

Economic world

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Why comparing tariffs can be misleading

EUROPEAN airlines have become rather used by now to hearing that their fares for routes within Europe are too high — especially in comparison with ticket prices on routes of similar length in the U.S.A.

Are the charges really justified? Or is there more to this than meets the eye?

There is no denying that disparities do exist. The question is whether the comparison is valid in the first place. Taking Zurich-Frankfurt as an example, a first-class ticket on this route costs \$380, compared to \$154-168 for the roughly comparable New York - Boston route. In economy, the difference is somewhat less marked, namely \$252 for Zurich-Frankfurt and \$114-130 for New York-Boston. There are many other routes where the situation is exactly the same.

A clear case, an uninformed observer might think, of a rip-off

By **H.R. HAGEDORN**,
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or boundless inefficiency. Or both. But the premises in Europe and the United States are radically different, tending to make direct comparisons dangerously misleading.

In the first place, the US carriers are currently locked in a cut throat struggle on several plum routes, a struggle which has seriously affected their financial position. Total losses for the first half of 1980 are put at 500 million dollars. Evidence enough, even for the layman, that the fares currently in force

on domestic US routes make little economic sense.

Another factor contributing to US-European fare anomalies are the vastly different cost structures of American and European carriers. The US airlines can produce their seat kilometres much more cheaply than the Europeans.

Here are the reasons why:

They pay approximately 25 per cent less for jet fuel;

They do not have to pay anything for air traffic control (Swissair budgets more than 40 million francs for this item in Europe alone);

Their routings are more direct;

Their landing fees are lower (\$250 for a B-707 in Dallas

against \$1,700 in Manchester);

Their salaries are often only half as high;

Their infrastructure is a lot cheaper (no passport/customs checks);

They can deploy their personnel and resources (especially aircraft) much more rationally because of higher demand and as a corollary of their geographical situation;

They serve a lot of cities which are tremendously rich in traffic potential, where surface transportation is only a third or fourth rate alternative;

They carry around 316 million passengers a year compared to the 50 million registered by European carriers;

Their routes are longer on average which makes their unit costs lower;

Their pro-rate losses are virtually nil (European carriers reckon with 10 per cent);

They have fewer currency problems (fluctuations, transfer losses on delays);

In the wake of deregulation they serve very few secondary points with variable traffic potential and poor profitability;

They paid less commission to travel agents up until a short while ago; their share of own sales not subject to commission is twice as high as in Europe;

Their load factors are higher due to heavier demand and thus their average fare levels lower.

There is one other criterion which should not be lost sight of here, and that is the question of profitability. Overall, the European routes of most carriers, give or take some sizeable fluctuations, yield a reasonable profit. But margins are by no means excessive. In fact up to 1979 they were on average lower than those of the US carriers.

For anyone still convinced of the doubtful nature of direct comparisons, one should think in terms of items other than air transport. Why, for instance, does your daily paper cost twice or three times as much as a comparable journal in the US? If you attempt to find the answer, you will have come very close to the causes of the fare disparities in air travel.

High-flying favourites

WHICH is the favourite airline of British businessmen? No, not British Airways — an independent survey has put them at No. 28 in the league table of international airlines.

Top of the list comes Swissair.

The survey was compiled by the magazine Business Traveller from letters they received from readers over the last three years, and has been reprinted in the Sunday Times Magazine.

'Exceptional'

It says that "the generally exceptional service" is why many British travellers prefer to travel to Africa, the Middle East and South-East Asia by Swissair rather than fly directly from Heathrow — even though it involves a change of plane at Zurich.

Swissair offers its economy-class passengers more room than other airlines. Their wide-bodied jets have one less row of seats than their competitors.

The economy-class food is also a pleasant surprise. For example, the first course — which many other airlines have stopped serving — may consist of a lobster claw in aspic. The white wine is also of remarkable quality.

Full results of the survey are:

Most favoured airline:

Swissair

Highly rated:

Lufthansa
Middle East Airlines
Singapore Airlines
Delta
Cathay Pacific
UTA

Air Afrique

Above average:

Air France
Ethiopian Airlines
Thai International Airlines
SAS

Japan Air Lines
Braniff
British Caledonian
Sabena
KLM

Ghana Airways
TWA
Pakistan International Airways
MAS
Varig

Average

Air India
Iberia
Pan Am
Qantas
Air Canada
British Airways
Viasa
Austrian Airlines
Aer Lingus

Below average

Alitalia
Cyprus Airways
South African Airways
Olympic Airways
Most Middle East airlines
Most Middle East airlines except MEA (see above) and Egyptair (see below)

Airlines to be avoided when possible:

Aeroflot and Soviet bloc carriers; Egyptair; All North African airlines; Aero Peru; Lloyd Aereo Boliviano; Ariana Afghan; Thy Turkish; Yugoslav; Nigerian Airways

Watch power

BULOVA of Bienne has come up with a surprising new power source for watches — body heat!

The principle involves the use of a tiny thermoelectric generator which produces electrical energy as a result of sensing the difference in temperature within the device.

The thermoelectric watch does not have to be worn

continually though, since the power generated is in excess of actual need.

The makers say the extra electrical energy produced is four to six times greater than that required to power a quartz watch.

The company hopes to have the watch on the market by the end of next year.



Precision that led to worldwide prestige

ONE team and one team only consistently got its times right at the Moscow Olympics — and it did not contain a single competing athlete.

It consisted of 60 specialists equipped with 13 tonnes of the most sophisticated timing hardware in the world. And it was Swiss.

It was a team of engineers, electronics experts and technicians from Swiss Timing, the conglomerate of Swiss watch manufacturers consisting principally of Omega, Longines and Heuer.

The company was official timekeeper both at Moscow and the Winter Olympics in Lake Placid, Canada — appointments that reflected its expertise in timing, expertise that cost millions of francs to acquire but which is dictated by modern athletics where the difference between performances seems to become more minute every year.

The level of perfection which the company's sports timing equipment has reached today is the result of decades of research and development which really took off after 1945.

The Swiss won a great deal more than two gold medals at the Moscow Olympics. They won an immeasurable amount of prestige the world over. Here Swiss Observer tells how they did it and how they are planning to do it again and again.

Overnight a new level of accuracy was born and after that new developments came thick and fast.

The familiar timekeepers were soon superseded by electromagnetic 1/100th of a second time printers controlled by a quartz crystal clock and then by data processing equipment, without which modern timing would be inconceivable.

Electronic starting guns and gates, luminous barriers and photo-finish cameras have all followed and still more recently computers have been added to the growing list of hardware to provide the mass of information required by athletes, organisers and the public.

But has development gone

too far? Is there too much precision?

Readers may recall Swedish swimmer Gunnar Larsson winning the gold medal in the 400 metres medley at the Munich Olympics. He beat Tim MacKee of the USA by just two thousandths of a second.

As a result at the following games the International Swimming Federation asked the timing experts to return to measurement by one hundredth of a second. The reason? Two thousandths of a second in a swimming event represents less than two millimetres and it is accepted that pools may vary in length from one lane to another by as much as three centimetres.

Consequently the federation felt it would be unfair in future to determine results by the thousandth of a second.

But while the hundredth of a second should be the limit for some sports, other disciplines demand time-keeping to the thousandth of a second, a degree of precision well within the capability of the Swiss watch industry.

And it is precisely this precision that has helped Swiss Timing win the contracts for more than 40 international sporting events since 1973 with all the prestige and goodwill they bring.

But the company is not resting on its laurels. Development and bargaining for new contracts continue relentlessly. At present 11 international events between now and 1984 are on the company's shopping list including the next summer and winter Olympics at Los Angeles and Sarajevo.



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