

WORKING
PAPER



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Agenda Item 24: Examination of the development of, and trends in,
International Air Transport

AIR PASSENGER TRAFFIC FORECASTS FOR 1965

(Presented for information by the Institut du Transport Aérien (ITA))

AIR PASSENGER TRAFFIC FORECASTS FOR 1965 -

Air traffic forecasts may not always be borne out by the event, but they are indispensable nevertheless. They are of use to States for assessment of the aid they may have to extend to civil aviation in various forms, and for the background and framework they provide to short- and medium-term action. They also enable airlines and aircraft manufacturers to establish their production programmes.

ITA has already brought out two studies on the subject in 1962, concerning

- foreseeable trends of North Atlantic passenger traffic ; and
- foreseeable trends in the supply and demand for air passenger transport on Intra-European routes.

A comparative study of various forecasts made of world air passenger traffic will follow the above in the near future.

For purposes of information, the essentials of these studies are briefly summarised in the present paper. *

It is stressed again here that in the field of air transport, it is particularly difficult to establish forecasts. The number of factors coming into play (the most important of which have often little to do with the conditions of transport) make even short-term studies of the situation highly vulnerable. Further, since the number of people travelling by air is still very small, this magnifies the effects of events within or even without the sphere of air transport, which can modify air traffic progress appreciably while acting, in fact, on a small fraction of people.

* Some of the figures for 1961 in the North-Atlantic and Intra-European studies are provisional, but they show only slight differences from the definitive figures since available.

These ITA studies have led to the following forecasts :

During the period 1961-65, theoretical annual average growth rates of air passenger traffic should be

8.6 % on the US domestic network,

13.5 % on the extra-US network,

implying a rate of

11.5 % on the world network as a whole

(USSR and Chinese People's Republic excepted).

On the extra-US network, rates of expansion will no doubt vary appreciably from one area to another.

The North-Atlantic and Intra-European areas, both of which, for different reasons, come in for particular attention from the airlines, should see annual average rates higher than that expected for the whole extra-US network. These rates might reach :

15 % on the North Atlantic,

14 % on Intra-European routes.

The notion of average annual growth rates is of course a very theoretical one. Actual annual changes may differ quite appreciably from these averages, without, however, the actual 1961-65 progress rates being much different from those estimated here.

I - WORLD AIR TRAFFIC FORECASTS

In 1961, the airlines of ICAO Contracting States carried, on their scheduled services, a total of 116 000 million passenger-km. Domestic traffic in the USA accounted alone for 50 000 million pass-km, or 43 % of the world total.

To try and establish the foreseeable trend of world air traffic in the next few years, the distinction can therefore be made between two categories of traffic, to be considered in turn :

- that represented by US domestic traffic, corresponding to a homogeneous mass ;
- that carried on the extra-US network, and made up of a great many different quantities which can and do re-act very differently to the various factors - favourable and unfavourable, inherent or extraneous - which come into play.

1. US domestic air traffic.

This has been the object of a great many forecasts since 1944. The earliest, established not long after the war, when commercial air traffic was only just beginning to be a reality, were not very satisfactory. This led forecasters to adopt new methods in order to get to closer grips with reality. In more recent forecasts, air transport has been considered more as a product to be sold than as an economic vector like national income or industrial production.

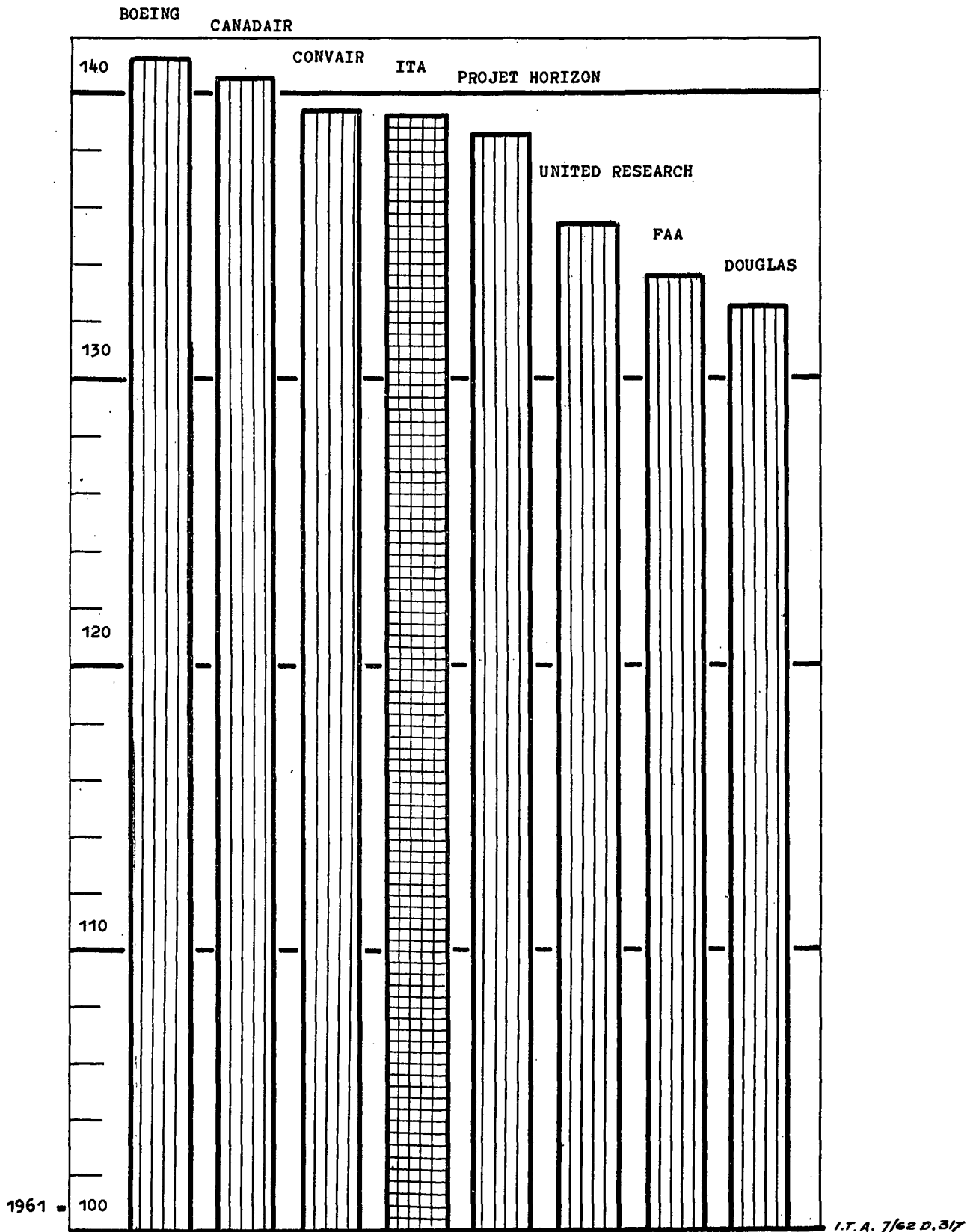
Seven forecasts, made during the period 1956-61, are summarised in the following table.

	US domestic air traffic			
	Period 1960-65		Period 1961-65	
	Total change	Average annual growth	Total change	Average annual growth
	Boeing (1961)	+ 43.5 %	7.5 %	+ 41.2 %
Canadair (1956)	+ 42.8 %	7.4 %	+ 40.5 %	8.9 %
Convair (1958)	+ 41.6 %	7.2 %	+ 39.3 %	8.7 %
Project Horizon Rep. (61)	+ 40.8 %	7.1 %	+ 38.5 %	8.5 %
United Research (1961)	+ 37.5 %	6.6 %	+ 35.3 %	7.9 %
F.A.A. (1961)	+ 35.9 %	6.3 %	+ 33.7 %	7.5 %
Douglas (1960)	+ 34.7 %	6.1 %	+ 32.5 %	7.3 %

Dates in brackets are those of issue.

The annual rates calculated for the period 1960-65 range from 6.1 % (Douglas) to 7.5 % (Boeing). If we consider the growth actually experienced in 1961 (2 % over 1960), this means that to achieve the anticipated 1965 level, US domestic air traffic will have to increase at a faster rate for the remainder of the period - between 7.3 % and 9 %, depending on the forecast.

PREVISIONS DU TRAFIC AERIEN DE PASSAGERS POUR 1965
SUR LE RESEAU INTERIEUR DES ETATS-UNIS



The following table shows, for the years 1956-61, the values obtained by working out five-year averages, and giving to 1956 the average traffic for the period 1952-56, and so on.

ITA			
US domestic traffic -annual average for 5 years ended :	Million passenger-km	% of change	
		1956	27 805
1957	31 931	1957-58	+ 11
1958	35 336	1958-59	+ 11
1959	39 360	1959-60	+ 9
1960	42 805	1960-61	+ 6,5
1961	45 893	1956-1961	+ 64

The traffic growth for the period 1956-61 is 64 % -an annual average of 10.4 %.

The slackening in the rate of growth of US domestic traffic may well be expected to continue in the coming years. This means it is not unlike that a further 64 % increase will take six years -not five. In this case, during the period 1961-65, there would be an annual increase of 8.6 % up to the level of 69 500 million passenger-km in 1965.

ITA	
US domestic traffic in million passenger-km	
Assumption : The 64 % of growth achieved from 1956 to 1961 will be recorded between 1961 and 1967, implying an annual average 8.6 % of growth during 1961-65.	
1961	49 979
1962	54 277
1963	58 945
1964	64 014
1965	69 519
1966	75 498
1967	82 000

It may be noted that the annual average of 8.6 % falls between those forecast by Convair (8.7 %) and by the Project Horizon Task Force (8.5 %).

2. Extra-US traffic (USSR and Chinese PR excepted)

The significance of US domestic traffic as a proportion of world traffic has lessened appreciably in recent years - from 52.4 % in 1955 it was only 43.1 % of the whole in 1961.

From 1952 to 1961, US domestic traffic grew by 147 % while traffic on other routes progressed by 249 %.

In fact, if we divide up the period into 3-year stretches, we get the following picture :

ITA		
	% variations of traffic	
	US domestic	Extra- US
1952-55	+ 58	+ 54
1955-58	+ 28	+ 51
1958-61	+ 22	+ 51
1952-1961	+147	+249

This shows an approximately steady rate of growth for extra-traffic, while for US domestic traffic a slackening set in particularly after 1955.

If we take instead the five-year moving averages for the period 1956-61, extra-US traffic appears to have doubled in the period, with a corresponding annual average growth of 15 % (against 10.4 % for US domestic traffic).

ITA			
Annual average in five years ended :	Millions of pass-km on extra-US world routes	% of increase	
1956	25 906	1956-57	+ 16
1957	30 174	1957-58	+ 15
1958	34 624	1958-59	+ 14
1959	39 588	1959-60	+ 15
1960	45 720	1960-61	+ 14
1961	51 979	1956-1961	+100

Although, outside the American continent especially, air traffic is far from saturation level, it is unlikely that it will continue to grow at 15 % per annum.

Were it to double in six years instead of five, the annual rate of increase would be reduced from 15 to 12,3 %, which seems too low.

Where in the case of US domestic traffic it is expected that a growth equal to that of the past five years will take six years to accomplish from now, it appears reasonable to assume that for the other world routes the expansion achieved in the last five years (100 %) will now come about over five-and-a-half years, giving us an average annual rate of 13.5 %.

ITA

Millions of pass-km on extra-US world routes Assumed : average annual growth of 13.5 %	
1961	66 058
1962	74 976
1963	85 098
1964	96 586
1965	109 625
% of change 1961-1965	+ 66

3. World air traffic forecasts

The following table sums up eight forecasts of world air traffic in 1965. (Dates in brackets are those of issue)

ITA

	World Traffic			
	Period 1960-1965		Period 1961-1965	
	Total growth	Average annual growth	Total growth	Average annual growth
Boeing (1961)	+ 72,5 %	11,5 %	+ 62,1 %	12,8 %
T.P. Wright (1956)	+ 69,7 %	11,2 %	+ 59,5 %	12,4 %
Douglas (1960)	+ 63,3 %	10,3 %	+ 53,4 %	11,3 %
Convair (1958)	+ 62,4 %	10,1 %	+ 52,6 %	11,1 %
Canadair (1956)	+ 55,0 %	9,1 %	+ 45,7 %	9,9 %
ICAO (1960) *	+ 50,2 %	8,5 %	+ 41,2 %	9,0 %
Project Horizon (1961)	+ 47,7 %	8,2 %	+ 38,8 %	8,5 %
ATS Co (Hawker Siddeley research) (1960)	+ 43,5 %	7,4 %	+ 34,8 %	7,8 %

* ICAO estimates that world air traffic will double between 1959 and 1967

Allowing for actual 1961 traffic, the average annual rates for the period 1961-65 range from 7.8 % (ATS Co) to 12.8 % (Boeing).

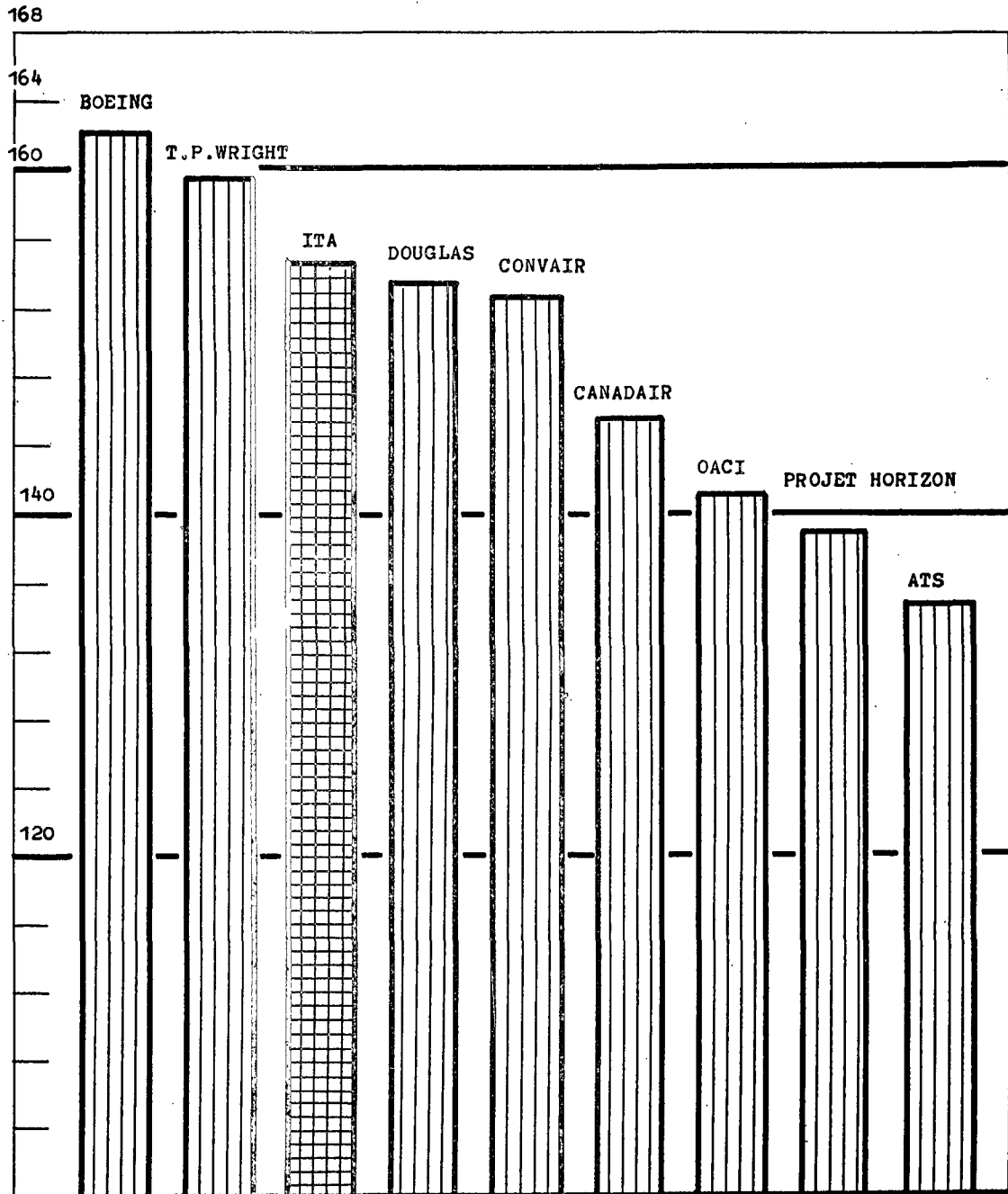
If, on the basis of the assumptions made in § 1 and § 2, we accept annual growth rates of 8.6 % for US domestic and 13.5 % for other world traffic, this will give us, in 1965, a world traffic figure of 179 000 million passenger-km, or 54.4 % above that of 1961 - corresponding to an average annual growth of 11.5 %.

ITA

	US domestic traffic (A)	Other traffic (B)	World traffic (A + B)	US domestic as % of world traffic
	Million passenger-km			
1961	49 979	66 058	116 037	43,1
1965	69 519	109 625	179 144	38,8
% of change 1961-1965	+ 39 %	+ 66 %	+ 54,4 %	

This rate of growth is slightly higher than that predicted by Douglas (11.3 %).

PREVISIONS DU TRAFIC AERIEN MONDIAL DE PASSAGERS
POUR 1965



1961 ■ 100

II - NORTH ATLANTIC AIR TRAFFIC FORECASTS

Air traffic on the North Atlantic in 1961 came to 2 175 900 passengers (scheduled and non-scheduled services of scheduled carriers) or some 13 000 million passenger-km. This represents about 10 % of world air traffic and over 25 % of the international traffic of world airlines. This helps to understand why the slackening in expansion which became particularly apparent in this area in 1961 - precisely the year in which capacity was greatly increased - has caused concern among the airlines.

It may be expected that the excess capacity which was particularly evident last year will little by little be absorbed, the airlines having revised their operating programmes.

The financial situation of the carriers should, therefore, improve very progressively. But it is quite clear that air traffic cannot long continue to progress as it did during 1955-60, i.e. at the rate of 22.6 % per year.

In order to establish forecasts for 1965, ITA considered the trend of overall North Atlantic traffic (air + sea), which has been a steady one in recent years while air and sea traffic have evolved in opposite directions, the aircraft taking in 1961 the place the ship occupied 13 years previously, with over 70 % of all traffic.

The assumptions made in the case of sea traffic are not forecasts. The margin is too great between the maximum and minimum estimates. But this has comparatively little effect on the estimates for total traffic.

In fact, these assumptions have been made solely to facilitate estimation of the trend of transatlantic air traffic.

The 1952-1961 annual growth rates calculated as five-year moving averages showed very steady progress in overall traffic (air + sea) which would seem to indicate that the favourable offset the unfavourable factors where traffic expansion is concerned and that no single one (for or against expansion) was influential enough to affect traffic development for long. Some of the factors operative during the last ten years were, no doubt :

(1) Against traffic expansion

- "Cold War" periods, in general.
- The Korean War (1950-1951).
- Recession, particularly noticeable in 1958.
- The Berlin crisis (latent for several years).

(2) For traffic expansion

- Holy Year (1950)
- Periods of "peaceful co-existence", in general
- The Universal Exhibition, Brussels, 1958
- The Lourdes Centenary, 1958
- Winter and Summer Olympic Games (Squaw Valley and Rome, 1960).

(3) For air traffic expansion, in particular :

- 1952, introduction of "tourist " class at more than 30 % less than first class fares (the only ones available all the year round at the time).
- 1958, introduction of "economy" class at 13 % less than tourist fares (available all the year round ^{*}).
- 1954 onwards, opening of polar routes serving the US west coast direct.
- End of 1958 and 1959, introduction of jets.
- Return to a system of "off-season" fares.

There is reason to suppose (particularly in the light of the new "group" fares and the recent expansion of charters) that this overall rate of increase (10 % to 11 %), having remained constant throughout a relatively eventful period, will continue in coming years (at least until 1965-1966), except of course in case of major conflict. It is interesting to note in this connection that, unlike world and intra-European or U.S. domestic traffic, North-Atlantic traffic is much more sensitive to international politics than to general economic fluctuations, although the influence of the latter is far from negligible.

1. Working Hypotheses

If we suppose that total (air + sea) traffic goes on increasing by 10,5 % per annum and air traffic 19 % as it has done for the past ten years, we shall find that sea traffic is down to zero by 1967-1968 - an unlikely event as it will undoubtedly retain its adepts even in the face of considerable airline fare reductions.

* Tourist fares went up nearly 9 % when economy class was introduced.

ITA

Air traffic increase, 19 % per annum Assumptions : Total (air + sea) increase, 10.5 % per annum			
	Air	Sea	Total
1961	1 587 140 *	905 980 *	2 493 120 *
1962	1 888 700	866 200	2 754 900
1963	2 247 550	796 610	3 044 160
1964	2 674 580	689 220	3 363 800
1965	3 182 760	534 240	3 717 000
1966	3 787 480	319 800	4 107 280
1967	4 507 100	31 450	4 538 550

* Five-year moving averages, 1957-1961, 1958-1962 and so on 1961 figures provisional

On this assumption, the 1961-1965 increase would be 100.5 % for air traffic and 49.1 % for total traffic with sea traffic down 41 % (or 12.4 % per annum).

If these same postulates (19 % for air and 10.5 % for total traffic per annum) are applied to actual traffic figures, sea traffic would "disappear" in 1966, two years earlier than with our moving averages.

ITA

Air traffic increase, 19 % per annum Assumptions : Total traffic (air + sea) increase, 10.5 % per annum			
	Air	Sea	Total
1961	2 165 000 *	785 000 *	2 950 000 *
1962	2 576 350	683 400	3 259 750
1963	3 065 850	536 150	3 602 000
1964	3 648 350	331 850	3 980 200
1965	4 341 550	58 550	4 400 100
* Definitive figures	2 175 900	782 600	2 958 500

Since it cannot reasonably be supposed that sea traffic is going to disappear by 1966, and if it is thought likely that air and sea traffic together are going to grow at the rate of 10.5 % per year from 1961 to 1965, the average annual growth rate for air traffic over the period must be under 19 %. In fact, it must even be considerably under 19 %, since it is highly unlikely that in 1965 sea traffic will have fallen below 400 000 passengers (i.e., 51 % of its 1961 level). This last figure, applied with the 10.5 % overall growth rate, gives an air traffic forecast of 4 000 100 passengers in 1965 - an 84.8 % increase over 1961, corresponding to an average annual rate of 16.6 % for the period 1961-65.

ITA

Assumptions : 400 000 sea passengers in 1965 Total (air + sea) traffic increase, 10.5 % p.a.			
	Air	Sea	Total
	Passengers		
1961	2 165 000 †	785 000 †	2 950 000 †
1965	4 000 100	400 000	4 400 100
% of change 1961-1965	+ 84,8	- 49	+ 49,2
† Definitive figures	2 175 900	782 600	2 958 500

The minimum air traffic growth rate can be estimated by retaining the accepted total traffic rate (10.5 % per annum) and offsetting a maximum sea traffic estimate. From the present ship-building situation, it is unlikely that, with the capacity foreseeable, sea traffic will reach more than 1 200 000 passengers by 1965 (about half as much again as in 1951). This leaves air transport with 3 200 100 passengers, or 47.8 % more than in 1961, giving an annual growth rate of 10.3 % for 1961-1965.

ITA

Assumptions : Sea traffic 1 200 000 passengers in 1965 Total traffic (air + sea) increase 10.5 % p.a.			
	Air	Sea	Total
	Passengers		
1961	2 165 000 †	785 000 †	2 950 000 †
1965	3 200 100	1 200 000	4 400 100
% of increase 1961-65	+ 47,8	+ 52,9	+ 49,2
Definitive fig.	2 195 900	782 600	2 958 500

The average annual increase in air traffic during 1961-65 should, therefore, fall between 10.3 %* and 16.6 %, assuming that air and sea traffic together will grow by 10.5 % per annum.

For all practical purposes, this is less than the minimum as it would entail a greater sea than air traffic increase for 1961-1965 (52.9 % as against 47.8 %) - hardly a likely event.

2. Forecasts for 1965

If, from 1961 to 1965, sea traffic declines regularly at the rate of 5 % per annum (1960-61 rate based on five-year moving averages) - and this seems a more plausible hypothesis than those advanced above - then the air passenger figure for 1965 will be 3 760 700.

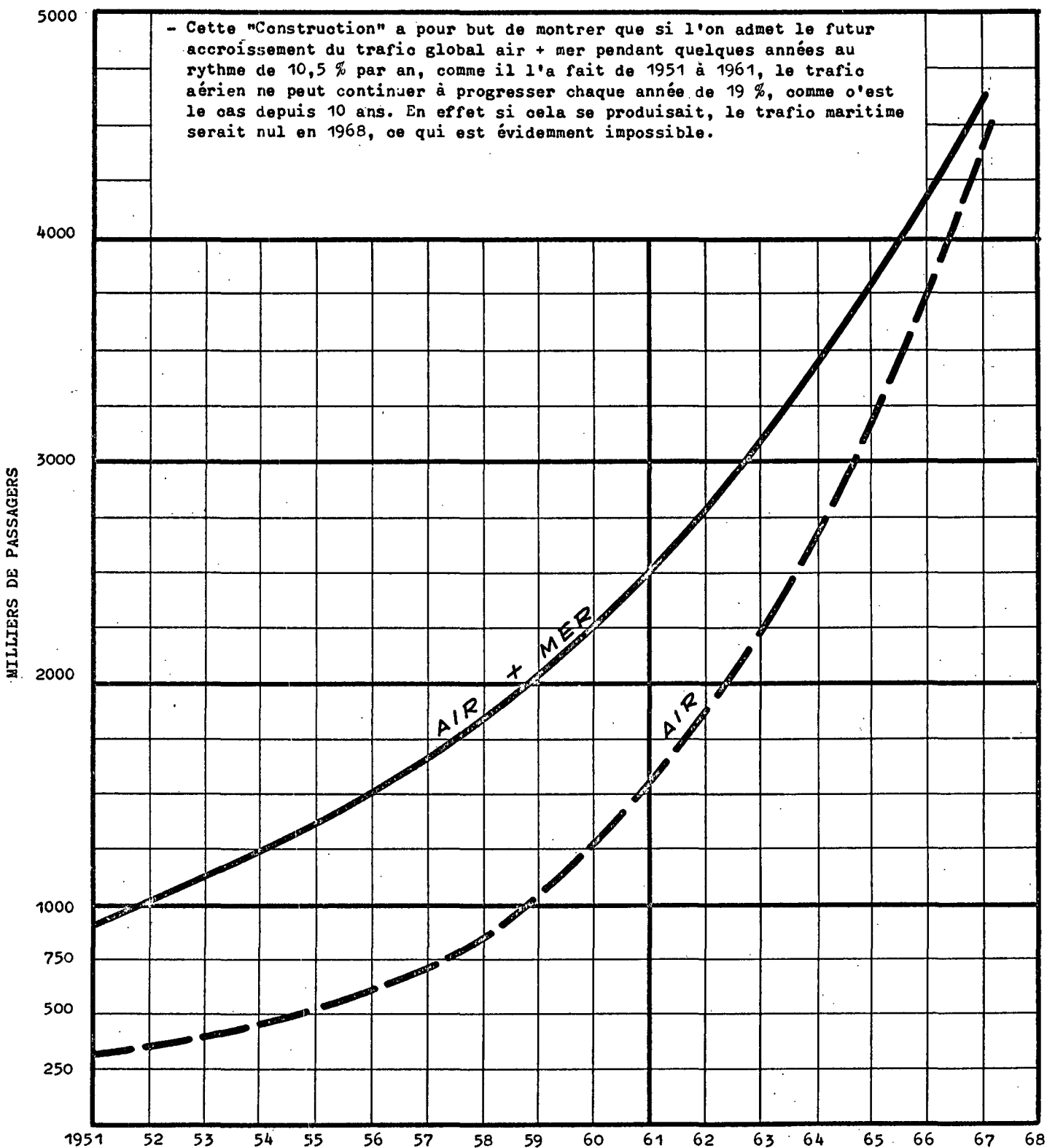
IT A

Assumptions : 5 % p.a. decline in sea traffic during 1961-65 10.5 % p.a. increase in total traffic (air + sea)			
	Air	Sea	Total
	Passengers		
1961	2 165 000 *	785 000 *	2 950 000 *
1965	3 760 700	639 400	4 400 100
% of change 1961-1965	+ 73,7	- 18,6	+ 49,2
Definitive figures	2 175 900	782 600	2 958 500

Thus in 1965, North-Atlantic air passenger traffic should reach a figure about 3 800 000, or roughly twice the level of 1960 (1 919 800). Considering the figure actually achieved in 1961, this means a theoretical average annual growth rate of 15 % for the period 1961-65.

"CONSTRUCTION" THEORIQUE DE TRAVAIL FONDEE SUR DES HYPOTHESES "LIMITES" D'EXTRAPOLATION POUR LA PERIODE DE 1962-68 DES RESULTATS ENREGISTRES DE 1951 A 1961 (1) PAR LE TRAFIC TRANSATLANTIQUE DE PASSAGERS.

- Hypothèses : 1) accroissement annuel de 10,5 % du trafic global (air + mer)
2) accroissement annuel de 19 % du trafic aérien.

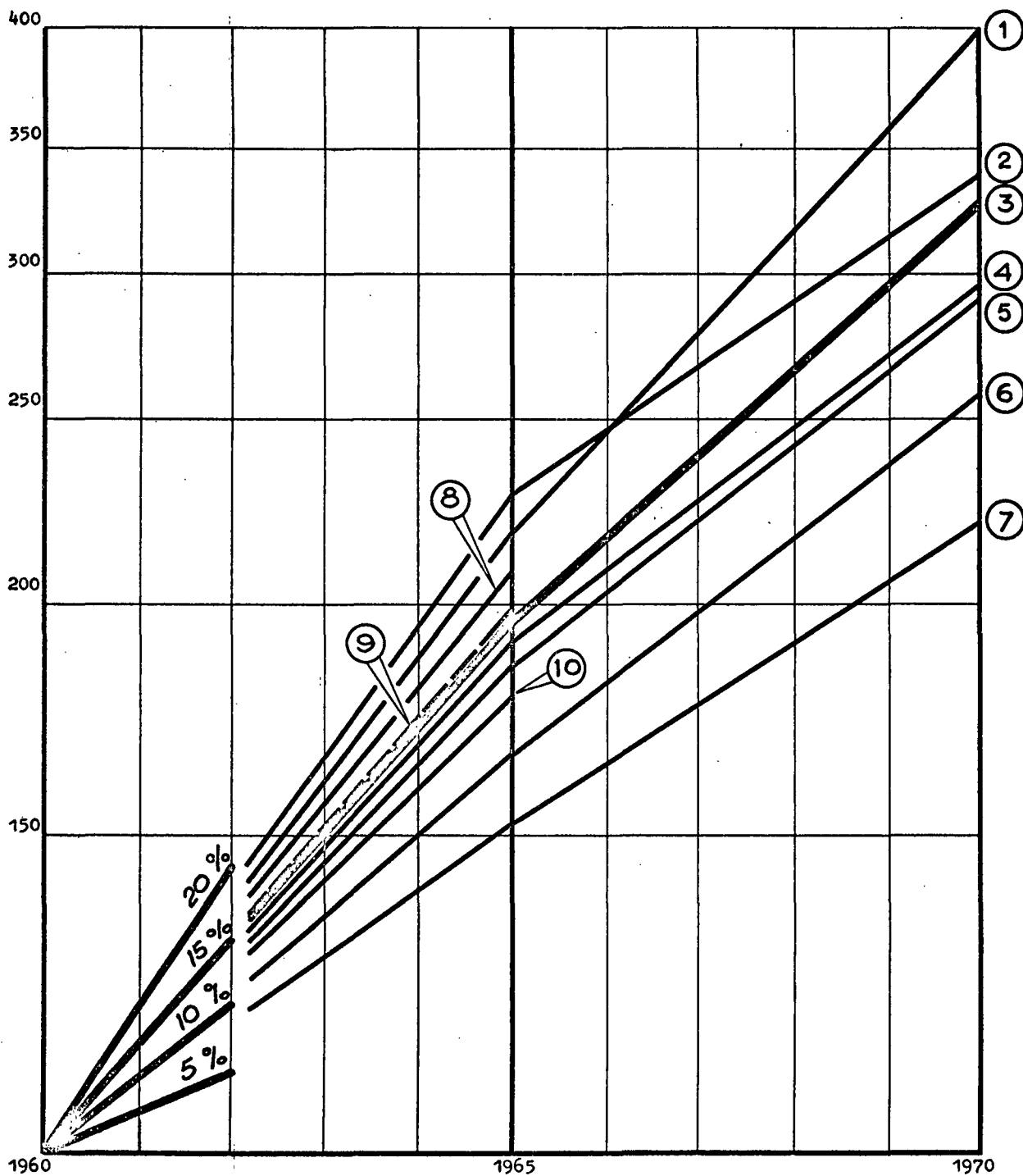


(1) Il s'agit du trafic obtenu en calculant le trafic annuel moyen de cinq années consécutives (pour obtenir le trafic de 1951, on a fait la moyenne annuelle du trafic réel des années 1947, 1948, 1949, 1950 et 1951, et ainsi de suite ...)

PREVISIONS DU TRAFIC AERIEN TRANSATLANTIQUE DE PASSAGERS
 POUR LA PERIODE 1960-1970

- 1 - OACI
- 2 - BOEING
- 3 - ITA
- 4 - CONVAIR
- 5 - ATS

- 6 - PNYA - METHODE EXTRAPOLATION DES RESULTATS ENREGISTRES DE 1948 A 1956
- 7 - PNYA - METHODE ETUDE DES MARCHES
- 8 - PLAN QUADRIENNAL FRANCAIS
- 9 - BOAC
- 10 - KLM



BASE 100

Ce graphique est extrait de l'Etude de l'ITA : "PREVISIONS DE TRAFIC PASSAGERS PAR AVION SUR L'ATLANTIQUE NORD" (Janvier 1962)

(voir remarques au verso)

NOTES ON FIG.4

The forecasts illustrated on Fig. 4 cover different sectors of transatlantic passenger business and different periods.

Convair drew up forecasts in 1957 for European airline 1958-1970 traffic (North Atlantic only).

In 1958, the Port of New York Authority prepared a very detailed study, limited however to traffic via New York and so excluding traffic to or from other U.S. cities and Canada. Its estimates were for the years 1965, 1970 and 1975.

ICAO forecasts, dating from 1960 (expressed in passenger-km) cover scheduled services only and apply to the years 1967, 1970 and 1973.

The report of the Transport Committee -Air Transport Section- in preparation for the Fourth French Modernisation and Development Plan (1962-1965), published in 1961, postulates an average growth rate of 15 % or 16 % per annum until 1965 (all North Atlantic operators).

BOAC (1961) did not include charters and dealt only with traffic between the U.S. East Coast/Canada and the United Kingdom. Forecasts are for the 1961-1966 period, with financial years from 1 April to 31 March.

KLM (1961), using the same financial year, analysed IATA airline eastbound traffic trends (scheduled services) for the 1962-1968 period. Boeing has drawn up forecasts for scheduled traffic between North America (U.S. and Canada) and Europe for the years 1965, 1970 and 1975.

Using actual 1954-1959 results, ATS Company Ltd, Hawker Siddeley Group research department, has worked out a formula [#] for calculating IATA airline North Atlantic traffic, scheduled and non-scheduled (total both ways).

The figure assumes that all these forecasts cover all IATA airline North Atlantic traffic (scheduled and non-scheduled), though in fact this is true only of the ATS Company forecast. This simplified, and thereby somewhat distorted picture is not satisfactory but will permit worthwhile comparison.

* $T = 0.578 + 0.11 (A - 1954) 1.346$ (passengers in millions) when A is the post - 1954 year.

Legend to Fig. 3 is as follows :

THEORETICAL WORKING CONSTRUCTION BASED ON EXTREME HYPOTHESES EXTRAPOLATED FOR 1962-68 FROM TRANSATLANTIC PASSENGER RESULTS OF 1951-61 *

Hypotheses : (1) 10,5 % annual growth of total (air + sea) traffic
(2) 19,0 % annual growth of air traffic

This "construction" aims at showing that, if we accept that total (air + sea) traffic will go on for some years to grow at the 1951-61 rate of 10.5 % p.a., then air traffic cannot progress each year by 19 % as has been the case in the last 10 years, since the result would preclude any sea traffic at all by 1968, which is absurd.

* Actually, the results obtained by taking the average for the five year period ending with each of the years considered, e.g. "1951 traffic" is here the average for the five years 1947-51, and so on.

(Bottom): chart from ITA Study "North-Atlantic Air Passenger Traffic Forecasts"

Legend to Fig. 4 is as follows :

FORECASTS OF TRANSATLANTIC AIR PASSENGER TRAFFIC 1960-1970

1 - ICAO	7 - PNYA - Market analysis method
2 - Boeing	8 - French 4 year plan
3 - ITA	9 - BOAC
4 - Convair	10 - KLM
5 - ATS Co Ltd	
6 - PNYA - Trend projection method (based on 1948-56 record)	

(Bottom): Chart from ITA Study "North-Atlantic Air Passenger Traffic Forecasts".
(see notes overleaf)

III - FORECASTS OF AIR TRAFFIC ON THE INTRA-EUROPEAN NETWORK *

In 1961, in many other areas besides the North Atlantic, passenger traffic progress slowed down while capacity was increased appreciably. Thus in Europe, in 1961, the ARB-member airlines recorded for their Intra-European operations (national domestic routes excluded) a growth of 13 % in their traffic while capacity was raised by 18 % ; this brought the load factor down to 55 % - its lowest level for the last ten years.

On the financial side, imbalance of the trends in transport supply and demand has repercussions that are particularly unfavourable for airlines operating short-distance routes, and such routes predominate in Europe where the average passenger stage is under 700 km.

In 1961, the Intra-European (not including domestic) traffic of the ARB-member airlines came to 6 690 million passenger-km. This was nearly 6 % of world air traffic and nearly 15 % of world international air traffic.

The foreseeable expansion of air passenger traffic in Europe seems likely to benefit from a certain number of positive factors, which warrant looking to the future without too much pessimism. The potential market in Europe is larger than in most other continents. The European standard of living, surpassed only by that of North America, is a high one. The economic resources of the old continent are great. General economic, cultural and political trends in Europe are such that in all likelihood, exchanges of all kinds should develop and expand considerably in the next few years. However, not to be underestimated are a number of possibilities which could slow down the growth of traffic.

* The Intra-European network consists of those routes which originate and terminate within the area delimited by Europe and the Middle East as far as the Persian Gulf. Long-haul services transiting in Europe, by European or other airlines, are not, therefore, included. In the case of Air France North-African services, only services linking France with Morocco and Tunisia are included in the Intra-European category.

1. Factors which may affect traffic trends

In establishing the forecast which follows we have endeavoured to allow for these various favourable and unfavourable factors in order to reach as reasonable an estimate as possible.

These factors include, in particular :

(a) Expansion of Domestic services

The period 1962-1965 will be marked by a significant growth in the domestic traffic of a number of European countries, in particular the United Kingdom, Federal Germany, France, Italy, Sweden and Finland.

A large number of the new customers thus brought to air transport may be influenced to use the aircraft also for Intra-European travel, the reasoning being that once a traveller has found that the Caravelle will get him from the centre of Paris to the centre of Nice in under three hours, he will find it less natural to spend seventeen hours in a train to get from Lyons to Rome.

(b) A marked slackening of some duration of traffic growth on some extra-European networks

Any slackening in North-Atlantic traffic progress has unfavourable effects on Intra-European traffic insofar as no negligible part of the latter is provided by American travellers. (According to a 1960 survey, North-Americans make up 27.4 % of European traffic at Paris Airport^{*}).

(c) Development of the Common Market

The entry of the UK in the Common Market -and it will be followed by other countries - if it takes place will contribute extensively to stepping up Intra-European economic exchange and therefore business travel.

There is no reason to doubt that a fair part of this travel will be by air, in particular where surface routes involve a break in carriage

* A number are US military personnel or officials working and habitually resident in Europe.

with consequent loss of time for the traveller. Even when surface routes are direct, official and business travel of the type that will develop will tend to be by air.

A start to functioning of the Common Market with British participation may, therefore, affect very favourably the development of Intra-European air traffic and bring an appreciable increase in the number of air travellers in Europe, even though that number may still be relatively low. Obviously, Intra-European air traffic will expand more slowly in the event of the UK not entering the Common Market.

(d) Rise in European and North-American living standards

This is a very favourable factor, on condition prospective customers can be persuaded to travel by air. Air travel is increasingly - as fares are lowered and living standards rise - a product which has to be sold in competition with other consumer commodities.

(e) Technical progress of surface transport media

Surface transport media may introduce appreciable improvements in the next few years, and this would be likely to brake the expansion of air traffic temporarily to some extent *. The Common Market may accelerate such a trend. Among such improvements one might include the Mont-Blanc tunnel, the Channel tunnel or bridge after 1965, extension of the Trans-Europ-Express rail network, railway electrification, the linking of trunk roads in certain Continental countries, super highways, and the like. In the United States, where air travel is particularly well established, the most serious competitor to the aircraft in short-distance travel is the private car, which has even made inroads on air traffic in certain cases, following the construction of high-speed motorways. It is possible that in Europe, with improvements such as those just mentioned, and with a rise in living standards to promote expansion of the private-car-market -especially if the price of petrol could be cut at the same time - the conditions for an expansion in Intra-European travel by private car will be created. This could also come, to a considerable extent, from the development of air and rail car-ferry services. It should be added that even in this prospect, the effects on the development of air travel will be restricted.

* It should be borne in mind, however, that the margin for improvement left to air transport (in respect of timetables especially) seems to be much greater than that available to surface media.

2. Forecasts for 1965

There are good grounds for considering together the trends of transatlantic and Intra-European air traffic, since tourists from North America make up no negligible part of Intra-European traffic. It is probable, however, that the next few years will see more Europeans travelling by air. There seems no likelihood, on the other hand, that fares will be cut more, on the whole, in Europe than on transatlantic routes. In the light of these considerations, it is probable that from 1961 to 1965 the progress in transatlantic air traffic will continue to be greater than that in Intra-European traffic, but to a lesser degree nevertheless than during 1952-61.

If we examine the trend, during 1956-61, of the values obtained by working out yearly averages for five-year periods, we find an average annual growth of 15.5 % for Intra-European traffic.

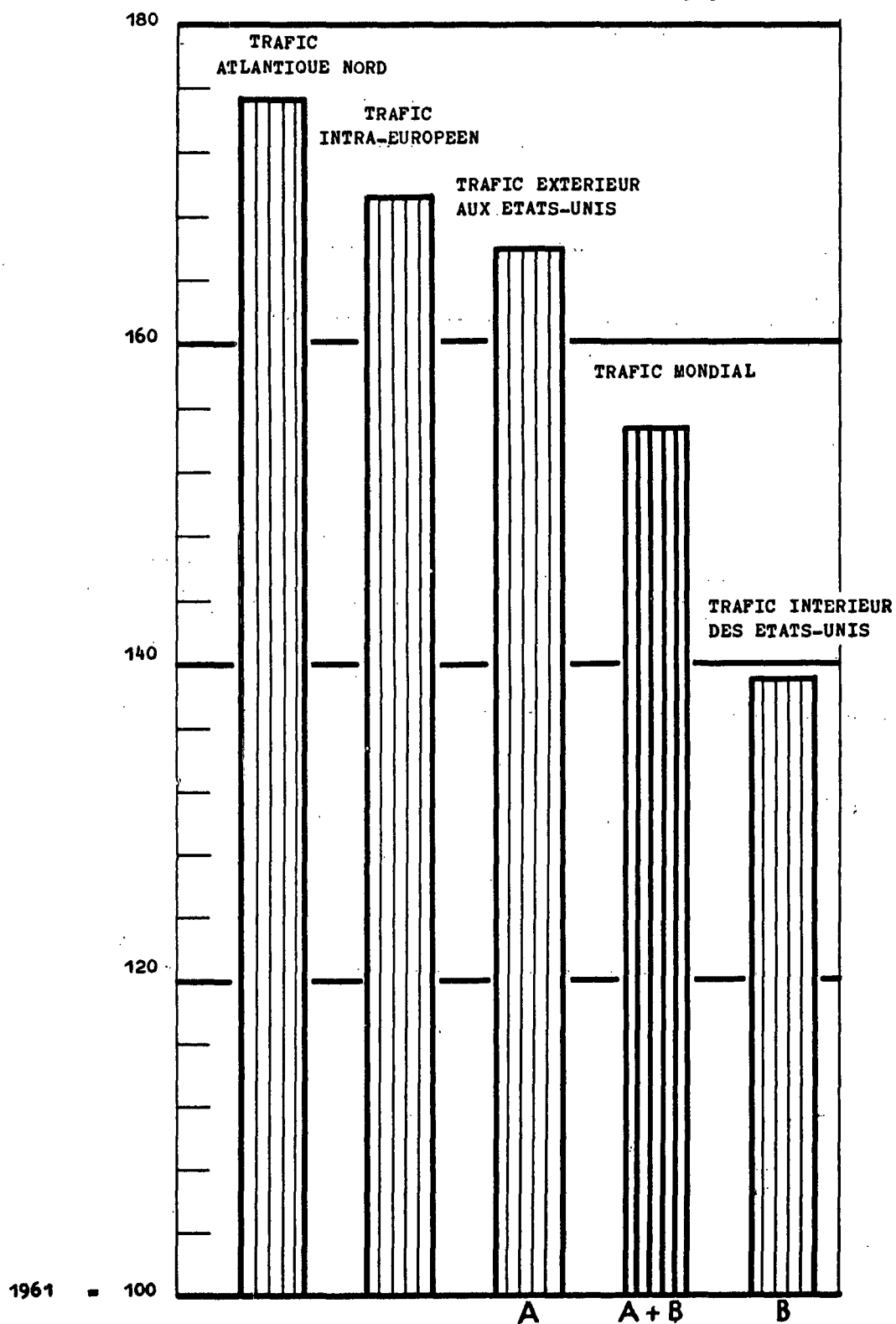
ITA	
Average in 5 years ended	Intra-European traffic in million passenger-km
1956	2 545
1957	3 025
1958	3 489
1959	4 005
1960	4 599
1961	5 230
% of change 1956/1961	+ 105,5

It may be noted that this rate of 15.5 % is slightly higher than the 15 % per annum recorded for all extra-US traffic.

It seems reasonable to adopt for Intra-European traffic the same method as for world (other than US domestic) traffic, and assume that the increase recorded in the last five years will take five-and-a-half years to match. This means that Intra-European traffic should grow at the rate of about 14 % per

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year, corresponding to a total increase of 69 % and a traffic figure of about 11 300 million passenger-km in 1965.

ITA

	Million passenger-km
1961	6 690
1965	11.300
% of change 1961/1965	+ 69

We offer, with all the reserves that must accompany them, the above forecasts for world traffic and for major areas, which may usefully be considered.

Legend Fig. 5	Air Passenger Traffic ITA forecasts for 1965
North Atlantic	Intra-European
	World except US domestic
	World
	US domestic