

Airline business : turbulence in Swiss skies

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Objektyp: **Article**

Zeitschrift: **Swiss review : the magazine for the Swiss abroad**

Band (Jahr): **31 (2004)**

Heft 2

PDF erstellt am: **13.09.2024**

Persistenter Link: <https://doi.org/10.5169/seals-906803>

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Dark clouds are gathering: the future of Swiss Air Lines looks far from rosy.

Turbulence in Swiss skies

Swissair is dead – long live Swiss? The survival of the fledgling airline is by no means assured, and the country's national airports are suffering alongside Swiss. What future does the airline business have in Switzerland?

CHARLY VEUTHEY

THE END OF SWISSAIR hit the country like a bomb. Switzerland bemoaned the loss of one of its crown jewels, and the news spread around the world like wildfire. A symbol of legendary Swiss quality was suddenly felled. Swissair planes, proudly boasting the Swiss cross on their tails, conveyed the image of a matchless Switzerland to all corners of the world. Not without ironic undertones, a French newspaper printed the following caption under a picture of the grounded Swissair fleet in Kloten: "The final straw for affluent Switzerland: the Swissair fleet was grounded yesterday in Zurich-Kloten – due to lack of cash for fuel."

Yet cash was soon flowing again in a bid to launch Swiss and ensure the new airline's survival. The government pitched in: the new airline would not have been possible without public funds. Now, however, there is once more talk of government subsidies although (at least prior to last autumn's gen-

eral election) none of the political parties would contemplate the idea of additional injections of public cash.

Absolutely necessary?

Nowadays a great many Swiss are asking whether their taxes should really be used to rescue the national airline. And this begs yet another question: do we really need Swiss just so Switzerland can be reached by air and people in Switzerland can fly abroad?

For some interest groups, including those in the tourist sector, the answer is a definite Yes. In an article published in the Swiss-French newspaper "Le Temps" in May 2003, Jürg Schmid, Director of Swiss Tourism, claimed that the national airline was of major importance in bringing tourists to our country, particularly for conventions, seminars and conferences, since this type of tourism creates very high added value and would be most affected by the disappear-

ance of Swiss. According to Schmid, of the 18 million tourists who visited our country in 2002, 1.6 million were transported by Swiss. Pro-Swiss groups underscore the importance of the airline's direct long-haul flights.

Such routes do, indeed, play a key role – not only because they provide a link between Switzerland and the big wide world, but also because long-haul flights from Switzerland are a prerequisite for the survival of the country's main airport, Zurich-Kloten, which has bestowed on itself the somewhat pretentious name of "Unique". Just what is at stake can be seen from the reaction of the canton of Zurich to Swissair's bankruptcy. Zurich residents campaigned

vigorously for the launch of Swiss, not only in order to retain important international routes from the financial centre of Zurich, but also to ensure the sheer survival of the airport, which had been investing heavily in recent years. The importance of Swiss is undisputed: in 2003 it accounted for 58.8 percent of traffic volume at Unique Airport.

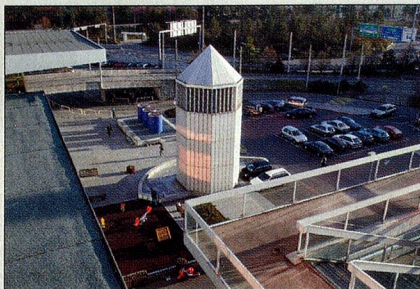
Even more important than the existence of a national airline is the number of long-haul flights available. In 2003, transit passengers accounted for 34.7 percent of passengers at Zurich-Kloten and only 3 percent at Geneva-Cointrin. The disappearance of long-haul routes would mean the loss of transit passengers – a catastrophe for Unique.

Zurich at risk

In mid-February, Zurich was on the receiving end of even more bad news. Following the dispute with Germany about landing approaches over German territory, and an almost 20 percent drop in traffic volume over two years (instead of the anticipated massive increase and associated return on investments in infrastructure), the airport suffered two further blows: it was rated the worst in Europe in terms of punctuality, and the Federal Office for Civil Aviation decreed a reduction in flights for security reasons. The clouds are gathering above Zurich.

Switzerland's two other major airports are also experiencing turbulent times. In recent years Basle has recorded a sharp decline in

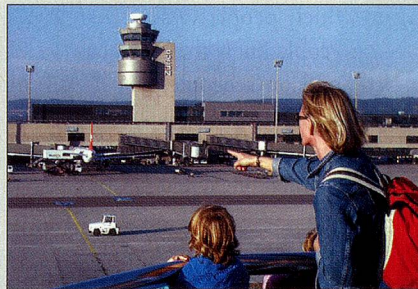
Patrick Luthy/Imagopress



Geneva airport

Passenger volume in 2002:
7,615,009 (+0.9%)
Passenger volume in 2003:
8,088,469 (+6.1%)
Flight numbers in 2003:
-1.4%

Trend: British Airways now flies between Geneva and London – a symbolic development. The British airline – like Swiss, a member of the Oneworld alliance – operates the route, while Swiss is gradually withdrawing from Geneva and concentrating on Zurich. The big advantage of Geneva airport is that transit passengers account for only 3 percent of passenger volumes. The great majority of Geneva's "own" passengers will continue to fly from there. Cointrin is aiming to diversify airlines and tariffs. In 2003 the low-cost carrier Easyjet accounted for 25 percent of flights. Geneva is planning to re-open its old Aéro-gare at the end of 2005, to promote even more low-cost airline flights.
www.gva.ch



Zurich airport

Passenger volumes in 2002:
18,000,000 (-14.6%)
Passenger volumes in 2003:
17,000,000 (-5.1%)
Flight numbers in 2003:
-4.5%

Trend: In 2003 and early 2004 Zurich had to swallow a series of setbacks. The massive investments made and authorised in anticipation of an increase in traffic coincided with a crisis in the global airline industry in the wake of September 11. Landing approach problems with Germany, coupled with numerous delays and the recent decree by the Federal Office for Civil Aviation to reduce flight movements, led to a severe deterioration of the situation. With transit passengers accounting for almost 40 percent of passenger numbers, Zurich is heavily dependent on its hub status. Competition from Frankfurt and Munich airports is harsh, and if Zurich were to lose its long-haul connections to neighbouring Germany, the results would be catastrophic. Oneworld could be a possible salvation.
www.uniqueairport.ch



Basle airport

Passenger volumes in 2002:
3,058,384 (-13.5%)
Passenger volumes in 2003:
2,489,665 (-19%)
Flight numbers in 2003:
-19%


Trend: Basle is suffering from the same problems with Swiss as Geneva. The national airline has drastically reduced its operations in Basle-Mulhouse-Freiburg. Unlike Geneva, which mainly processes its "own" traffic, Basle is at a disadvantage because it has long depended on what some experts believe was an artificially high level of transit traffic. Cross-air made Basle a hub because it was very convenient for the airline. Now Basle wants to attract more freight traffic and, like Geneva, concentrate on low-cost airlines. Incidentally, Easyjet has just announced its choice of Basle for flights to England – at the expense of Zurich.
www.euroairport.com

passenger numbers. Geneva is faring better and is reporting a slight rise, but both airports are faced with the same situation. They were virtually abandoned by Swiss after the airline decided to concentrate its operations in Zurich. Now they are seeking ways of wooing new airlines to their location.

The market decides

Are the Swiss poor airline operators? There is no doubt that Swissair management made mistakes, but a number of aviation experts such as Pierre Condom (see interview) believe that "Swissair would have gone belly-up sooner or later". To Condom it is clear that airlines are undergoing a much-needed global shakeout. Europe is too small for more than twenty airlines – and as many hubs – offering international routes. The global aviation crisis in the wake of September 11 merely accelerated the shakeout process.

The future of Zurich-Kloten airport also depends very much on the integration of Swiss in the Oneworld alliance dominated by British Airways and American Airlines. Within this alliance, Zurich could become a European continental platform for routes to Eastern Europe, the Middle East and Asia.

Basle and Geneva airports must also adapt to the changing global market. By charging lower airport taxes than Zurich, they are aiming to secure their future by attracting budget airlines. 

"They were in love with Swissair"

Pierre Condom, Director of airline magazines "Air et cosmos" and "Interavia", is a well-known international aviation expert. We met him in his office at Geneva airport to discuss the future of – or at least the outlook for – Switzerland's airline industry.

"Swiss Review": *What was the reaction to the grounding of Swissair outside Switzerland?*

Pierre Condom: For passengers and the public the sky fell in. If ever there was an airline in which people could trust, it was Swissair. People knew that the plane would be clean and on schedule, and they could rely on the quality of in-flight service, even if the cabin crew's manner was sometimes less friendly than one could have wished.

Do the Swiss love Swiss?

No, I don't believe so. They were in love with Swissair. They admired the Swissair culture – a mixture of success and quality. Swiss has no culture. You can't create that from one day to the next. Also, I think customers had to change their attitude after Swissair's collapse. At the expense of Swiss.

Will the airline continue to exist?

Swiss will probably still be around in two or three years. But in ten or fifteen years? It's

doubtful, given the general trend in civil aviation. More European mergers are expected, possibly between Air France, British Airways, Lufthansa and perhaps also Iberia. There may well still be planes with the Swiss logo, but they will probably belong to a larger group.

Is Swiss needed just so that Swiss people can travel?

The regrouping trend will bring about a radical change in route networks. Not every current hub will find a role within these new networks. There are over twenty airlines in Europe, and as many hubs. Initially, traffic will be concentrated round a specific number of large hubs. In Switzerland there is only one: Zurich. But is there room for Zurich, Munich, Frankfurt, Paris, Rome and Milan in Europe – a geographical region that is extremely small in air travel terms? Since some of these hubs will probably lose their international connections, Swiss travellers will have to rely on transit flights outside national borders. However, with the exception of Zurich residents and on a few routes leaving from Geneva, all passengers travelling with Swiss are obliged to change in Zurich. From the passenger's standpoint it makes no difference whether they fly via Zurich, Frankfurt, Rome or Paris. On the contrary, he can benefit from the competition!

Does Zurich have any chance of remaining an important international airport?

An important airport, certainly. But not an international airport for long-haul flights. It is relatively easy to bring to a standstill in political terms. Moreover, it lacks a sufficiently strong resident airline. To be important, a hub needs a resident airline with an extensive network of routes and

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