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Airlines

Airlines Ramp Up Swiftly After Sandy

U.S. airlines ramped up swiftly after super storm Sandy forced several major airlines serving the mid Atlantic and northeast to cancel nearly 20,000 flights. New York City, Washington, D.C., Philadelphia and Boston were hardest hit. New York's LaGuardia airport was the last to reopen on the Thursday following the storm. One analyst estimated that the five major airlines serving the area in Sandy's path lost $400 million in revenues and would take a fourth quarter hit of $100 million on their bottom lines from the storm. Bob Herbst, an independent aviation consultant, said that American Airlines, Delta Air Lines, Jet Blue, United Airlines and US Airways provide much of the lift to the area that Sandy tore through. (Source: industry interviews, press releases).

Financial Outlook Brightens for Airlines Despite High Fuel Prices

The International Air Transport Association is projecting that airlines will see profits of $4.1 billion this year, an increase of $1.1 billion from IATA's June forecast. IATA is even more bullish about 2013, predicting $7.5 billion in full-year profits. Reporting a profit when oil is at $110 a barrel would have been unthinkable even ten years ago, said Tony Tyler, IATA's director general and CEO. He cited airlines' ability to invest in new fleets, increase efficiency and manage capacity effectively as major reasons for airlines' improved financial performance, and said that consolidation is a factor as well. IATA's new forecast was most improved for North American airlines, which have excelled at capacity management this year. It projects that North American carriers will pull in $1.9 billion in profits, a $500 million increase. European carriers, in contrast, will lose money. But IATA predicted profits for airlines in the Asia/Pacific, Middle East and Latin America (Source: IATA press release).

Domestic Fares Rise 4.1 %

The U.S. Department of Transportation reported that average domestic airfares increased 4.1% to $385 in the second quarter of the year, up from $370 for the same quarter a year earlier. The previous high was $373 in the first quarter of 2012. The previous second quarter high was $370 in 2011. Despite the increases, flying is still a good deal. When measured in 1995 dollars, second-quarter 2012 fares were $256, down 15.4% from $302 in 1999, the inflation-adjusted high for any second quarter since the DOT began tracking fares in 1995. Airlines collected 70.8% of their revenues from fares, down substantially from 1990, when 87.6% of their revenues came from airfares. The DOT said that since 1995, airfares have risen 29.7% compared to an overall inflation rate of 50.5%. (Source: DOT).

Airlines to Collect More Than $36 Billion in Ancillaries This Year

Global ancillary fees collected by 176 airlines worldwide will reach $36.1 billion this year, according to a study by Amadeus, a major global distribution system, and Ideaworks, a consulting company. North American carriers lead other regions with ancillary revenues forecast to reach $15.6 billion, followed by Europe, at a little over $10 billion, the Asia Pacific, $7.6 billion, and Africa and the Middle East, $1.7 billion. The bulk of airline ancillary revenue for major U.S. airlines is from the sale of frequent flyer miles (50%), followed by baggage fees (20%). Fees for ancillary services accounted for about 10.1% of revenues for major U.S. carriers. In fact, six major U.S. carriers accounted for 34.3% of the global total; they were Alaska Airlines, American Airlines, Delta Air Lines, Hawaiian Airlines, United Airlines and U.S. Airways. Traditional airlines outside the U.S. make their money on travel retailing (30%), selling frequent flier miles (30%), onboard retail (15%), excess baggage (15%) and other a la carte services. Ancillary service champions Air Asia, Allegiant Air, easyJet and Spirit Airlines generated 19.7% of their revenues from ancillary fees. Ancillary revenues generate 7.2% of revenues for low-cost carriers such as Southwest, JetBlue, Jazeera Airways, Norwegian, Pegasus and GOL. (Source: Amadeus press release).

Hotels

Mixing Business With Pleasure

Individual business and leisure travelers are making hotel reservations farther in advance, showing not only that they're planning farther ahead but that they have a higher price tolerance, according to the September TravelClick Hospitality Review, the latest available. TravelClick found that from July 2012 through August 2013, both group occupancies, which are for events, and transient bookings for both business and leisure travelers were up 3.5% and 4.4% respectively. Business demand is up 4.1% and leisure demand is up 4.3%. During the third quarter, from July through September, the hotel industry saw a 1.2% increase in occupancy and a 3.8% increase in average daily rates. For the fourth quarter, committed occupancies were up 7.2%, with group-committed occupancy up 5.3% and transient demand increasing 11.7%. ADR continues to strengthen as well, up 4.5% (Source: TravelClick press release).

Hotels in the Americas See Rates, Occupancies Rise, Bucking Global Trends

Hotels in the Americas saw both average hotel rates and occupancies rise year over year in September, the latest numbers from STR Global, a hospitality consulting company. It found that hotel performance throughout the world was mixed. Average daily rates in the Americas were up 3.6% year over year; occupancies increased by .4% to 63.4%. In the U.S., the average daily rate increased 3 to 4%. San Francisco registered the biggest average daily rate increases with a 14.3% increase. Occupancies in Europe dipped .4% to 76.6%. The Asia-Pacific region saw rates up 3.7% and occupancies down 1.1% to 67.5%. In the Middle East and Africa, ADR decreased by 1.7% but occupancies increased by 5.4% to 60.7%. (Source: STR Global).

Spotlight On…

Business Travel Growth

Economic turmoil in Europe, slower growth in China and U.S. unemployment are expected to curb business travel growth in the U.S. throughout the rest of the year, according to the latest GBTA BTI Outlook-United States. The outlook said that business was taking a cautious approach to investing in travel, waiting for greater economic certainty.

- *The GBTA is forecasting the total U.S. business travel spending will grow 2.6% this year to a total of $257 billion by the end of the year, with rising business travel costs driving most of that increase.*
- *Total business trip volume is expected to reach 438.1 million in 2012, down 1.6% fro 2011.*
- *The GBTA forecasts that business travel spending will grow 4.9% to $270 billion in 2013, slightly more than it forecast in the last quarter.*
- *It expects total trip volume to fall by 1.1% in 2013.*

Business travel spending is often a leading economic indicator—but the job composition in this recovery is in retail, restaurant and manufacturing, fields that typically generate less travel than other industries—so business travel is getting less of a bounce than it usually would in a recovery. (Source: GBTA).