

Goliath



Heideker maintains ambitions to introduce routes to Poland and Ukraine, but is battling strict restrictions on traffic rights which, for the moment, offer German carriers no additional capacity into these countries.

The airline is considering how to continue its expansion in 1996. While it is too early to say precisely where Deutsche BA intends to go, Heideker says that the direction of expansion from Berlin will be primarily north-eastwards but — with the possibility of introducing a service to London Gatwick, depending on how the new Munich-Gatwick service develops.

Heideker predicts that the network from Munich will expand towards the south: to Italy and Spain, for instance, where the airline is looking at Barcelona as a possible destination.

The domestic network has proved to be a thornier issue in the past year, however, with an aggressive fares-war blowing up between Deutsche BA and Lufthansa as the main combatants, and dragging carriers such as Eurowings into the fray.

FARES-WAR VICTORY

In 1994, Lufthansa introduced a headline-grabbing ticket-price initiative on its Lufthansa Express routes, which offered domestic passengers limited-availability DM99 single fares. Deutsche BA responded and is now claiming victory in this round of the battle.

In a domestic market which has grown by 15% following the introduction of the new low fares, Heideker says that his company's share has increased, from 31% in June 1994, to 38% in January this year.

"We have gained additional traffic and Lufthansa hasn't gained anything," says Heideker. He does not believe that his larger rival can maintain its present fare structure, saying that "...Lufthansa is faced with heavy losses on its Express network."

The German flag carrier counters that it is "quite satisfied" with its Express service, which it says is carrying 15% more passengers now than in September 1994 — an increase corresponding to Heideker's assessment of the growth of the overall domestic market caused by the fare cuts — and wants to extend the concept to cover all of its domestic routes. The airline has recently begun to consider dropping its shorter internal routes, however, such as the links from Frankfurt to Cologne, Hamburg and Stuttgart, because of losses.

Deutsche BA is now considering adding a Munich-Hamburg service to its domestic network in 1996, but this decision will depend on how fare levels develop over the coming six months or so. An easing of the fares war would certainly be welcomed by Deutsche BA, which — unlike the now-resurgent Lufthansa — has yet to turn a profit.

Heideker had hoped to break even by mid-1994, but, although market share has risen beyond expectations, the past year's intense competition has cheated him of that goal. The

new target date to reach profitability is 1996.

No formal results have yet been released for the financial year ending 31 March, 1995, but the company says that it has increased its turnover from DM300 million in the year 1993/4, to some DM450 million in the year just gone. The number of passengers carried has increased from 1.1 million in the business year ending 31 March, 1994, to 1.75 million in 1994/5, and the airline has been flying with 50% load factors on international routes, and about 56% on domestic services.

FLEET STRATEGY

Deutsche BA is also modernising its turboprops, and establishing a jet-fleet strategy. The company now operates an all-Saab turboprop fleet alongside its mixed Boeing/Fokker jets.

The first high-speed, 50-seat, Saab 2000 turboprop was introduced to service at the end of March. A further four are to be delivered by the end of this year, replacing five of the airline's Saab 340s and leaving three still in service. These may eventually be replaced by more 2000s — Deutsche BA has five options with Saab on top of the firm orders. Heideker says that one of the advantages of the 2000 is its suitability for charter operations.

"Our charter destinations are all within the Mediterranean area, [and] are all in the range of the 340 with a flight time of over 2.5h: with the 2000 we can do such routes in under 2h," he explains. Payload restrictions on these ranges would also increase the 340's cost per seat over that of the 2000.

The airline's jet-airliner fleet now consists of seven 130-seat Boeing 737-300s and five 100-seat Fokker 100s, but Heideker says that the company is considering making this an all-Boeing fleet over the next three to five years.

"For market development, it is nice to have a 50-seater to begin with [on new routes], a 100-seater to continue and then a 130- to 140-seater to consolidate the new routes, but this is in conflict with cost-effectiveness," he says. A mixed fleet costs an airline more for maintenance and training, and Deutsche BA is now weighing up whether the potential cost benefits of a single-type fleet will outweigh the risks of starting up new services with such a large aircraft. For now, Deutsche BA's policy of expansion appears set to continue, driven by Heideker's positive view of the future of the air-transport market.

"I think the worst is over in the short term — a lot of companies are claiming that they are making profits again. There have also been big achievements in restraining capacity, which was one of the biggest reasons for the dramatic losses [in recent years]," he says. Yet the consolidation process in Europe "...is just beginning," he believes, and one of the biggest remaining problems is inefficient airlines which remain in business supported by state subsidies.

Until this changes, states Heideker, then "...the market will not really work like a normal market, where only the best survive." □

tion" with Delta's former partner Lufthansa, but increasing stress is being placed on developing its international network.

"We see our domestic network...as a clear necessity for market awareness and we want to grow internationally," says Heideker. Deutsche BA wants to be seen as an international operator which also serves Germany's most important domestic routes.

The airline has recently expanded its East European network with new services from Berlin-Tegel Airport into the Baltic States — four weekly flights to Latvian capital Riga, and two to Lithuanian capital Vilnius.