Aviation Strategy

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Aer Lingus floats

After about ten years of indecision and procrastination the Irish government will privatise Aer Lingus at the beginning of October.

Shares will be priced around €2.35, which would value the airline at around €775m, about €470m of which will accrue to the airline itself. The state will retain at least 25% of the company and a further 15% has been allocated to an employee stock ownership trust (ESOT). Initial indications are of strong demand for the stock from institutional investors, though retail demand is likely to be curtailed by the minimum purchase requirement of €10,000.

The flotation appears to have been priced to ensure a smooth take-off. As at the end of last year Aer Lingus had a book value of €403m and cash totalling €529m. More importantly, it has an impressive profit record - €100m pre-tax in 2005, a margin of 8.7%, and €125m in 2004 (before an exceptional cost for restructuring of €102m).

The first half of 2006 did, however, show the impact of mainly high fuel prices - a drop in profitability to €3.6m from €45.6m in the same period of last year. Intriguingly, the prospectus restates the 2006 numbers to an "underlying" profitability of €16m that is slightly up on restated 2005. The underlying results reflect the various effects of new accountancy rules relating to the treatment of derivative costs for fuel, interest rate and currency hedging (rules which are too complicated to explain in a short, or indeed a long article).

Aer Lingus seems to be an attractive proposition. Under the previous management team led by Willie Walsh, the airline defied the post-September 11 depression, and reinvented itself as a flag-carrier operating on easyJet principles - internet distribution, dynamic yield management, cost cutting in all areas while expanding, A320 fleet harmonisation - though retaining some key service guarantees like never stranding a passenger and frills like seat allocation.

Walsh's successor as Aer Lingus CEO - Dermot Mannion - comes from Emirates, the highly successful, low-cost long-haul carrier. Combine the experience and expertise of the short and the long, and the result should be a very formidable operation - although the Emirates analogy is somewhat inaccurate as Aer Lingus's Atlantic network is point-to-point rather than hub based, and so is closer to

AER LINGUS GROUP RESULTS (€ millions)

	2004	2005	Jan-June 2005	Jan-June 2006
Revenue	1,009.6	1,002.6	451.6	508.3
Operating Profit	122.5	89.9	46.0	-8.2
Exceptional Item	-102.5			4.3
Net interest (income)	-7.3	-10.2	-5.0	-9.2
Pre Tax	27.3	100.1	51.0	5.3
Taxes	4.4	11.1	5.4	1.7
Net result	22.9	89.0	45.6	3.6

Notes: Prepared under IFRS (International Financal Reporting Standard) rather than Irish GAAP; 2004 exceptional cost related to Restructuring

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PUBLISHER

Aviation Economics
James House, 1st Floor
22/24 Corsham Street
London N1 6DR
Tel: +44 (0) 20 7490 5215
Fax: +44 (0) 20 7490 5218
e-mail: info@aviationeconomics.com

Aviation Strategy
is published 10 times a year
by ***Aviation Economics***

Editor:
Keith McMullan
kgm@aviationeconomics.com

Contributing Editor:
Heini Nuutinen

Sub-editor:
Julian Longin
jil@aviationeconomics.com

Subscriptions:
info@aviationeconomics.com

Tel: +44 (0)20 7490 5215

Aviation Economics
Registered No: 2967706
(England)

Registered Office:
James House, 1st Floor
22/24 Corsham St
London N1 6DR
VAT No: 701780947

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the Virgin Atlantic model.

Inevitably, there are a series of strategic questions:

• Can Aer Lingus retain its cost competitiveness? Whereas the Walsh regime wanted to push ahead with another round of labour redundancies, a collective pay increase (of about 4%) was agreed in the summer in order to secure union and political support for the privatisation. In addition, Aer Lingus has committed €104m of the flotation proceeds to topping up the pension fund. The ESOT is supposed to align the interests of the employees with the shareholders, but the effectiveness of such schemes at traditional airlines has been very poor.

• Is Ryanair going to be aggressive? Sharing a base airport with Ryanair has been an instructive experience for Aer Lingus, but Ryanair until recently hasn't been growing from Dublin, because of its objection to the airport charges. But this year it has launched a series of new routes including Madrid, Berlin, Venice, Valencia and Salzburg which compete with Aer Lingus, while Aer Lingus has launched to Newcastle, a Ryanair city. Direct competition has been mitigated by airport strategy, with Aer Lingus always flying to the primary airport and Ryanair usually to the secondary, but there are now overlaps - for instance, Aer Lingus and Ryanair both operate to Berlin Schoenfeld, and Ryanair has announced that it will be flying into Madrid Barajas rather than low cost Don Quixote airport, so upsetting the status quo.

• What are the prospects for profitable long-haul expansion? Aer Lingus's focus for growth is now on long haul, with most of the flotation proceeds allocated to A330 fleet expansion. Last November, Ireland and the US signed a transitional agreement that changes the Shannon stopover rule from the current one in two transatlantic flights from Dublin to one in three and grants Ireland three additional cities in the US (Aer Lingus currently serves New York JFK, Boston, Chicago and Los Angeles). This agreement is intended to be a transitional measure before the implementation of a full EU/US Open Skies treaty, but it is not totally clear whether the proposal would contravene the EU's policy on individual member states not negotiating their own liberalised bilaterals with the US.

It is also not certain that additional US cities (San Francisco, Miami and Washington?) will be able to generate enough point-to-point, higher yielding traffic to make the new routes profitable, and reducing the Shannon stop requirement potentially increases US carrier competition into Ireland. In the old days Aer Lingus would have been grateful for the protection offered by the Shannon policy; these days, it expects Europe's most buoyant economy to be able to generate the required business and leisure volumes.

United: M&A posturing

Among the large US network carriers, United continues to be an enigma. The airline, the second largest in the world, has so much going for it - a powerful global franchise, unrivalled exposure to high-yield traffic and, as a result of its Chapter 11 restructuring, LCC-level labour costs also. Yet, United seems chronically incapable of capitalising on its strengths.

Instead of solid results, we are getting a lot of hype about turnarounds and arrogant posturing about mergers and acquisitions. How can CEO Glenn Tilton claim, as he did in a recent speech, that United is now "on a solid footing to participate in mergers and acquisitions"? How can he portray United as a potential acquirer when it is one of the financially worst-performing US airlines outside Chapter 11?

United's parent UAL Corporation emerged from its three-year Chapter 11 reorganisation in February 2006 with what was effectively a strong vote of confidence from the financial community (see *Aviation Strategy* briefing, April 2006). But, despite all the hard work - including $7bn cost cuts, debt and lease restructuring and the shedding of pension obligations - UAL has continued to post below-par financial results.

The first quarter saw a $306m net loss before special items - similar to the $302m year-earlier loss. And although UAL returned to profitability in the second quarter, with operating and net earnings of $260m and $119m respectively, the results trailed those of other solvent network carriers. UAL's operating margin was only 5.5%, compared to US Airways' 11%, AMR's 8% and Continental's 7%.

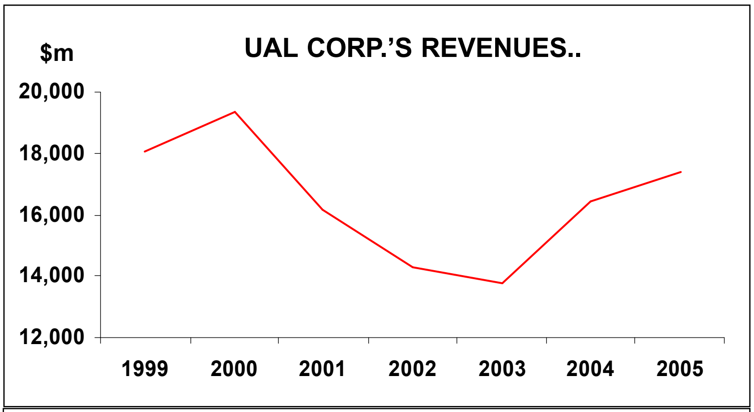
The results were certainly an improvement over the second quarter of 2005, when UAL earned a meagre $48m operating profit (1.5% of revenues). The airline outperformed competitors on the revenue front, recording 19.7% growth in domestic mainline passenger revenues, compared with 9.5% for the industry. Domestic mainline unit revenues (PRASM) were up by 14%, despite 5% higher capacity (contrasting with competitors' capacity reductions, but United had cut heavily in 2005). Also, it was UAL's first second-quarter net profit since 2000.

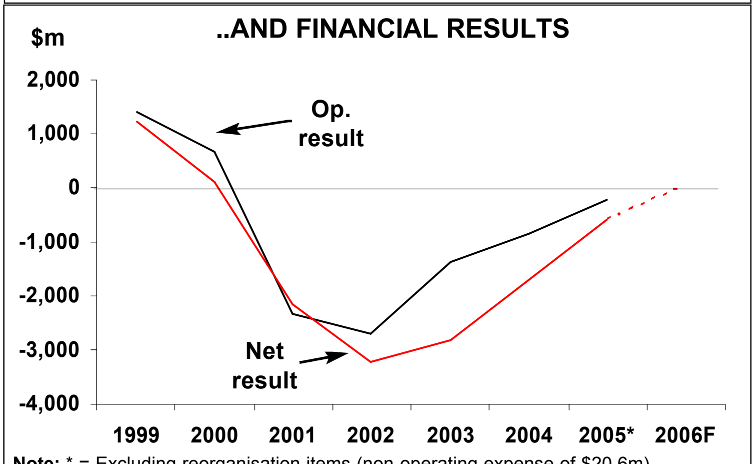
But investors expect to see at least industry-par financial performance in the wake of a successful Chapter 11 reorganisation - after all, Chapter 11 is the ultimate opportunity to put one's house in order, get rid of unwanted aircraft, get out of undesired contracts, etc. If an airline does turn in robust performance immediately after, it is often a sign that something fundamental was overlooked and that a repeat Chapter 11 visit may be necessary.

In United's case, there have been nagging doubts about two things in particular. First, the airline did not cut its unit costs sufficiently in Chapter 11. As rating agency S&P noted in July, United's second-quarter CASM, at 11.43 cents, was "materially higher" than American's 10.88 cents (the two airlines have similar average stage lengths and RASMs).

Second, United has adopted a questionable "multiple branding" strategy, which aims to retain both premium and lower-end customers with specific products, such as Ted (the low-cost unit), "p.s." (premium transcontinental service), "Economy Plus" (section offering extra legroom on mainline flights) and "Explus" (first-class seating on regional partners' RJs). The strategy, discussed in detail in the April 2006 issue of *Aviation Strategy*, contrasts with other network carriers' efforts to streamline operations and reduce costs throughout their system.

Then there is the growing competitive threat from Southwest. The leading LCC (also the largest US airline in terms of domestic passen-





Note: * = Excluding reorganisation items (non-operating expense of $20.6m), 2006 forecast is a concensus forecast of a $40m net profit

gers) entered United's Denver hub in January 2006 and is rapidly building operations there. On October 5 Southwest will also begin serving Washington Dulles, United's East Coast hub.

In addition, given United's history of labour strife and this year's less-than-desirable operational performance, there continue to be concerns about its corporate culture. And it does not help that United has what can probably be fairly described as one of the least respected management teams in the US airline industry.

Add it all up, and it is no surprise that UAL has been among the worst performing US airline stocks in the past six months. The share price halved from a high of $43 in late March to around $22 in mid-August, though it has since recovered to the $27-28 level.

Most analysts have a "neutral" rating on the stock, though there are a few "buy" recommendations. The common theme is total lack of enthusiasm - the investment community is in a wait-and-see mode about United's ability to consolidate the recovery and catch up with the other solvent network carriers.

United clearly has a lot more work to do, especially on the cost cutting front. On the positive side, however, the cost differential with American is believed to derive from non-labour costs - those should be the easiest cuts to make. In other words, while in Chapter 11, United accomplished the toughest task of wringing significant concessions from its workers. But, with the management preoccupied with labour, fleet and bankruptcy issues, United got left behind in non-labour cost cutting - an area that American and the other solvent carriers have focused on intensely and with great success in recent years (hub de-peaking, etc.).

New cost cutting programme

In the spring, United announced plans to reduce its annual operating costs by another $700m, of which $300m would be realised this year and the remainder in 2007 and beyond. The programme, which is running ahead of schedule, aims to strengthen the core business. The airline is cutting purchased services costs by $200m, general and administrative costs by $100m and advertising and marketing costs by $60m. The measures include eliminating at least 1,000 salaried and management jobs out of 9,400 by year-end and moving the company's headquarters from suburban Chicago to the city centre in early 2007 (UAL will be able to consolidate real estate holdings and obtain city, state and landlord grants).

Operational efficiency improvements are expected to contribute another $40m in annual savings. United's goal is to reduce average aircraft turnaround times by eight minutes systemwide by the end of 2006 through more efficient hub operations. The programme was initiated at the San Francisco hub in January 2006, with Ted markets following in February and Denver and Los Angeles in the second quarter. Washington Dulles and Chicago are getting the optimised processes this autumn. Despite the current extremely high passenger load factors - United's was 84.9% in the second quarter - the airline has reduced Denver and Los Angeles turnarounds by four minutes. In the second quarter, average daily aircraft utilisation improved by 3% to 11.3 hours.

United is also trying to tackle distribution costs. Among other things, in an effort to cut its $265m annual GDS bill, the airline recently added a $3.50 per-segment charge on bookings made on non-preferred distribution channels (not including Sabre, Worldspan or Galileo).

On the revenue side, United has played a prominent role this year in trying to keep domestic fares at healthy levels. In the first quarter alone, the airline initiated 16 domestic fare increases (of which less than half stuck) and numerous international "tactical" fare increases.

The domestic mainline premium class product has been winning awards and appears to be a good revenue-generator. "Economy Plus" upgrade revenues are expected to double to $50m this year and double again to $100m in 2007. The "Explus" product on RJs is also believed to be revenue-accretive. Among the new initiatives, United is rolling out a new international premium class product in 2007; this is believed to involve a $165m investment in new seats and in-flight entertainment systems.

In contrast, United is keeping a low profile about Ted. The low-cost unit, which does not have a separate management, plays a useful role in the leisure markets out of Denver but is not expected to see significant further expansion.

Focus on network optimisation

Much of United's current effort focuses on optimising its global network to maximise revenue and profit opportunities. This means adding service to Asia-Pacific, strengthening the Washington Dulles hub and pulling out of unprofitable non-strategic markets.

To solidify its position as the world's largest transpacific carrier, United recently announced plans to add 40 new weekly year-round flights to Asia-Pacific over nine months. This includes a new daily 777 Dulles-Tokyo service from late October (replacing the airline's highly unprofitable JFK-Tokyo flights) and expanded service from San Francisco to Taipei, Seoul and Hong Kong.

United is also introducing a three-per-week 777-200 Dulles-Kuwait service from late October, becoming the first US airline to fly to that country following the recent signing of a US/Kuwait open skies ASA. The airline said that it is considering other opportunities in the Middle East and that it chose Kuwait because of strong demand for military and business travel on the route.

In addition, United has applied to operate Dulles-Beijing from next spring, when the ASA allows the addition of one new US-China route by an existing US operator. There is understandably hot competition for that one route, with Northwest, American, and Continental all proposing service to Beijing from other US cities. United has a good chance because Washington is the largest metropolitan region without non-stop service to China and it has a large Chinese population - the application is getting strong political support.

United is boosting service at Washington Dulles by 22 new flights this autumn, following the addition of 84 flights in the past 12 months, as part of strengthening commitment to what it described as its "key hub". In addition to the first air links with Japan and Kuwait, Dulles is receiving three new domestic destinations (West Palm Beach and Fort Myers in Florida and Tucson in Arizona). By November United will have 321 daily departures from Dulles, up 13% year-over-year, serving 75 domestic and 22 international destinations.

This is quite an achievement when considering that only a few years ago numerous experts and even some creditors were recommending that United close the Dulles hub, which had remained small since it was opened in 1986. The premise was that United had too many hubs and that Dulles' remote location made it unsuitable. But United held its ground, even when challenged by Independence Air, and is now using Dulles to boost its East Coast position.

As part of the route optimisation effort, this past summer United made the headline-grabbing announcement that it is selling its New York-London route authority to Delta for $21m. The deal, which is subject to government approval, will mean United discontinuing its last remaining daily JFK-Heathrow flight at the end of October and Delta launching a daily JFK-Gatwick service (under the existing ASA, only American and United are permitted to serve Heathrow).

The move has raised many eyebrows because United is giving up an extremely scarce Heathrow slot and therefore weakening the US side's position. But the airline has such a weak presence in New York that the London flight is not a profit-generator. It makes more sense for United to rely on the Star Alliance, which offers 125 international connections through JFK. United will continue to operate to Heathrow from its Chicago O'Hare, Dulles and Los Angeles hubs.

What about the future?

In the very short term, United's leadership can probably get away with portraying the airline as an acquirer, because UAL is poised to report healthy earnings for the third quarter - traditionally its best period. But that would only mean a marginal net profit for the year. The current consensus forecast is a net profit of only 27 cents per share (about $40m) in 2006.

It would be UAL's first profitable year since 2000. However, virtually every US airline (except Delta and Northwest, which are in Chapter 11, and JetBlue, which is experiencing growing pains) is likely to be profitable in 2006, especially now that fuel prices have declined (though those benefits may be offset by weaker demand and slower RASM growth). A marginal profit would place United among the US industry's worst performers in 2006.

But could United impress investors in 2007? It is too early to tell, but there are fears that 2007 could be a tougher year for the industry because of resumption of domestic capacity growth and a possible slowdown in the economy, both of which would mean a weaker pricing environment. Reflecting uncertainty about both industry conditions and UAL's situation, there is considerable variation in individual analysts' 2007 forecasts for the company. UAL's profit estimates for next year range from $1.28 to $5.47 per share ($200m to $860m).

United has staying power because of its current healthy cash reserves ($5.1bn at the end of June) and limited near-term debt obligations and capital spending requirements. However, in a couple of years' time UAL should earn reasonable profits in order to meet its still-significant debt and lease obligations and fleet investment needs.

US Airways and AWA demonstrated that a merger (which they executed as US Airways emerged from Chapter 11) can be a nice way to raise significant equity funds - something that UAL did not accomplish in its own Chapter 11 (it only raised secured debt). However, outside equity investors, such as hedge funds, will only get involved if they see definitive strategic value in the transaction.

Those two factors - uncertain 2007 profit prospects and the potential to raise significant equity funds through US Airways/AWA-type transactions - help explain why United's leadership is so interested in mergers. That said, CEO Glenn Tilton happens to be a big proponent of the creation of powerful combinations of companies. In his pre-UAL days, he helped oversee Texaco's $35bn merger with Chevron in 2001. He has talked about the airline industry's need to consolidate constantly since UAL emerged from Chapter 11 and has made it clear that he wants UAL to be part of the process.

On September 25 *Crain's Chicago Business*, citing unidentified sources close to United, reported that UAL has retained Goldman Sachs to explore strategic options, including possible mergers. The investment bank will apparently help assess the value of United's domestic and international holdings, advise on sales or purchases of domestic or international routes and "scout for mergers".

That move seemed less headline-grabbing when it emerged that James Sprayregen, UAL's lead counsel through its Chapter 11 reorganisation, had moved from his Chicago law firm in June 2006 to take up a position as head of Goldman Sachs' restructuring practice. In other words, Tilton wants to continue consulting one of his most trusted advisors. But the move is another indication of United's interest in being part of the industry consolidation process, which many analysts believe will start in 2007.

Rumours about merger talks involving UAL and Continental or Delta have been circulating for months, but no such talks are believed to be currently taking place. Both Continental and Delta have denied the rumours. Delta has repeatedly said that it is focused on completing its restructuring and emerging from Chapter 11 as a standalone carrier in mid-2007.

The reason only those two names are being linked to UAL is that no other combinations involving large network carriers make sense. Both Continental and Delta would offer highly complementary networks - strong in southern US, Atlantic and Latin America, while United focuses on the West and Pacific.

Many people view Delta as the more likely partner for United because it is in bankruptcy. US Airways' CEO Doug Parker has often made the point that Chapter 11 was the key to making the AWA merger work, in that it facilitated steeper cost cuts and fleet reductions and gave the companies more flexibility to combine their networks. On the other hand, Continental is a higher-quality and more efficient airline and it has been interested in United in the past.

Many of the past merger talks ended when the two parties could not agree on who should run the combination. This could be a problem in the future, except possibly with Delta. As Calyon Securities analyst Ray Neidl noted in response to the UAL speculation: "At this point, it appears to us that most of the current airline managers would want to be the acquirers".

Neidl suggested that it may be too early for the process to begin. While strategically the industry is ready and would benefit from consolidation, financially the legacy carriers have much work to do to get their balance sheets in order, and the regulatory climate may not have changed.

Many people believe that the consolidation process will not begin until US Airways and AWA have successfully integrated their labour forces - in other words, proved that it can be done. This is because most mergers in the past have failed due to terrible labour issues. Those issues would be no easier at United; however, once the process is under way, United could be a sought-after partner because of its relative low labour cost structure.

By Heini Nuutinen

Mexico: hotbed of LCC activity

Mexico has been a hotbed of start-up low-cost airline activity since July 2005, when then-state owned Mexicana kicked off the process with its low-fare subsidiary Click. So far, three stand-alone LCCs - Avolar, Interjet and Volaris - and one new regional jet operator (ALMA) have taken to the air, and at least one other LCC, VivaAeroBus, is gearing up for launch this autumn.

These airlines have announced aggressive expansion plans. Last year Interjet placed an order for up to 20 A320s worth $1.2bn. In January Volaris ordered 16 A319s plus 40 options. And Avolar has just announced plans to invest $700m in a new fleet of 737-700s.

Why this sudden surge of LCCs in Mexico? How do they compare with their counterparts in other regions? Is there room for all of them? The past year's flood of new entrants reflects essentially two things: the LCC phenomenon was overdue in Mexico, and the regulatory environment suddenly became favourable.

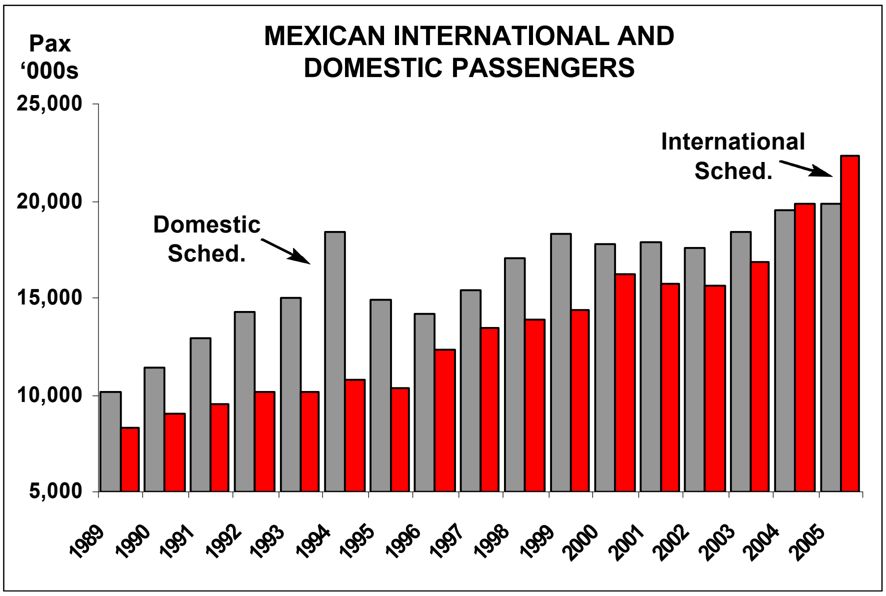
Before 2005 there were no true LCCs in Mexico (as are potentially defined by Southwest/JetBlue/Ryanair/Gol-style operations). Three older-established carriers offering lower fares - Aerocalifornia and Aviacsa since the early 1990s and Aztec since 2001 - had gradually broken the Aeromexico-Mexicana monopoly; in 2005 they uplifted about one third of the total domestic scheduled passengers. However, although those airlines had reasonably competitive cost structures, with unit costs some 10-20% below the flag carriers', they had more legacy than LCC characteristics and their fares were not low enough to stimulate the market.

The earlier-generation discounters also had serious safety issues and not a good image. One such airline, Taesa, disappeared following a fatal crash in 1999 and a subsequent grounding for safety violations. In April this year the Mexican authorities grounded Aerocalifornia due to safety concerns, though the airline was allowed to resume limited operations in July. Aerocalifornia and Aviacsa have older fleets - until this year they even operated DC-9s.

Having been forced to rescue

MEXICAN LCCS AT A GLANCE

AIRLINE	OWNERSHIP	START DATE	CURRENT FLEET	ORDERS/PLANS	BASE	CITIES SERVED
Click Mexicana	Mexicana 100%	Jul-05	11 x Fokker 100s	15-strong fleet by year-end 06	Mexico City	19
Avolar	Jorge Nehme/ Other investors?	Sep-05	7 x 737-300/500s	10-strong fleet by year-end; Plan to acquire 20 x 737-700s	Tijuana	17
Interjet/ ABC Aerolineas	Miguel Aleman descendants	Dec-05	7 x A320-200s	On order 10 x A320s & 10 options (del 2007-2011)	Toluca	13
Volaris/ Vuela	Grupo Financiero Inbursa Grupo Televisa Grupo Taca Protego Discovery Fund (25% each)	Mar-06	6 x A319s	On order 14 x A319s & 40 options on A320-family	Toluca	7
VivaAeroBus	Tony Ryan & Kite Investments 49% IAMSA 51%	Possibly Oct-06	2 x 737-300s	3 more this year; 3 in 2007	Monterrey	na



Aeromexico and Mexicana in the mid-1990s, the Mexican government was until recently totally preoccupied with trying to get the flag carriers on a sounder financial footing and sold off to the private sector. While the rest of the world was promoting competition and facilitating the growth of LCCs, in Mexico the debate for a whole decade was about whether the two flag carriers should be sold together or separately. Government policy did not encourage LCCs, and there were special challenges such as high taxes and airport charges that added about $100 to the cost of an average domestic return ticket.

It all changed in 2005, when Aeromexico and Mexicana posted modest profits for 2004. The turnarounds, in combination with improved economic conditions and the bright idea of giving Mexicana an LCC unit, facilitated the sale of Mexicana to hotel operator Grupo Posadas in December 2005. Aeromexico, which failed to attract sufficiently high bids, is currently expected to go on the block in 2007.

The separation of the two airlines and the government's new pro-competition stance - which has not changed despite the fact that Aeromexico's sale failed probably largely because of the flood of new entrants - helped stir investor interest in the undeveloped LCC sector.

Mexico was ripe for LCCs because the domestic market has stagnated over the past decade. According to statistics compiled by the Ministry of Transport and Communications (SCT), total scheduled passengers in non-regional domestic operations saw no growth in the 11-year period from 1994 to 2005 (up by just 0.8% from 16.8m to 16.9m). By contrast, international scheduled traffic to and from Mexico in that period more than doubled from 10.7m to 22.3m passengers (though the bulk of the growth was on foreign airlines). The total Mexican air travel market (including also a small charter segment) was 46.1m passengers in 2005, having exhibited 5.8% annual average growth in 1989-2005.

The reason for the stagnation was high domestic fares - often twice as expensive as US domestic fares for similar distances and higher than the fares on international flights from Mexico to Miami and other US cities. With ticket prices typically exceeding $150 for a one-hour domestic flight, air travel was out of reach for much of the population.

Mexico is Latin America's second largest domestic aviation market (after Brazil), with 19.8m scheduled domestic passengers (including regional operations) in 2005. Like Brazil, it has extensive geographic distances and large underserved cities. The numerous major population and leisure centres scattered around the country provide lots of potential niches for LCCs.

Similar to the situation in Brazil, Mexico's longer-haul passenger transportation market is dominated by surface modes, particularly buses. Only about 5% of the population of 105m (2005) has flown, suggesting significant pent-up demand. Add to that strong real GDP growth projections and it becomes very clear that the Mexican domestic aviation market has enormous growth potential.

In the past year the Mexican government has moved at full speed to encourage and support new airlines. In addition to expanding airport capacity, improving facilities and providing ground access, the government is offering temporary economic incentives that can reduce airlines' cash operating costs by 10-25%. The incentives include subsidies on fuel delivery charges (until November 2006) and steep discounts on airport and passenger charges at secondary airports for the first two years of operation.

The government hopes that the LCCs will not only provide a significant economic boost but help utilise airport capacity more efficiently. The incentives are aimed at developing four airports - Toluca, Puebla, Cuernavaca and Queretaro - as alternatives to Mexico City's congested main gateway, Benito Juarez International. Elsewhere in Mexico, private airport groups have matched the incentives at their secondary airports.

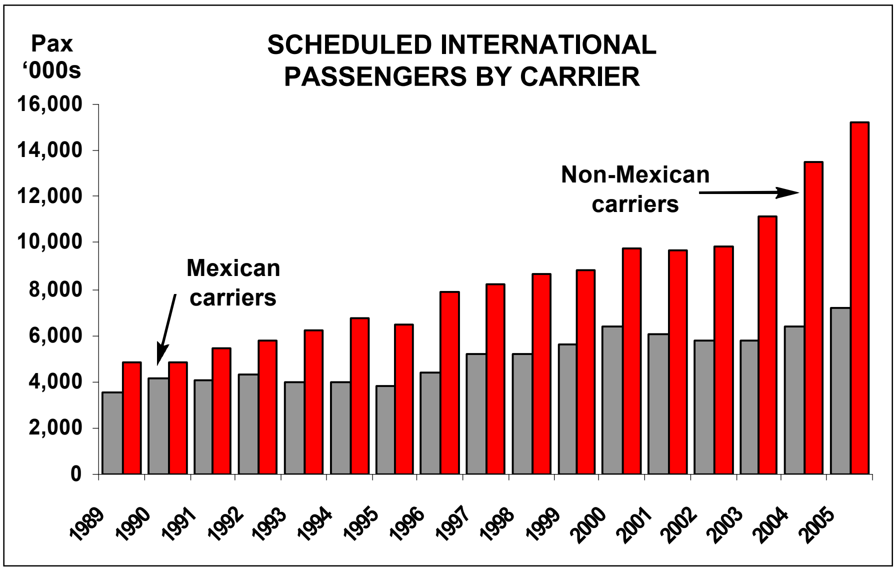
According to the government, more than half of Mexico City Airport's user base (24m passengers in 2005) would rather use the alternative airports, located at 50-150 kilometres' distance from the city centre. The small airports have received "high value group transportation services", including bus runs coordinated with flight times, low fares and city-centre check-in. Plans include providing 50% toll discounts or toll-free access to cars and taxis. The government is also using the privatisation process to help fund airport improvements - this past summer, a 49% stake in Toluca Airport was sold to Spain's OHL.

The SCT has estimated that, of the 2.3bn annual bus passengers in Mexico, 56.4m could potentially switch to air travel when the connections and low fares are available. That would be almost three times the current domestic passenger volume. Of the 56.4m, 7-8m could switch immediately, while another 1-2m could materialise through market stimulation (based on the "Southwest effect" experience in other countries). In SCT's estimates, the total immediate increase in passenger numbers could therefore be 8-10m, expanding the size of the domestic market from about 20m to 30m passengers.

Latin American aviation experts such as Bob Booth of AvMan have predicted that the Mexican domestic market will double to 40-50m passengers in just a few years.

It is tough to predict what kind of a market share the LCCs might capture, because both Mexicana and Aeromexico look reasonably strong, can be expected to continue matching the lower domestic fares and now have more incentive than ever to get their cost structures in line.

Aeromexico, which has achieved some cost reductions and been marginally profitable in recent quarters, is fortunate in being able to focus on long-haul expansion to Asia. The airline is in the middle of a fleet renewal programme that includes taking 737-700/800s and 777-200s, as well as three 787 Dreamliners in 2010. Domestically, Aeromexico has added 50-seat and 90-seat RJs to its regional subsidiary Aerolitoral's fleet to compete better with LCCs.



Mexicana's situation is more challenging because of its shorter-haul focus, though having the LCC subsidiary Click has helped and some savings have also been achieved through non-union staff cuts, executive salary reductions and the sale of the company's Mexico City headquarters. Mexicana is in the middle of difficult negotiations with its unions about concessions - part of efforts to reduce total operating costs by 25%, which the company believes it needs in order to be competitive. On an encouraging note, a deal with the ground workers was reached in early September that cut costs by 26%, while talks with pilots and flight attendants continue.

If the targeted labour cost savings are achieved, Mexicana plans to spend $2.4bn to expand its fleet. The airline is looking to order up to 40 A320-family aircraft, including an initial firm order for 14, to fend off competition from LCCs. In the meantime, Mexicana has continued to strengthen its leading position on the Mexico-US routes by adding new

TOP 20 DOMESTIC CITY PAIRS 2005

City pair	2005 Pax ('000s)	% of total	% change 05 vs 04
Mexico City-Monterrey	1,947	9.8%	6.9%
Cancun-Mexico City	1,499	7.6%	-7.3%
Guadalajara-Mexico City	1,458	7.4%	3.9%
Mexico City-Tijuana	1,010	5.1%	3.9%
Guadalajara-Tijuana	695	3.5%	-2.1%
Mexico City-Merida	672	3.4%	2.9%
Mexico City-Villahermosa	542	2.7%	11.0%
Hermosillo-Mexico City	510	2.6%	5.7%
Acapulco-Mexico City	451	2.3%	0.4%
Mexico City-Puerto Vallarta	419	2.1%	9.5%
Mexico City-Tuxtla Gutierrez	413	2.1%	2.6%
Mexico City-Veracruz	374	1.9%	-1.5%
Mexico City-Oaxaca	351	1.8%	0.5%
CD. Juarez-Mexico City	327	1.7%	11.9%
Chihuahua-Mexico City	308	1.6%	6.3%
Mexico City-Mexicali	307	1.5%	13.1%
Guadalajara-Monterrey	303	1.5%	1.8%
Mexico City-Zihuatanejo	282	1.4%	-1.8%
Mexico City-Tampico	262	1.3%	13.8%
Del Bajio-Mexico City	234	1.2%	4.8%

Source: Secretaria de Comunicaciones y Transportes (SCT)

service to Florida, Texas and California.

Mexican LCC characteristics

The Mexican new entrants have the key characteristics of LCCs: new fleets, low cost structures, high levels of efficiency and productivity and extensive reliance on new technology. However, there seems to be more diversity in business models than in other regions, with US, European and Brazilian influences all in evidence. There is Ryanair/easyJet-style no-frills service (Avolar), JetBlue-style up-market service (Interjet and Volaris) and much copied from Gol.

The Mexican LCCs' special characteristics include the following:

Prestigious backers

The fact that nearly all of the LCCs are getting off the ground reflects not just the enormous pent-up demand but the solid financial backing enjoyed by the start-ups. All are adequately capitalised. The line-up of investors reads like a Who's Who in Mexican politics, Latin American business and finance and global aviation. The backers include some of Mexico's wealthiest businessmen, the son and grandson of a late president, Latin America's largest mass media conglomerate, a major bus company, the founder of Irish low-cost carrier Ryanair and two successful Latin American airlines. (Little wonder that there is diversity in business models).

Outside airline know-how is a particularly important part of the package in a region where traditional and/or incompetent airline managements still predominate. AvMan's Bob Booth said recently that the main reason he is optimistic about the Mexican LCCs is the involvement of partners such as Tony Ryan, Taca and Gol, in addition to the fact that all of the airlines are well capitalised.

Low but not rock-bottom fares

The Mexican LCCs typically offer 30-50% lower fares, which the established airlines have matched in competitive markets. When the aim is to pull passengers from the buses, the LCCs' fares start lower than premium bus fares. For example, Interjet entered the Toluca-Cancun market in December 2005 with one-way fares starting at 1,205 pesos ($110) including taxes for the two-hour flight, compared to the premium bus fare of 1,284 pesos (a 23.5-hour trip by bus).

As a result, fares in the largest markets, such as those connecting Mexico City, Monterrey, Guadalajara and Cancun, have fallen significantly and now appear in line with fares in the most competitive US domestic markets. For example, Interjet's fares for the two-hour Mexico City-Cancun flight in early December 2006 are currently in the 820-1034 peso ($75-$95) range; by comparison, JetBlue is offering $99-$199 fares on the three-hour New York-Ft. Lauderdale sector in the same period (all one-way and excluding taxes).

Low frequencies, small size

In light of the large number of new entrants - contrasting with the situation in Brazil, where Gol had a free run for many years - the Mexican LCCs are likely to remain relatively small (unless there are some failures). All are low-frequency operations, rarely offering even daily service.

Use of secondary airports
The Mexican LCCs are taking advantage of the economic incentives to use secondary airports. In the Mexico City area, two of the LCCs that have emerged so far have hubs at Toluca, a third is making Puebla a focus city and a fourth has added service to Cuernavaca.

Only for Spanish speakers?
With only one exception (the venture backed by Ryanair's founders), the Mexican LCCs' websites are in Spanish only. This is surprising given that the airline industry is so international in nature and the fact that the LCCs take bookings through their websites. The situation will obviously change when the airlines go international.

Early international operations
Like the older-established discounters and many Mexican regionals, the LCCs hope to introduce service to the US at an early stage. This should be facilitated by the recent amendments to the US/Mexico ASA, which permit additional carriers and new markets. Among other things, Monterrey and Guadalajara - the country's two largest business centres after Mexico City and a focus for many of the new LCCs - will become gateways from October 2007, with three airlines allowed from both countries.

With international services, the LCCs will help develop tourism and may help Mexico recapture some of the market share lost to foreign carriers. According to the SCT statistics, between 1989 and 2005 non-Mexican carriers increased their share of the traffic to and from Mexico from 58% to 68%. Several US LCCs, including Spirit and Frontier, have started serving Mexico, and JetBlue will follow suit on November 30 with a daily New York (JFK)-Cancun service.

Click Mexicana

Click, which began operations in July 2005 on eight domestic routes from Mexico City, was the key factor behind the successful sale of Mexicana to Grupo Posadas late last year. With the help of Landor Associates, Mexicana rebranded its Aerocaribe unit, which had focused on southern Mexico and operated DC-9s and relatively new Fokker 100s, into a lower-cost carrier utilising an all-Fokker 100 fleet and offering 30% lower fares.

The venture had a useful head-start over the other LCCs. It has been able to grow quickly (and at relatively low risk) by taking over Mexicana's routes to the Caribbean and other leisure destinations. This strategy enabled Click to capture a 6% domestic market share in its first quarter of operation; the share is currently 7% and the airline is aiming for 10%.

Click currently serves 19 cities - more than any other Mexican LCC - in Mexico, as well as Havana (Cuba) from several Mexican cities. The plan is to grow by increasing frequencies in existing markets and taking over more Mexicana routes in the northeast and southeast of Mexico. In the coming months, Click also expects to take over Mexicana's three-per-week Cancun-Miami operation (subject to US government approval).

As of July, the fleet included 11 Fokker 100s, with an average age of nine years. By year-end Click expects to have integrated four additional Fokker 100s, to bring the fleet to 15 aircraft.

Click is the only LCC to be based at Mexico City's main and most centrally located airport, and through its parent it has a significant number of slots there. This gives Click an advantage in terms of attracting traffic, but it also means higher operating costs at the congested hub. Click has tried operating some services out of Toluca but decided that it made more sense to focus on its hub.

Click is more up-market than some of the other LCCs, as indicated by its comfortable

MEXICO'S TOP TEN AIRPORTS IN 2005

Airport	Pax ('000s)
Mexico City	23,961
Cancun	9,303
Guadalajara	5,640
Monterrey	4,654
Tijuana	3,463
Puerto Vallarta	2,749
Los Cabos	2,466
Hermosillo	1,180
Bajio	1,102
Merida	1,023
TOP 10 AIRPORTS	**55,541**
TOTAL 57 AIRPORTS	**68,951**

35-inch seat pitch and leather seats. The airline participates in Mexicana's FFP and has 100% online sales, mostly channelled through its parent.

Click reportedly broke even already in its first quarter of operation. The airline appears to have continued to perform reasonably well, as indicated by an average load factor or 65% in the initial 12 months. CEO Isaac Volin recently estimated that 2006 revenues would exceed $180m.

Avolar Aerolineas

Avolar, the first stand-alone LCC in Mexico, began operations in September 2005 out of the northern border city of Tijuana, utilising a single 737-500 and offering 30% lower fares. The company, which was in the works for three years, was founded by its chairman Jorge Nehme, a venture capitalist who had previously invested in real estate. There are believed to be other investors. The current CEO is Fabricio Cojuc.

The airline got off to a slow start but had a major growth spurt in April-May. Currently 17 cities are served (just two fewer than Click) along the length of Mexico's Pacific coast, as well as some inland points. Current plans call for service to the US to be introduced in 2008, with the focus being on destinations with large Mexican populations such as New York, Chicago, California, Arizona and Nevada.

As of August, Avolar operated a leased fleet of seven aircraft - a mix of 136-seat 737-300s and 120-seat 737-500s. In early September the airline announced plans to spend $700m on a fleet of 20 new 737-700s (though at that time it had evidently not yet placed an order).

According to its website, the company expects to utilise 10 aircraft and serve 32 cities by year-end. The addition of so many new cities is possible, evidently, because Avolar is also interested in thinner markets, where it offers low-frequency service; for example, the Tihuana-Durango route introduced in May has only three flights per week.

Avolar is a point-to-point carrier. In addition to serving the key existing markets out of Tihuana, it aims to develop new destinations that were previously only accessible via ground transport. It is counting on generating new traffic by attract passengers from the buses. The airline is also focusing on secondary airports that have received poor service from established carriers.

According to the web site, within four years Avolar hopes to operate 40 aircraft and carry 6m passengers. Although this assumes strong overall demand growth, it may be an ambitious target in light of the large number of LCC entrants.

Then again, Avolar may be just the type of LCC that the Mexican market needs - no-frills, with all of the focus on efficiency and maintaining low CASM. It is more down-market than some of the other Mexican LCCs, resembling Ryanair or Easyjet (more than JetBlue) with its simple product and "cheap and cheerful" orange/white colour scheme.

Avolar does not have the prominent international backers that many of the other LCCs enjoy, but it does appear to have a solid low-cost business model. It is a one-class, point-to-point, ticketless operation with a new fleet, motivated workforce, streamlined processes, extensive use of automation and technology and a high percentage of Internet sales. It claims to have a 65% average load factor and aircraft utilisation in the 13-14 hours a day range.

The airline's parent, Avolar Group, has opened as a joint venture with the US company Hamilton Aerospace Technologies (HAT) in Tijuana one of Latin America's largest aircraft maintenance facilities, capable of housing up to four 747s. The airline has signed a five-year contract with this venture to provide all of its line and heavy maintenance.

Interjet

Mexico's second stand-alone LCC, Interjet, began low-fare A320 operations in December 2005 after two years of planning, becoming the first new entrant to make Toluca its home base. Interjet, the operating name of a company called ABC Aerolineas, is backed by a powerful political family descended from the late Mexican president Miguel Aleman Valdes. The main investors are the grandson, Miguel Aleman Magnani, and his father, a former Veracruz governor. The current CEO, Jose Luis Garza, was CFO of Aeromexico in the late 1980s.

The investors put down $60m in equity capital and spent $230m to buy an initial fleet of seven relatively new A320-200s from bankrupt Italian airline Volare. In June 2005 InterJet also placed a $1.2bn order with Airbus for ten A320s plus ten options, for delivery between the second quarter of 2007 and 2011.

After initially focusing on Mexico's north-eastern states and the Caribbean coast, Interjet's current 13-point domestic network also includes leisure destinations on the Pacific coast in the south. The focus is on major domestic markets. The original plan envisaged 24 routes throughout Mexico, with most of the flights operated out of Toluca, and 3m annual passengers by 2008.

Interjet's lowest fares are up to 50% below previous fare levels, but the airline also tried to attract business traffic by maintaining high service standards. The airline tries to maximise yield by maintaining a five-tier pricing structure that features a 50-peso difference between the classes.

When Interjet was launched its executives said that the airline would break even in a year if it maintained its current fare structure and achieved a 65% load factor. According to AvNews, CEO Garza indicated recently that the company was on target to meet that forecast.

Volaris

Another Toluca-based LCC with prestigious backers, Volaris, began low-fare A319 operations in March 2006. The venture, a unit of holding company Vuela, is an equal partnership between Grupo Financiero Inbursa (a Mexican bank controlled by billionaire Carlos Slim), Grupo Televisa (the world's largest Spanish-language mass media conglomerate controlled by Emilio Azcarraga), Grupo Taca (the El Salvador-based airline) and Protego Discovery Fund (a Mexican investment fund led by Pedro Aspe Armelia, a former finance minister and current Televisa board member). The four partners invested a total of $100m for Volaris' initial phase, each holding a 25% stake and sharing control of the airline. Taca is in charge of operating the airline; it appointed the CEO (Enrique Beltranena) and Taca's own CEO, COO and CFO sit on Volaris' board.

While Volaris' initial fleet consisted of four leased A319s, in January 2006 the airline finalised an order with Airbus for 16 A319s, configured to 144 seats in single class, plus 40 options for A320-family aircraft. The first two of the purchased aircraft were delivered in May, bringing the fleet to six A319s.

Volaris currently operates a seven-point network that includes the key business and leisure centres (Mexico City, Cancun, Monterrey, Hermosillo, Tijuana, Guadalajara and Leon). Half of the ten routes currently operated do not involve the Mexico City - Toluca hub. Many of the routes have several daily frequencies. The airline has indicated that eventually it would like to serve the US.

The airline considers the Toluca base a major advantage since the airport is less congested than the main Mexico City airport and provides excellent customer service. Volaris provides a free shuttle service between its "virtual terminal" in downtown Mexico City and the airport.

Like JetBlue and Gol, Volaris appears to be targeting a variety of segments. It aims to compete with buses with fares that are 40% below the current levels, but it also wants to attract the more discerning traveller by offering a high-class service and product featuring leather seats and a 32-inch pitch. As an interesting twist reflecting the ownership, part-owner Televisa said earlier that it would provide specially produced in-flight entertainment for the airline.

Volaris received an important vote of confidence in July when IFC, the private-sector arm of the World Bank, agreed to provide the company a $40m credit line, consisting of a $10m working capital loan and a $30m revolver for pre-delivery payments on the A320s. The IFC cited the airline's "strong business plan" and its "solid financial background". This was IFC's first incursion into the Mexican airline sector - Volaris became part of a prestigious group that in Latin America has so far included Taca, TAM, Gol, LAN and Copa.

Aerolineas Mesoamericanas

Aerolineas Mesoamericanas (ALMA), which took to the air from its Guadalajara base in mid-June 2006, is strictly speaking a full-service regional airline operating 50-seat CRJ200s. However, ALMA is part of the current LCC/new entrant phenomenon in Mexico in that it has initiated point-to-point service on routes that previously lacked air service, is helping to develop one of Mexico City's four alternative airports (Pueblo) and is offering LCC-level fares at least in competitive markets.

ALMA is well-capitalised to the tune of $38m, with the investment coming primarily from its chairman Carlos Peralta Quintero, a Mexican entrepreneur. The airline is headed by CEO and co-founder Guillermo Heredia.

Operations began with two leased CRJ200s on the Guadalajara-Pueblo route, with fares 60% below competitors' fares to the other Mexico City airports. Since then the airline has added four more CRJ200s. Four of the initial fleet of six are leased from GECAS and two from Canadian leasing vehicle CRAFT. The plan is to add two additional CRJ200s in the first year of operation and grow the fleet to 35 aircraft within five years.

The airline focuses on medium-density routes mostly between cities in central Mexico. In early September ALMA served a six-point network that included Guadalajara, Puebla, Tijuana, Chihuahua, La Paz and Los Mochis. Puerto Vallarta and Ciudad Juarez will be added this month and in October, and the airline will also add new connections between the cities already served.

In addition to indirect competition on routes to and from the various Mexico City airports, ALMA competes head-to-head with LCC Volaris on the Guadalajara-Tijuana route and offers similar fares.

VivaAeroBus

The next Mexican LCC to take to the air is likely to be VivaAeroBus, the long-awaited joint venture between Ryanair's founder Tony Ryan and Mexican bus company Inversionistas en Autotransportes Mexicanos SA (IAMSA). In its latest communiqué dated July 19, VivaAeroBus said that it would begin operations in September, that it would be based in Monterrey and that it would disclose the routes "within eight weeks" as discussions with the state governments were completed. In the absence of any announcement to date (September 13), start-up before October is unlikely. One Mexican web site is reporting October 25 as the date.

The backers of Aeroenlaces SA, VivaAeroBus's holding company, disclosed earlier that they were making an initial investment of $50m. Up to half of that is provided by the Ryan family, which teamed up with Maurice Mason of Kite Investments (who has participated in several of their ventures, including Tiger Airways of Singapore) to establish RyanMex as a holding vehicle for their 49% stake in Aeroenlaces. IAMSA will hold 51%, and its chairman Roberto Alcantara will head the new group.

According to Aeroenlaces, the new airline will benefit from the experience and synergies of IAMSA in mass transportation - the group carries 260m-plus bus passengers annually - and the worldwide aviation expertise of the investor group. The bus company part copies a page from the Gol book. However, Ryanair has made it clear that, in contrast with Taca's hands-on role at Volaris, it will have no involvement in VivaAeroBus. Ryanair said that it has long had a policy of not getting involved in other LCCs because it needs to stay focused on its own aggressive growth plan.

According to the earlier plans, VivaAeroBus will start operations with two leased 737-300s. As of July, the airline had signed lease or purchase agreements on five 737-300s for August-December delivery and taken options on three more for 2007 delivery. The plan is to operate ten aircraft by the end of 2007.

The airline has talked about serving 25 destinations in Mexico, including 15 from the hub in Monterrey, which is a major business centre in the northern part of the country. At a later stage VivaAeroBus also hopes to serve "a handful" of US cities that have large Mexican populations.

The airline will be a "true low-cost, point-to-point operation" with fares that would undercut the established carriers by up to 50%. The web site shows an attractive vivid green and pink logo on the 737-300s.

Gol's planned Mexican LCC

Brazilian LCC Gol's plans to create a Mexican LCC as a joint venture with Mexican partners, announced with great fanfare in July 2005, appear to be still awaiting regulatory approval. In the company's second-quarter earnings call in July, Gol executives blamed the delay on the political uncertainty surrounding the Mexican elections.

In July 2005 Gol signed an MoU with Mexican group Inversiones y Technicas Aeroportuarias (ITA), businessman Fernando Chico Pardo and Copenhagen Airports (CPH) on a new airline that would begin operations in the second quarter of 2006. Pardo and CPH jointly own ITA, which holds a 15% stake in ASUR, an airport operator in southeastern Mexico. Gol was to provide the know-how to the new airline.

The investors submitted a preliminary business plan to the Mexican authorities in September 2005. That plan envisaged an initial investment of at least $40m, a base probably at Toluca and a second-quarter 2006 start with seven aircraft. However, by year-end the venture was seeking additional Mexican investors, in part because Pardo, as president of ASUR, needed to limit his voting stake to 5% and total stake to 35% to avoid a conflict of interest. Gol has to limit its stake to the 25% maximum permitted for foreigners. In March there were reports of additional investors joining the group, but the venture was still unnamed (as it is today, at least publicly).

Over the past year two aggressive new-entrant LCCs have already made Toluca their base. Merrill Lynch analyst Mike Linenberg suggested in July that Gol's regulatory delays may not be bad news given the large number of new entrants in Mexico as "the market could be saturated at this juncture".

One would also expect Gol's management attention to be currently more focused on developments at home (Varig's restructuring) and its own international growth. In late September Gol is launching service to Santiago (Chile) - its seventh international destination - and Lima (Peru), for which it recently received authorisation, is likely to follow in the near future.

Interestingly, Chile's LAN, one of Latin America's largest airlines, reportedly stated recently that it has no plans to move into Mexico; rather, it will focus on growing in Peru, Ecuador and Argentina. AvNews reported in early September that LAN is planning to launch its own LCC by year-end; while no details were available, those plans were believed to be in response to Gol's Chile expansion.

Aladia

Another prospective new entrant in Mexico, Aladia, is looking to focus on the charter market, though the airline has not specified a start-up date after missing its original target of July 2006.

A group of mostly Mexican investors, including investment funds and financial firms and led by lawyer Alberto Morales, is planning to invest $50m over three years in a new Monterrey-based tour company with its own charter carrier that operates 757-200s. Aladia will not be an LCC but it expects to operate at very low costs.

The airline plans to initially operate domestic services, linking the large population centres of Mexico City, Monterrey and Guadalajara with the tourist destinations of Cancun, Puerto Vallarta and Los Cabos. The next stage would be Mexico-Caribbean flights, and after that there would be charters to North and South America. Aladia expects to have a fleet of three 757-200s by the end of its first year of operation and 5-7 aircraft within three years.

By Heini Nuutinen

		Group revenue US$m	Group costs US$m	Group op. profit US$m	Group net profit US$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group employees
Alaska	Jan-Mar 05	643	723	-81	-80	-12.6%	-12.4%	8,642	6,271	72.6%	3,851	9,219
	Apr-Jun 05	756	747	9	17	1.2%	2.2%	8,920	6,947	77.9%	4,232	9,144
	Jul-Sep 05	689	609	80	82	11.6%	11.9%	9,369	7,399	79.0%	4,632	8,961
	Year 2005	**2,975**	**2,983**	**-8**	**-6**	**-0.3%**	**-0.2%**	**35,875**	**27,221**	**75.9%**	**16,759**	**9,065**
	Jan-Mar 06	735	861	126	-80	17.1%	-10.9%	8,914	6,566	73.7%	3,905	8,988
American	Jan-Mar 05	4,750	4,727	23	-162	0.5%	-3.4%	68,965	52,024	75.4%		88,500
	Apr-Jun 05	5,309	5,080	229	58	4.3%	1.1%	72,447	57,605	79.5%		88,500
	Jul-Sep 05	5,485	5,446	39	-153	0.7%	-2.8%	73,405	59,584	81.2%		88,500
	Year 2005	**20,657**	**21,008**	**-351**	**-892**	**-1.7%**	**-4.3%**	**283,417**	**222,685**	**78.6%**	**98,040**	**87,200**
	Jan-Mar 06	5,344	5,229	115	-92	2.2%	-1.7%	68,801	53,131	77.2%		86,600
	Apr-Jun 06	5,975	5,499	476	291	8.0%	4.9%	71,774	59,314	82.6%		86,500
America West	Jan-Mar 05	723	673	50	34	6.9%	4.7%	11,749	9,126	77.7%	5,172	11,869
	Apr-Jun 05	833	803	30	14	3.6%	1.7%	12,480	10,277	82.3%	5,752	12,200
	Jul-Sep 05	846	904	-58	-71	-6.9%	-8.4%	12,673	10,192	80.4%	5,802	12,179
	Year 2005	**3,254**	**3,374**	**-120**	**-195**	**-3.7%**	**-6.0%**	**49,088**	**39,042**	**79.5%**	**22,130**	**12,100**
	Jan-Mar 06	859	776	83	58	9.7%	6.8%	13,463	10,472	77.8%	6,730	12,828
	Apr-Jun 06	981	920	61	68	6.2%	6.9%	14,144	11,589	81.9%	7,377	12,766
Continental	Jan-Mar 05	2,505	2,676	-171	-184	-6.8%	-7.3%	37,955	29,148	76.8%	14,122	
	Apr-Jun 05	2,857	2,738	119	100	4.2%	3.5%	36,138	29,041	80.4%	11,465	
	Jul-Sep 05	3,001	2,892	109	61	3.6%	2.0%	37,450	31,185	81.7%	11,642	
	Year 2005	**11,208**	**11,247**	**-39**	**-68**	**-0.3%**	**-0.6%**	**163,537**	**129,064**	**78.9%**	**61,015**	**42200**
	Jan-Mar 06	2,947	2,936	11	-66	0.4%	-2.2%	37,070	28,996	78.2%	11,486	
	Apr-Jun 06	3,507	3,263	244	198	7.0%	5.6%	45,477	37,605	82.7%	17,596	
Delta	Jan-Mar 05	3,647	4,604	-957	-1,071	-26.2%	-29.4%	60,955	45,344	74.4%	29,230	66,500
	Apr-Jun 05	4,185	4,314	-120	-382	-2.9%	-9.1%	65,136	50,957	78.2%	31,582	65,300
	Jul-Sep 05	4,216	4,456	-240	-1,130	-5.7%	-26.8%	66,054	52,323	79.2%	30,870	58,000
	Year 2005	**16,191**	**18,192**	**-2,001**	**-3,818**	**-12.4%**	**-23.6%**	**252,327**	**193,042**	**76.5%**	**118,853**	
	Jan-Mar 06	3,719	4,204	-485	-2,069	-13.0%	-55.6%	55,685	42,460	76.3%	25,531	53,735
Northwest	Jan-Mar 05	2,798	3,090	-292	-450	-10.4%	-16.1%	36,636	29,238	79.8%	13,502	39,105
	Apr-Jun 05	3,195	3,375	-180	-217	-5.6%	-6.8%	38,256	32,218	84.2%	15,145	38,348
	Jul-Sep 05	3,378	3,545	-167	-469	-4.9%	-13.9%	38,881	32,889	84.6%	14,984	33,755
	Year 2005	**12,286**	**13,205**	**-919**	**-2,533**	**-7.5%**	**-20.6%**	**147,694**	**122,017**	**82.6%**	**56,470**	**32,460**
	Jan-Mar 06	2,890	2,905	-15	-1,104	-0.5%	-38.2%	35,757	29,432	82.3%	15,700	31,318
Southwest	Jan-Mar 05	1,663	1,557	106	76	6.4%	4.6%	32,559	21,304	65.4%	17,474	30,974
	Apr-Jun 05	1,944	1,667	277	159	14.2%	8.2%	34,341	24,912	72.5%	20,098	31,366
	Jul-Sep 05	1,989	1,716	273	227	13.7%	11.4%	35,170	26,336	74.9%	20,638	31,382
	Year 2005	**7,584**	**6,764**	**820**	**548**	**10.8%**	**7.2%**	**137,069**	**96,917**	**70.7%**	**77,693**	**31,729**
	Jan-Mar 06	2,019	1,921	98	61	4.9%	3.0%	35,532	24,591	69.2%	19,199	31,396
	Apr-Jun 06	2,449	2,047	402	333	16.4%	13.6%	36,827	28,716	78.0%	21,999	31,734
United	Jan-Mar 05	**3,915**	4,165	-250	-1,070	-6.4%	-27.3%	55,133	43,103	78.2%	15,667	56,300
	Apr-Jun 05	4,423	4,375	48	-1,430	1.1%	-32.3%	56,538	47,156	83.4%	17,150	55,600
	Jul-Sep 05	4,655	4,490	165	-1,172	3.5%	-25.2%	58,123	48,771	83.9%	17,448	54,600
	Year 2005	**17,379**	**17,598**	**-219**	**-21,176**	**-1.3%**	**-121.8%**	**225,785**	**183,898**	**81.4%**	**67,000**	
	Jan-Mar 06***	4,465	4,636	-171	22,628	-3.8%	506.8%	61,511	48,739	79.2%	16,267	53,600
	Apr-Jun 06	5,113	4,853	260	119	5.1%	2.3%	64,499	54,541	84.6%	18,228	53,500
US Airways	Jan-Mar 05	1,628	1,829	-201	-191	-12.3%	-11.7%	24,976	17,779	71.2%	14,068	23,696
	Apr-Jun 05	1,945	1,904	41	-62	2.1%	-3.2%	26,547	20,165	76.0%	15,826	21,396
	Jul-Sep 05	926	997	-71	-87	-7.7%	-9.4%	21,281	16,503	77.5%	10,109	
	Year 2005**	**7,212**	**7,425**	**-213**	**160**	**-3.0%**	**2.2%**	**82,908**	**62,594**	**75.5%**	**39,977**	**21,486**
	Jan-Mar 06	2,648	2,523	125	65	4.7%	2.5%	35,226	26,372	74.9%	13,591	
	Apr-Jun 06	3,191	2,849	342	305	10.7%	9.6%	37,666	30,683	81.5%		
JetBlue	Jan-Mar 05	374	349	26	7	7.0%	1.9%	8,318	7,136	85.8%	3,400	6,797
	Apr-Jun 05	430	390	39	12	9.1%	2.8%	9,408	8,247	87.7%	3,695	7,284
	Jul-Sep 05	453	439	14	3	3.1%	0.7%	10,190	8,825	86.6%	3,782	7,452
	Year 2005	**1,701**	**1,653**	**48**	**-20**	**2.8%**	**-1.2%**	**38,145**	**32,508**	**85.2%**	**14,729**	**8,326**
	Jan-Mar 06	490	515	-25	-32	-5.1%	-6.5%	10,584	8,909	84.2%	4,335	9,039
	Apr-Jun 06	612	565	47	14	7.7%	2.3%	11,590	9,533	82.2%	4,525	9,377

** = Predecessor company, 9 months to 30/09/05; Successor company, 3 months to 31/12/05

*** = Including reorganisation items - net loss of $311m without

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation. 1 ASM = 1.6093 ASK. All US airline Financial Year Ends are 31/12.

		Group revenue US$m	Group costs US$m	Group op. profit US$m	Group net profit US$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group employees
Air France/	Apr-Jun 04	5,394	5,205	189	115	3.5%	2.1%	48,944	38,025	77.7%		
KLM Group	Jul-Sep 04	6,328	5,964	364	248	5.8%	3.9%	57,668	46,767	81.1%		
YE 31/03	Oct-Dec 04	6,628	5,745	883	83	13.3%	1.3%	54,144	42,042	77.6%	15,934	
	Year 2004/05	**24,641**	**21,744**	**641**	**453**	**2.6%**	**1.8%**	**214,606**	**168,998**	**78.7%**	**64,075**	**102,077**
	Apr-Jun 05	6,257	5,982	275	135	4.4%	2.2%	57,936	46,041	79.5%	17,948	101,886
	Jul-Sep 05	6,790	6,154	636	864	9.4%	12.7%	60,472	50,961	84.2%	18,705	
	Oct-Dec 05	6,430	6,205	225	91	3.5%	1.4%	58,266	46,644	80.0%	17,120	102,291
	Year 2005/06	**25,901**	**24,771**	**1,136**	**1108**	**4.4%**	**4.3%**	**234,669**	**189,253**	**80.6%**	**70,020**	**102,422**
BA	Jul-Sep 04	3,645	3,213	432	221	11.9%	6.1%	36,639	28,749	78.5%	9,822	46,179
YE 31/03	Oct-Dec 04	3,801	3,589	212	94	5.6%	2.5%	35,723	25,999	72.8%	8,428	45,888
	Jan-Mar 05	3,549	3,474	96	17	2.7%	0.5%	35,677	26,062	73.0%	8,178	45,914
	Year 2004/05	**14,681**	**13,666**	**1,015**	**472**	**6.9%**	**3.2%**	**144,189**	**107,892**	**74.8%**	**35,717**	**46,065**
	Apr-Jun 05	3,716	3,398	318	162	8.6%	4.4%	36,706	27,768	75.6%	9,177	46,079
	Jul-Sep 05	3,887	3,427	460	301	11.8%	7.7%	37,452	29,812	79.6%	9,767	46,144
	Oct-Dec 05	3,664	3,362	301	212	8.2%	5.8%	37,119	27,499	74.1%	8,530	45,624
	Jan-Mar 06	3,692	3,530	162	144	4.4%	3.9%	36,657	26,780	73.1%	8,160	45,171
	Year 2005/06	**14,813**	**13,588**	**1,227**	**812**	**8.3%**	**5.5%**	**147,934**	**111,859**	**75.6%**	**35,634**	**47,012**
Iberia	Apr-Jun 04	1,461	1,371	90	95	6.2%	6.5%	14,743	11,106	75.3%	6,913	
YE 31/12	Jul-Sep 04	1,593	1,452	141	110	8.9%	6.9%	16,053	12,699	79.1%	7,314	25,839
	Oct-Dec 04	1,660	1,605	55	74	3.3%	4.5%	15,700	11,398	72.6%	6,329	24,783
	Year 2004	**5,895**	**5,663**	**232**	**230**	**3.9%**	**3.9%**	**61,058**	**45,924**	**75.2%**	**26,692**	**24,993**
	Jan-Mar 05	1,531	1,571	-40	-21	-2.6%	-1.4%	15,261	11,421	74.8%	6,181	24,044
	Apr-Jun 05	1,466	1,392	74	54	5.0%	3.7%	15,843	11,939	75.4%	7,242	24,435
	Jul-Sep 05	1,439	1,368	71	53	4.9%	3.7%	16,659	13,619	81.8%	7,656	25,069
	Oct-Dec 05	1,451	1,504	-53	-7	-3.7%	-0.5%	15,864	12,082	76.2%	6,596	23,845
	Year 2005	**5,808**	**5,712**	**96**	**608**	**1.7%**	**10.5%**	**63,628**	**49,060**	**77.1%**	**27,675**	**24,160**
	Jan-Mar 06	1,457	1,536	-79	-54	-5.4%	-3.7%	15,689	11,876	75.7%	6,300	23,772
	Apr-Jun 06	1,816	1,753	63	44	3.5%	2.4%	16,809	13,420	79.8%	7,461	24,109
Lufthansa	Apr-Jun 04	5,269	5,045	224	-28	4.3%	-0.5%	36,440	26,959	74.0%	13,336	
YE 31/12	Jul-Sep 04	5,511	5,164	347	154	6.3%	2.8%	38,115	28,883	75.8%	14,053	
	Year 2004	**25,655**	**24,285**	**1370**	**551**	**5.3%**	**2.1%**	**140,648**	**104,064**	**74.0%**	**50,300**	**34,700**
	Jan-Mar 05	5,041	5,079	-38	-150	-0.8%	-3.0%	32,477	23,793	73.3%	11,190	
	Apr-Jun 05	5,487	5,138	349	140	6.4%	2.6%	37,700	28,178	74.7%	13,583	
	Jul-Sep 05	5,798	5,411	387	501	6.7%	8.6%	38,967	30,466	78.2%	14,203	
	Year 2005	**21,397**	**20,545**	**852**	**725**	**4.0%**	**3.4%**	**144,182**	**108,185**	**75.0%**	**51,260**	**37,042**
	Jan-Mar 06	5,369	5,460	-91	-118	-1.7%	-2.2%	33,494	24,044	71.8%	11,442	
	Apr-Jun 06	6,529	6,203	326	142	5.0%	2.2%	37,797	28,603	75.7%	14,106	
SAS	Jul-Sep 04	2,099	1,860	239	9	11.4%	0.4%	13,557	9,198	67.8%	8,591	
YE 31/12	Oct-Dec 04	2,271	2,293	-22	-96	-1.0%	-4.2%	12,667	7,649	60.4%	7,645	32,600
	Year 2004	**8,830**	**8,967**	**-137**	**-283**	**-1.6%**	**-3.2%**	**43,077**	**28,576**	**64.0%**	**32,354**	**32,481**
	Jan-Mar 05	1,842	1,990	-148	-137	-8.0%	-7.4%	12,465	7,342	58.9%	7,299	31,797
	Apr-Jun 05	2,046	1,925	121	64	5.9%	3.1%	13,810	9,259	67.0%	9,357	32,285
	Jul-Sep 05	2,140	2,036	104	68	4.9%	3.2%	13,599	9,838	72.3%	9,325	
	Oct-Dec 05	2,050	1,966	84	25	4.1%	1.2%	12,880	8,646	67.1%	8,945	
	Year 2005	**7,789**	**7,717**	**173**	**32**	**2.2%**	**0.4%**	**38,454**	**26,487**	**68.9%**	**23,799**	**32,363**
	Jan-Mar 06	1,078	1,064	-150	-137	-13.9%	-12.7%	12,275	8,179	66.6%	8,532	31,528
Ryanair	Apr-Jun 04	366	288	78	64	21.3%	17.5%			83.0%	6,600	2,444
YE 31/03	Jul-Sep 04	516	305	211	181	40.9%	35.1%			90.0%	7,400	2,531
	Oct-Dec 04	402	335	68	47	16.9%	11.7%			84.0%	6,900	2,671
	Year 2004/05	**1,727**	**1,301**	**426**	**345**	**24.7%**	**20.0%**	**36,611**	**31,205**	**84.0%**	**27,593**	
	Apr-Jun 05	488	392	96	84	19.7%	17.2%			83.4%	8,500	2,764
	Jul-Sep 05	652	409	244	208	37.4%	31.9%				9,500	2,987
	Oct-Dec 05	439	381	58	44	13.2%	10.0%			83.0%	8,600	2,963
	Year 2005/06	**2,045**	**1,598**	**447**	**371**	**21.9%**	**18.1%**			**83.0%**	**34,768**	**3,063**
	Apr-Jun 06	711	539	172	146	24.2%	20.5%				10,700	
easyJet	**Year 2002/03**	**1,553**	**1,472**	**81**	**54**	**5.2%**	**3.5%**	**21,024**	**17,735**	**84.1%**	**20,300**	**3,372**
YE 31/03	Oct-Mar 04	803	861	-58	-36	-7.2%	-4.5%	10,991	9,175	83.3%	10,800	
	Year 2003/04	**1,963**	**1,871**	**92**	**74**	**4.7%**	**3.8%**	**25,448**	**21,566**	**84.5%**	**24,300**	**3,727**
	Oct-Mar 05	1,039	1,116	-77	-41	-7.4%	-3.9%	14,526	12,150	83.8%	13,500	
	Year 2004/05	**2,364**	**2,278**	**86**	**76**	**3.6%**	**3.2%**	**32,141**	**27,448**	**85.2%**	**29,600**	**4,152**
	Oct-Mar 06	1,095	1,177	-82	-50	-7.5%	-4.6%	16,672	13,642	81.8%	14,900	

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation.

		Group revenue US$m	Group costs US$m	Group op. profit US$m	Group net profit US$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group employees
ANA												
YE 31/03	Year 2002/03	10,116	10,137	-22	-235	-0.2%	-2.3%	88,539	59,107	66.7%	50,916	28,907
	Year 2003/04	11,529	11,204	325	234	2.8%	2.0%	87,772	55,807	63.6%	44,800	28,870
	Year 2004/05	12,024	11,301	723	251	6.0%	2.1%	85,838	55,807	65.0%		29,098
Cathay Pacific	Year 2003	3,810	3,523	287	168	7.5%	4.4%	59,280	42,774	72.2%	12,322	14,673
YE 31/12	Jan-Jun 04	2,331	2,046	285	233	12.2%	10.0%	35,250		76.1%	6,404	
	Year 2004	5,024	4,350	674	581	13.4%	11.6%	74,062	57,283	77.3%	13,664	15,054
	Jan-Jun 05	3,074	2,799	275	225	8.9%	7.3%	39,535		78.1%	7,333	15,400
	Year 2005	6,548	6,015	533	424	8.1%	6.5%	82,766	65,110	78.7%	15,440	15,447
JAL												
YE 31/03	Year 2002/03	17,387	17,298	88	97	0.5%	0.6%	145,944	99,190	68.0%	56,022	
	Year 2003/04	18,398	19,042	-644	-844	-3.5%	-4.6%	145,900	93,847	64.3%	58,241	
	Year 2004/05	19,905	19,381	524	281	2.6%	1.4%		102,354	67.4%	59,448	
Korean Air												
YE 31/12	Year 2003	5,172	4,911	261	-202	5.0%	-3.9%	59,074	40,507	68.6%	21,811	15,352
	Year 2004	6,332	5,994	338	414	5.3%	6.5%	64,533	45,879	71.1%	21,280	14,994
	Year 2005	7,439	7,016	423	198	5.7%	2.7%	66,658	49,046	71.4%	21,710	
Malaysian												
YE 31/03	Year 2002/03	2,350	2,343	7	89	0.3%	3.8%	54,266	37,653	69.4%		21,916
	Year 2003/04	2,308	2,258	50	121	2.2%	5.2%	55,692	37,659	67.6%	15,375	20,789
	Year 2004/05	2,882	2,798	84	86	2.9%	3.0%	64,115	44,226	69.0%	17,536	22,513
Qantas												
YE 30/06	Year 2001/02	6,133	5,785	348	232	5.7%	3.8%	95,944	75,134	78.3%	27,128	33,044
	Jul-Dec 02	3,429	3,126	303	200	8.8%	5.8%	50,948	40,743	80.0%	15,161	34,770
	Year 2002/03	7,588	7,217	335	231	4.4%	3.0%	99,509	77,225	77.6%	28,884	34,872
	Jul-Dec 03	4,348	3,898	450	269	10.3%	6.2%	50,685	40,419	79.7%	15,107	33,552
	Year 2003/04	7,838	7,079	759	448	9.7%	5.7%	104,200	81,276	78.0%	30,076	33,862
	Jul-Dec 04	5,017	4,493	524	358	10.4%	7.1%	57,402	43,907	76.5%	16,548	35,310
	Year 2004/05	9,524	8,679	845	575	8.9%	6.0%	114,003	86,986	76.3%	32,660	
	Jul-Dec 05	4,999	4,626	373	258	7.5%	5.2%	59,074	45,794	77.5%	17,260	35,158
Singapore												
YE 31/03	Year 2003/04	5,732	5,332	400	525	7.0%	9.2%	88,253	64,685	73.3%	13,278	14,010
	Year 2004/05	7,276	6,455	821	841	11.3%	11.6%	104,662	77,594	74.1%	15,944	13,572
	Year 2005/06	6,201	5,809	392	449	6.3%	7.2%	109,484	82,742	75.6%	17,000	13729

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation. 1 ASM = 1.6093 ASK

AIRCRAFT AVAILABLE FOR SALE OR LEASE - MONTH END

	Old narrowbodies	Old widebodies	Total old	New narrowbodies	New widebodies	Total new	Total
Dec-2000	302	172	474	160	42	202	676
Dec-2001	368	188	556	291	101	392	948
Dec-2002	366	144	510	273	102	375	885
Dec-2003	275	117	392	274	131	405	797
Dec-2004	185	56	241	194	48	242	483
Dec-2005	145	51	196	258	45	303	499
Apr-06	200	62	262	237	45	282	544

AIRCRAFT SOLD OR LEASED

	Old narrowbodies	Old widebodies	Total old	New narrowbodies	New widebodies	Total new	Total
2000	475	205	680	895	223	1,118	1,798
2001	286	142	428	1,055	198	1,253	1,681
2002	439	213	652	1,205	246	1,451	2,103
2003	408	94	502	1,119	212	1,331	1,833
2004	321	177	498	1,815	325	2,140	2,638
2005	321	114	435	1,653	346	1,999	2,434
Apr-06	18	7	25	151	29	180	205

Source: *BACK* **Notes:** *As at end year; Old narrowbodies = 707, DC8, DC9, 727,737-100/200, F28, BAC 1-11, Caravelle; Old widebodies = L1011, DC10, 747-100/200, A300B4; New narrow-bodies = 737-300+, 757. A320 types, BAe 146, F100, RJ; New widebodies = 747-300+, 767, 777. A600, A310, A330, A340.*

EUROPEAN SCHEDULED TRAFFIC

	Intra-Europe			North Atlantic			Europe-Far East			Total long-haul			Total Int'l		
	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %
1998	188.3	120.3	63.9	194.2	149.7	77.1	135.4	100.6	74.3	453.6	344.2	75.9	673.2	484.8	72
1999	200.0	124.9	62.5	218.9	166.5	76.1	134.5	103.1	76.7	492.3	371.0	75.4	727.2	519.5	71.4
2000	208.2	132.8	63.8	229.9	179.4	78.1	137.8	108.0	78.3	508.9	396.5	77.9	755.0	555.2	73.5
2001	212.9	133.4	62.7	217.6	161.3	74.1	131.7	100.9	76.6	492.2	372.6	75.7	743.3	530.5	71.4
2002	197.2	129.3	65.6	181.0	144.4	79.8	129.1	104.4	80.9	447.8	355.1	79.3	679.2	507.7	74.7
2003	210.7	136.7	64.9	215.0	171.3	79.7	131.7	101.2	76.8	497.2	390.8	78.6	742.6	551.3	74.2
2004	220.6	144.2	65.4	224.0	182.9	81.6	153.6	119.9	78.0	535.2	428.7	80.1	795.7	600.7	75.5
2005	309.3	207.7	67.2	225.9	186.6	82.6	168.6	134.4	79.7	562.6	456.4	81.1	830.8	639.3	76.9
July-06	28.6	21.8	76.0	22.2	19.2	86.5	15.7	13.2	84.1	52.7	45.0	85.4	78.3	64.5	82.4
Ann. change	2.6%	5.3%	2.0	2.8%	1.3%	-1.4	7.0%	7.8%	0.6	3.8%	3.8%	0.0	4.3%	4.5%	0.2
Jan-July 06	185.2	126.6	68.4	132.6	109.2	82.3	105.3	85.2	80.0	338.4	275.0	81.3	501.2	387.2	77.3
Ann. Change	2.9%	5.7%	1.8	1.0%	0.7%	-0.3	10.0%	11.7%	1.3	4.5%	5.3%	0.6	4.5%	5.7%	0.9

Source: AEA

US MAJORS' SCHEDULED TRAFFIC

	Domestic			North Atlantic			Pacific			Latin America			Total Int'l		
	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %
1998	960.8	678.8	70.7	150.5	117.8	78.3	112.7	82.5	73.2	83.5	52.4	62.8	346.7	252.7	72.9
1999	1,007.3	707.5	70.2	164.2	128.2	78.1	113.2	84.7	74.8	81.3	54.3	66.8	358.7	267.2	74.5
2000	1,033.5	740.1	71.6	178.9	141.4	79.0	127.7	97.7	76.5	83.0	57.6	69.4	380.9	289.9	76.1
2001	1,025.4	712.2	69.5	173.7	128.8	74.2	120.1	88.0	73.3	83.4	56.9	68.2	377.2	273.7	72.6
2002	990.0	701.6	70.9	159.0	125.7	67.2	103.0	83.0	80.5	84.1	56.8	67.5	346.1	265.5	76.7
2003	963.1	706.6	73.4	148.3	117.6	79.3	94.8	74.0	80.5	84.2	59.3	70.5	327.2	251.0	76.7
2004	1,014.5	763.6	75.3	164.2	134.4	81.8	105.1	87.6	83.4	96.4	68.0	70.5	365.6	289.8	79.3
2005	1,004.4	783.7	78.0	174.6	143.3	82.1	116.8	96.0	82.2	105.0	76.6	72.9	396.4	315.9	79.7
Aug 06	86.8	71.1	81.9	18.3	15.0	82.2	10.3	8.8	85.9	9.3	7.4	79.0	37.9	31.3	82.4
Ann change	-2.5%	-2.2%	0.2	13.7%	10.7%	-2.3	-0.6%	0.5%	0.9	3.5%	5.8%	1.7	7.0%	6.4%	-0.4
Jan-Aug 06	657.9	533.4	81.1	126.1	103.0	81.7	78.8	66.2	84.0	74.1	57.2	77.1	278.9	226.4	81.1
Ann change	-3.4%	-0.7%	2.2	8.2%	6.6%	-1.3	1.1%	2.3%	1.0	2.3%	6.1%	2.8	4.5%	5.2%	0.5

Note: US Majors = Aloha, Alaska, American, Am. West, American Transair, Continental, Cont. Micronesia, Delta, Hawaiian JetBlue, MidWest Express, Northwest,Southwest, United and US Airways **Source**: ATA

JET ORDERS

	Date	Buyer	Order	Delivery	Other information/engines
Boeing	14 Aug	SpiceJet	5 x 737-800, 5 x 737-900ER		converted options
	18 Aug	Monarch A/L	6 x 787-8	2010 onwards	plus 4 purchase rights
	28 Aug	Air Sahara	10 x 737-800	2009 onwards	
	12 Sept	Atlas Air	12 x 747-8F	2010/11	
Airbus	1 Aug	ILFC	3 x A330-200		
	11 Aug	Air Mauritius	1 x A330-200		
	24 Aug	US Airways	7 x A321-200		
	25 Aug	CIT	5 x A319, 5 x A330-200		
Embraer	17 Sept	EgyptAir Express	6 x E170	04/2007 onwards	plus 6 options
Bombardier	25 Sept	My Way	19 x CRJ900		

Note: Only firm orders from identifiable airlines/lessors are included. *Source: Manufacturers*

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