



Airlines

Global Air Traffic Ticks Up

Global air traffic continues to increase, according to the International Air Traffic Association (IATA), increasing 3.2% in April 2013 over April 2012. This extends the trend of positive passenger demand that has been developing since late 2012, said Tony Tyler, IATA's director general and CEO. Much of the increase, however, was in emerging markets. Airlines in Europe and North America reported modest expansion compared with strong growth in Africa, Asia and the Middle East. Tyler said that while it's important to keep an eye on what's happening with European and North American economies, "most indicators continue to signal further expansion in air travel," he said. (Source: IATA press release).

Aviation Financial Forecast Brightens

IATA has upgraded its financial forecast for the aviation industry, projecting that the industry will generate net post-tax profits of \$12.7 billion, up from the \$10.7 billion it forecast in March. The reason for the upgrade is because oil prices are lower this year, partly because of softer growth expectations but partly because of new supply from the U.S. IATA sees the biggest improvement in the U.S. That's because consolidation through mergers domestically and joint ventures on the North Atlantic have off-set difficult market conditions. Although IATA expects to see some benefits from a moderate acceleration in economic growth, it sees structural change and airline efficiency measures to be more important drivers for aviation performance this year. (Source: IATA).

Summer International Air Travel Numbers Could Hit Record High

Airlines 4 America, the industry's trade group, estimates that more people will fly this summer than last year and a record number will fly internationally. A4A said U.S. airlines will carry nearly 209 million passengers globally from June through August, up 1% over 2012. That includes 27 million international passengers, a record number. This is the largest summer volume for U.S. carriers since 2008, when more than 210 million people traveled. The all-time high was 217 million fliers in the summer of 2007. (Source: A4A press release).

Cutting Through the Fog at Airports

Federal Aviation Administration has instituted a new NexGen procedure that means aircraft can now land safely when visibility is lower than in the past. Instrument Landing Systems (ILS) guide aircraft on their approach to runways when visibility is low. At Detroit Metropolitan Wayne County Airport, this means that aircraft can approach when visibility is at least 1,800 feet instead of the old minimum of 2,400 feet. This new procedure is being used for more than 500 existing ILS approaches airports, including New York LaGuardia and Newark International. Planes have to be equipped certain equipment to use the new process. The result: a smoother flow of air traffic and saving millions of dollars in flight diversion and cancellation costs. (Source: FAA blog).

Airlines Reap \$27 Billion in Reported Ancillary Fees

Airlines reported collecting \$27.1 billion in ancillary fees in 2012, up 19.6% from a year earlier and double the amount of ancillary revenues airlines collected in 2009. The top ten airlines are major carriers, including United Airlines (\$5.3 billion), Delta Air Lines (\$2.8 billion) and American Airlines (\$2 billion). Airlines are making these ancillary services available through more channels, including the global distribution systems (GDSs) that travel agents use, according to IdeaWorks, which tracks airline ancillaries. "The most aggressive airlines can easily have more than 20% of their revenue produced by a la carte fees," said Jay Sorensen, president of IdeaWorks. He added that some airlines gain more than \$30 per passenger in ancillary revenue. (Source: IdeaWorks press release).

Hotels

Hotels Can't Match Airline Success With Ancillaries

Hotels are struggling in their efforts to get their guests to spend more on additional services and amenities, according to PKF Consulting's 2013 Trends in the Hotel Industry report. Room revenue increased 6.3% from 2011 to 2012, according to the report, but total hotel revenue grew by 5%. This means that combined revenue earned from food and beverage services, rentals and other income increased by just 2.3% per available room night and just .5% when measured on a dollar per occupied room basis. R. Mark Woodworth, president of PKF Hospitality Research, said that business travelers have reconciled themselves to higher room rates caused by increased demand. But they're limiting their spending on ancillary services and amenities. Woodworth said that PKF is seeing hotels reduce their levels of food and beverage service and by building service-select hotels. One example of this: the New York Hilton Midtown is eliminating room service and instead offering a self-service, cafeteria style restaurant. (Source: PKF press release, news reports).

Car and Rail

Amtrak Upgrades Wi-Fi

Amtrak is upgrading its AmtrakConnect cellular-based Wi-Fi service to take advantage of 4G technologies that improve performance. The 4G upgrade is already complete on the Acela Express and California's Capitol Corridor, Pacific Surfliner and San Joaquin services. It will be rolled out to all remaining Wi-Fi equipped Amtrak trains by late summer. Amtrak Connect is free. Amtrak restricts data-heavy activities such as streaming video and music and file downloads of more than 10MB to maximize the Wi-Fi experience for everyone. Amtrak estimates 30 to 50% of passengers on trains use the service. (Source: Amtrak press release).



Spotlight On...

Laser Focus on Value

Business travel has been on the upswing since 2008, only one in five respondents in Embassy Suites Hotels' fifth annual business travel survey has traveled less for business since then. However, the study also found a laser-like focus on value.

- 33% reported an increase in teleconferencing.
- 29% reported more pressure to book accommodations that offer greater value.
- 25% only fly coach.
- One-third said that their company's business travel policies have tightened in the past 5 years
- 47% said their biggest pet peeve is new fees for previously free options or amenities

"The business travelers of 2013 are expecting as much bang for their buck as possible, without a dip in quality," said John Rogers, global head, Embassy Suites Hotels.

Source: Embassy Suites Hotels press release.