcing some of its BC services.

Time for three would-be competitors – Eos, Eurofly, and Premium – to change to the PA model before it is too late?

## Briefs

· The WTO, World Tourism Organization, in its wish to explain that terrorism is not beating tourism, has made some comments that are bizarre at best, misleading at worst. A selection:

“Tourists undeterred by terror threats.” Wrong – there was a drop in travel to New York after 9/11, to Bali after the bombing there, to London after this July, to Sharm

el-Sheikh (SeS) after August.

- 9/11 “generated fear”...but recent terrorism has been met “more by...repugnance than fear”. Wrong; both repugnance and fear are there when innocents are targeted.

- “...attacks can happen anywhere, and are not limited to foreign travel destinations.” Er, everywhere is a foreign destination to someone; we fear this is a Eurocentric slip, where Bali is ‘foreign’ but London is not.

- SeS and Luxor (1997) terror attacks, although directed at tourists, are “clearly different”, says WTO. The Luxor attack was “national in scope”; SeS “came within a global context that has already involved very different types of destination”.

The WTO has forgotten that a bomb is a bomb, no matter what grievance the terrorist has.

· Travel industry disunited against proposed aviation tax.

Opposition to proposals for an aviation tax to fund development in poor countries is more notable for those not participating.

Airports Council International, Association of Asia Pacific Airlines, Duty Free World Council, International Air Transport Association, Pacific Asia Travel Association, and Tax Free World Association denounced the proposal.

Missing were the two rival umbrella bodies, World Tourism Organization, World Travel & Tourism Council, UFTAA (the terminally-weak world travel agency association), and IHRA (the world hotel association).

And IATA lost credibility as the tax proposal came from the president of France, the chairman of whose airline, Air France, ironically, was also chairman of IATA when the proposal was made.

Hypocrisy aside, but all know that Jean-Cyril Spinetta would lose his job if he protested the proposal.

· First-half US hotel results - occupancy increased 2.8% to 62.2%, average room rate was up 4.8% to US\$90.45, and revpar increased 7.8% to US\$56.31.

(Data from Smith Travel Research.)

· How much longer will it go on? Emirates sold 20% more seats in the year through March 2005, to 12.5mn, but revenue increased at a faster pace – 36% to US\$4.9bn.

· Leading Hotels of the World, Cendant, and HDMD (a resort owner) have formed The Leading Residences of the World, LRW.

Members pay a deposit of US\$325,000 and annual dues of US\$15,000. LRW starts with 20 resorts, mostly taken from LHW portfolio, expected to be 40 by yearend. ■

# MARKET DATA

contd from p10

## 15 Visitor arrivals in Europe destinations

International arrivals						
Destination	Jan thru*	Arrivals x1000	Growth %	Source	Stay days	PVPD US\$-C
Malta	Dec	1,127	-0.6	WTO	8.40	52.70
Netherlands	Dec	9,181	-4.3	WTO	3.67-F	221.99
	Dec†	9,646	5.1	WTO	3.67-F	221.99
Norway	Dec	3,146	1.1	WTO	NA	445-V
Poland	Dec	13,720	-1.9	WTO	4.7	56.32
	Dec†	14,296	4.2	WTO	4.7	56.32
Portugal	Dec	11,707	0.5	NTO	7	70.73
	Dec†	11,617	-0.8	NTO	7	70.73
Serbia	Dec	481	7.4	WTO	NA	NA
Slovakia	Dec	1,387	-0.9	WTO	3.60	4.17
Slovenia	Dec	1,373	5.5	WTO	3.12	4.84
Spain	Dec	52,478	0.3	WTO	12.7	38.16
	Dec†	53,592	3.4	WTO	12.7	38.16
Sweden	Dec†	6,167	5.8	WTO	NA	1469-V
Switzerland	Dec†	10,309	1.8	WTO	3.8-F	148.58
Turkey	Dec	13,341	4.3	WTO	8	83.83
	Dec†	16,930	26.9	WTO	8	83.83

Destination	Jan thru*	Arrivals x1000	Growth %	Source	Stay days	PVPD US\$-C
UK	Dec	24,715	2.2	WTO	10.1	69.41
	Dec†	27,710	12.1	WTO	10.1	69.41
Europe	Dec	398,945	0.4	WTO	5-E	na
	Dec†	414,504	3.9	WTO	5-E	na

International arrivals						
City/region	Period	Number	Growth %	Stay days	Comment	Source
Berlin	2000	1.214mn	23.6	2.6	none	TourMIS
Canary islands	2002	10.6mn	-0.9	NA	none	NTO
London	2000	15.1mn	2.0	NA	none	TourMIS

Domestic arrivals						
Destination	Period	Number	Growth %	Stay days	Comment	Source
London	2000	13.2mn	0.2	NA	none	TourMIS
Paris	2000	5.624mn	14.2	1.9	none	TourMIS
UK	2001	163.1mn	NA	3.2	trips	NTO

Notes: See Master Notes, page 7. WTO changes data, so its data should always be considered provisional. Growth may not tally with previous figure shown. \*2003 unless stated otherwise. †2002. ‡2004. B=Bednights. H=Nights at hotels. Source: NTO=national tourist office (or equivalent), Ot=Other, WTO=World Tourism

Notes: See Master Notes, page 7. Latest figures. E-Travel Business Analyst estimate (some based on statistically-incompatible measures), PVPD-per visitor per day. C = Quoted in US\$. F = In hotels. V = Per visitor. Source: As 'Source' above.

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