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Optimistic noises from Geneva

Optimism is back in the air for the global aviation industry, according to the 24th annual Geneva conference on Aircraft Finance and Commercial and Business Aviation, which took place in March.

Although attendance at the conference was relatively low (as to be expected in this weak economic environment), the mood of the gathered luminaries was slightly more optimistic than last year (see *Aviation Strategy,* March 2009), when the industry was in the depths of the financial crisis. Although the continuing problems of debt funding and credit gap were at the top of many people's minds, the manufacturers naturally retained their usual optimism, and - most interestingly - the now usual poll of audience views revealed some interesting results.

The poll came midway through the event, after the prime forecast presentations on the global economic outlook (from Douglas McWilliams of the Centre for Economics & Business Research) and the outlook for the airline industry (from Brian Pearce of IATA) – but before Avitas's Adam Pilarski's habitually irreverent view from the other side of the pond.

Goodbye to the downturn

The main conclusions from McWilliams' macro-economic presentation were that the world downturn is over. While the initial trampoline bounce-back had been quite rapid, this is coming to an end, but in the short-term the US economy is expected to be much stronger than Europe, with a much faster investment recovery - though this may slow after 2012. Overall Western world growth is likely to be modest for 3-5 years because of *(continued on page 2)*

CONTENTS

Analysis

Optimism in Geneva 1-4

Book review: Flying Off Course – Airline Economics and Marketing 4

Preserve the core value, dump the legacy – the Olympic privatisation 5-7

Briefing

Flybe ready to expand in continental Europe? 8-11

AMR: Capitalising on alliances, navigating labour challenges 12-17

Management

Strike action: A longer-term perspective 18-21

Databases 22-23

Airline traffic and financials

Regional trends

Orders

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the need for fiscal retrenchment and bankers' (and borrowers') caution (although McWilliams pointed out that the impact of the quantitative easing is unlikely to be inflationary).

The movement from West to East has also been accelerated – the Eastern world is recovering at nearly the rate of growth pre-2009, and China is now expected to resume its historic position as the world's largest economy by 2020. The message was to not just think of China and India – the emerging markets include Latin America, the Middle East and Africa.

Within the Western economies McWilliams expects the Euro to fall against the Dollar towards parity (and doesn't expect the Euro to survive in the long run), while assuming low inflation and low interest rates as the world savings glut (and low consumer spending) continues.

Two-speed recovery

IATA's Brian Pearce also highlighted the effect of the two-speed recovery on the fortunes of the aviation industry, showing that industrial production in developing countries has almost returned to pre-crisis levels – while that of the developed world was still some 15% below the peak.

This view drives the assumptions of IATA's forecasts: traffic has rebounded (particularly freight as a coincident economic indicator) and with a significant cutback in airline capacity (mainly seen in lower aircraft utilisation), both passenger and freight load factors have rebounded.

However, revenues remain well down (having fallen by an estimated and unprecedented 15% in 2009), primarily as a result of a 35% slump in premium class revenues from the peak. Forecasting the industry's global profitability is notoriously difficult; this time last year IATA had been estimating a US$1bn operating profit for 2008 and a $4bn profit for 2009. In the end 2008 produced an operating loss of $9bn, and at the turn of the year IATA was estimating a similar loss for 2009.

GENEVA FORUM POLL

How did you travel to Geneva this year (test question)

By legacy airline in first/business class	**53%**
Uncomfortably squashed in the back of the plane or on an LCC	**35%**
On a bus, by car or on foot	**11%**

What shape is this recovery really going to turn out as?

U or V	**55%**
Double-dip	**36%**
Dead-cat bounce	**9%**

Given recent cuts in thin long-haul routes and relative strength of the major hubs, who is winning the segmentation argument between the 787 and A380?

Boeing	**24%**
Airbus	**16%**
Neither – it is temporary	**60%**

Oil production in decline, pressures of the environment lobby, threats of emissions trading schemes and an era of permanently high oil prices mean:

Dramatic technological advances are an urgent necessity	**28%**
The airlines will have to raise fares to make air travel elitist again	**11%**
Industry consolidation will accelerate towards those who have and those who can afford new technology	**61%**

When the 747 was introduced in the 70s it was the largest passenger aircraft, had lots of space, was fitted with bars & lounges and carried 250 pax. There are now 747s flying with capacity of 580 seats. When will the A380 be operated at its single class design capacity of 853 seats?

By 2015	**39%**
By 2020	**24%**
By 2025	**6%**
I hate to think it will	**31%**

Is it sensible or desirable for the manufacturers to increase production when we have lost two years' growth?

Yes	**20%**
No	**80%**

This estimate of global losses for last year has now been slashed to near break-even, and IATA has upped its forecast for industry operating profits in 2010 to $8bn (from $4bn), while still expecting a net loss. However, based on the two-speed recovery it expects both US and the European carriers to continue to generate significant net losses – mitigated by reasonable levels of profitability in Asia and Latin America – while pointing out that

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the significant number of new aircraft to be delivered over the next two years combined with the slack inherent in the lower utilisation of widebody aircraft in particular may make the forecast recovery precarious.

Notably the IATA forecasts now show revenues rising this year by nearly 9% - which would be only 8% below the peak achieved in 2008.

In the tables left and right we show the 12 questions posed to the audience in the polling session along with their responses. The response rate was fairly good, with on average more than two-thirds of the audience pushing their voting buttons (better than many general elections!) - but as usual there appeared to be some inconsistencies.

Recession shape

More than half of respondents believe that the shape of the recession will turn out to have been V-shaped, suggesting that the world will bounce back to the status quo ante – and yet 40% believe that industry revenues will not return to pre-crisis levels until after 2012 (two years later than the responses last year on being asked the same question – suggesting even greater pessimism). More than half stated they flew to Geneva in a premium class – and 90% believed that intra-European business class would die out.

60% of the delegates thought that the likelihood of continuing high oil prices would accelerate industry consolidation (but a sizeable 40% later believed that industry consolidation is a zero-sum game), while the technological advances necessary to remove dependency on fossil fuels received support from less than a third – but that was before an excellent presentation by pioneer Bertrand Picard on the sun-powered Solar Impulse project.

Despite the usual strong presentations by the main manufacturers it was apparent that a large majority believed that for them to increase production in the current environment was far from sensible – although intriguingly a sizeable fifth of respondents believed that the next generation of industry workhorses would come from left field and be built in China (unfortunately the Canadian option had been left out of the question), perhaps signalling a desire to see the duopoly broken.

As for the shape of the airline profitability cycle, it was apparent that the assembly believed that the industry is in for a long hard trudge along the road to

GENEVA FORUM POLL

In which country will the next successful generation of 150-seat jets be produced?

US	37%
China	22%
France	40%
Russia	2%

Long-haul premium traffic has slumped dramatically in this recession and:

This is a temporary phenomenon and will recover to previous levels	38%
It will recover but to a lower level than previous peaks	58%
It is a permanent paradigm shift	4%

Short-haul premium traffic – particularly in Europe – had been in decline even before the recession hit. Is this permanent and will it disappear completely?

Yes, because there is no perceived product difference	41%
Yes, because the LCCs provide a good and much cheaper alternative on a short sector flight	25%
Yes, because I/my company will continue to cut back on travel budgets	25%
No/don't care	8%

BA, Iberia and American seem likely at long last to get ATI and be able to operate a joint venture with immunity. All three alliances will then have a level playing field on the Atlantic. Industry consolidation ...

Is good because it cuts out competition and will allow airlines to make profits	43%
Is good because it provides additional benefits to the travelling public	17%
Is a zero-sum game	41%

When will industry revenues recover to pre-crisis levels?

2010	1%
2011	26%
2012	35%
Later	37%

When will be the peak of the next airline profit cycle?

By 2015	34%
2016-2019	60%
After 2020	6%

recovery, but that this cycle may be no different from past history – with 60% expecting the next peak of profitability between 2016 and 2019; giving perhaps once again a 10 year cycle.

If there is any conclusion to be made from this year's poll it may only be that the audience was made up equally of optimists and pessimists with a healthy dose of scep-tics: but at least the fear and despondency apparent in last year's forum during the depths of the recession may have given way a little to an anticipation of a return to good times.

By James Halstead

Book review: Flying Off Course – Airline Economics and Marketing

Professor Doganis has produced the fourth edition of his classic book on airline economics. The theme of this book is that for individual airlines, financial success depends on matching supply and demand in a way which is both efficient and profitable.

The problem is that while airline managements have considerable control over the supply - that is, the nature of services they offer - they have relatively little control over the demand for those services. They can influence demand but they cannot control it. It is because of this that the process of matching supply and demand is so dynamic and unstable.

The book focuses initially on how different factors influence airline costs and the degree to which such factors can be controlled or influenced by management. An innovation is an analysis of the low-cost model, explaining how easyJet can produce seat-mile costs 40% or more lower than those of legacy carriers operating on the same routes, while Ryanair's costs may be up to 60% lower.

While the cost gap is closing as the legacies cut their costs and adapt to new realities, the author argues that the well-run low cost carriers will continue to have a 15-25% unit cost advantage over the most efficient network carriers.

The author also examines a much neglected topic in the aviation literature – the charter sector, which still generates 15-20% of intra-European air traffic. The short-haul charter airlines, integrated into inclusive tour companies, have been badly hit both by the growth of LCCs and by the changing travel patterns associated with the internet and the desire for more independent holidays. While the author shows that the charter model can produce lower seat-mile costs, he argues that its survival depends on offering passengers greater flexibility and choice than has been the case in the past.

Turning to air cargo, the global cargo alliances set up by legacy carriers have not really worked according to the author, who argues that to succeed they must launch a common portfolio of products with common brands in all markets; they must integrate their IT systems; they must also develop standard handling processes and harmonised service standards; and they need to integrate their sales teams and marketing efforts.

The second half of the book focuses on airline marketing, that is the demand side of the equation, dealing with product planning and pricing and analysing the impact that LCCs have had on changing traditional airline pricing structures. *A la carte* pricing by airlines such as Aer Lingus and Air Canada is assessed, and the financial results found questionable. It appears that in trying to simplify fares some legacy airlines may have ended up with even more complex fare structures.

The new *"Flying off Course"* is again well written and illustrated with real examples and case studies. Rigas Doganis has again succeeded in giving an insider's lucid view of the economics and marketing of the airline industry.

By Rigas Doganis
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Preserve the core value, dump the legacy – the Olympic privatisation

Europe's most recent airline privatisation, mostly unnoticed, was Olympic Airlines, which was 100% sold by the Greek state to a wholly private entity, Marfin Investment Group (MIG), in October 2009. It was an innovative privatisation.

The successful sale was the fifth attempt by a Greek government, either left-leaning Pasok or rightish New Democracy, to unload the very unprofitable national carrier. Previous efforts failed because unacceptable conditions – maintaining employment, for example – were attached or investors just could not see how to deal with intractable legacy issues: the power of unions and perpetual political interference.

There was also the thorny issue of illegal state aid; Olympic had been investigated on various occasions by the EC and had been ordered to repay €200m of illegal subsidies to the Greek state, which for a company with no net assets and no liquidity would have been the final death blow.

The 2009 privatisation was designed to isolate and monetise the intangible assets of Olympic while getting rid of the liabilities. Potential investors were in effect invited to bid for Olympic's core assets – the brand and slots. They could also buy the other assets - aircraft, other equipment and the IT systems - but there was no obligation. Critically, the investor was not committed to taking on a single Olympic employee, whether they were a manager, a pilot, an engineer, a flight attendant or an accounts clerk. There was no obligation to operate any Olympic route, though the purchaser would have to bid for the PSO (Public Service Obligation) intra-island routes, which was no hardship as the EC-approved subsidies on these services guaranteed an operating profit.

This clean structure was the end product of a complicated process (in which *Aviation Economics* was heavily involved).

First, the process had to be approved by the EC, whose prime concern was that this was another example of financial engineering, with liabilities being lumped into one company and assets left in another, but no real change in the airline. Olympic and Alitalia had tried this tactic previously. In short, the EC made two fundamental demands: after the sale the new airline had to be 100% owned by a private entity, with the government exiting totally, and it had to be a smaller company, reduced in size by at least 35%. The all-important consideration was that the process had to be transparent so that the new airline could not be regarded as a "successor company" to Olympic Airlines (and so still possibly be liable for repayment of the illegal state aid.)

Second, various ministries and advisors engaged in protracted negotiations with the various unions at Olympic in order to define the terms of the "social package" required to soften the blow of a massive lay-off of airline employees. Redundancy settlements were agreed, which would be regarded as generous in the UK or the US, and fall-back jobs were offered to ex-Olympic employees in the Greek civil service. Here, the key consideration was to minimise the TUPE problems. Under EC regulations known as Transfer of Undertakings (Protection of Employment) or TUPE, employees' rights in a company sale, particularly a privatisation, may be protected to the extent that they can claim exactly the same terms and conditions and continuity of employment as they enjoyed under the previous employer. If the owners of the new airline were liable to inherit the old Olympic labour contracts, the sale simply would not have happened. Eliminating TUPE risk was a vital part of the social package deal with the unions.

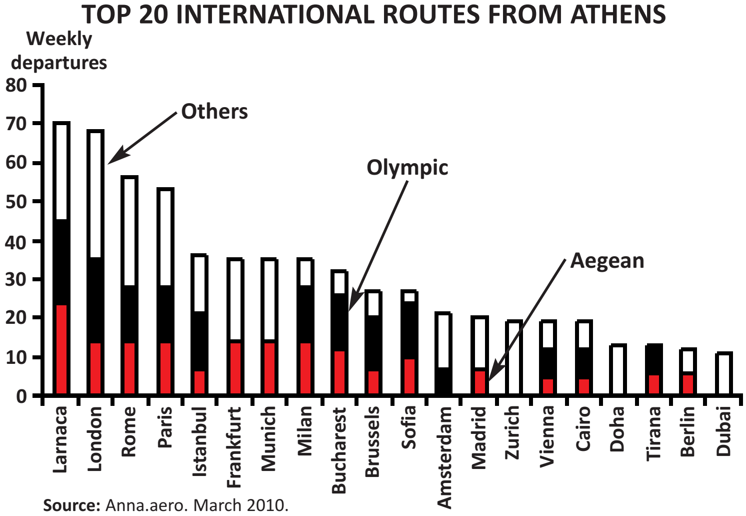
(However, it appears that the relatively new Pasok government, which replaced New Democracy last October, has not been able or willing to fulfil these redundancy terms in full, which is not surprising given the depth of the current Greek economic crisis; ex-Olympic staff have been prominent in the demonstrations that have taken place in Athens.)

Third, a transition vehicle was established – Pantheon Airways – to which the core assets that the investor wanted from the old Olympic were transferred. The investor actually bought Pantheon - which was then renamed Olympic Air - and old Olympic Airlines, with all the unwanted assets, was put into liquidation. Pantheon was set up as a 100% Greek state-owned company and a 51% subsidiary of the flag-carrier, with its own AOC and set of operating manuals. As well as managing the business-planning and transition-planning between the old and new Olympics, Pantheon was also designed so as to be capable of taking over the temporary operation of important Olympic routes to ensure the transfer of slots to the new Olympic Air.

The transaction, which required some careful and patient explanation (and was monitored by EC-appointed lawyers), attracted interest from a dozen potential investors, but in the end Marfin Investment Group (MIG, also known as Made in Greece), possibly nudged by the Greek government, was the successful bidder. MIG is a private investment holding company listed on the Athens stock exchange with €7.8bn of assets invested in a range of sectors including shipping, healthcare, banks, IT and food.

To recap, what MIG actually bought was the Olympic name, its logo (the five interlocked Olympic Games circles plus an extra one) and slots at destination airports (of which two pairs of Heathrow slots accounted for almost all the value). The total price paid by MIG was about €55m, roughly half for the brand, half for the slots. In addition, MIG bought the profitable ground handling company, OA Handling, and OA Engineering, the maintenance base at Athens airport, an unprofitable but excellently equipped facility. This brought the book value of its investment up to €210m.

TOP 20 INTERNATIONAL ROUTES FROM ATHENS



Source: Anna.aero. March 2010.

The liquidation option

Why go through his complex process? Why not simply put Olympic Airlines into liquidation, cease trading and rely on market forces to fill the gap in aviation services? The answer is that almost all European governments find the political cost of killing off their flag carriers to be unacceptable. In Greece's case, Olympic was still strongly associated with the heritage of Aristotle Onassis, who sold his airline to the state in 1974, there was genuine concern about maintaining services to the remoter islands, and then there was intense pressure from the unions and other vested interests. The process enabled the government to realise the core value, which would otherwise have disappeared in a bankruptcy (for example, the Olympic brand realised a substantial sum whereas the Pan Am brand, once the most recognised in the world after Coca Cola, was traded for only a couple of hundred thousand dollars after Pan Am ceased operations). The Greek transition model might well serve as a template for other small European states grappling with flag-carrier privatisation issues.

Although MIG retained the Olympic name, it moved quickly to create a new airline. Adonis Symigdalas, a former and highly-regarded COO of Aegean Airlines, was appointed as CEO. A new fleet was leased and bought in – A320s and Q400s completely replacing the 737-400s and

ATR42/72s that MIG was not interested in and which were parked at Athens El. Venizelos airport, still awaiting disposal by the Greek authorities. The old Olympic Airlines network was cut back, with the loss-making (but previously inviolable) long-haul operation to New York, Toronto/Montreal and Johannesburg dropped completely - this enabled Olympic Air to comply with the EC requirement for a 35% reduction in size (as measured by ASKs) - partly replaced by a codeshare with Delta. Olympic's four A340s were also parked at the airport and are also awaiting disposal by the Greek authorities.

Only a minority of Olympic Air's cockpit, cabin and ground staff were taken on from the old flag carrier, and these were generally junior employees, so there was much less to unlearn. In-flight service standards, on the London-Athens flight at least, improved immensely.

Bad timing

Unfortunately, Olympic Air was launched into a global economic crisis. The Greek economy has been particularly hard hit, and the decision to join the Eurozone, justified by what turned out to be wildly optimistic national accounts, rebounded badly. Locked into the Euro rather than the traditionally weak Drachma, Greece has become a very expensive destination for British visitors, who have comprised the majority of tourists to the country. Tourist arrivals in 2009 fell by 20% compared with the previous year, with Turkey and Egypt benefiting at Greece's expense.

Also, the response of the other privately owned and relatively profitable Greek airline – Aegean Airlines – to Olympic Air was brutal. Aegean did not participate in the privatisation process (until it made a last-minute bid that was deemed to be too late). Aegean's thinking might have been that the privatisation was bound to fail again – a not unreasonable assumption given the history – and that it made more sense just to wait and pick up Olympic's business. Aegean launched a fare war against Olympic Air in the very important domestic market – after taxes fares from Athens to the islands were in effect cut back to one or two Euros.

GREEK FLEETS

	Olympic Air	Aegean Airlines
A319/320/321	17	22 (5)
Q400	9 (5)	
Q100	5	
ATR 42/72	2	2
Avro 100		6
Total	**33 (5)**	**30 (5)**

Note: Orders in brackets.

In March MIG announced that Olympic Air had lost €79.3m in the first six months of operation and the six month start-up cost period. The logical solution, already announced in February, was a merger of Olympic Air and Aegean, with the new entity, which will appear in the first quarter of 2011, carrying the name and logo of Olympic – so another brand reincarnation. The 2011 Olympic Air will be 27% owned by MIG, 27% by the Vassilakis Group, a major conglomerate in Greece and the largest shareholder in Aegean, with the remaining 46% split among minority Aegean shareholders.

Consolidation won't solve the fundamental problems caused by the deteriorating state of the Greek economy but it will moderate competition on international routes. Also, neither Olympic nor Aegean has low costs – they are essentially full service airlines – and there is the possibility that a leading LCC will expand into the Greek market. The prime candidate is easyJet, which flies to Athens from other European bases but has not established a base in Greece, partly because airport charges are so high at El. Venizelos.

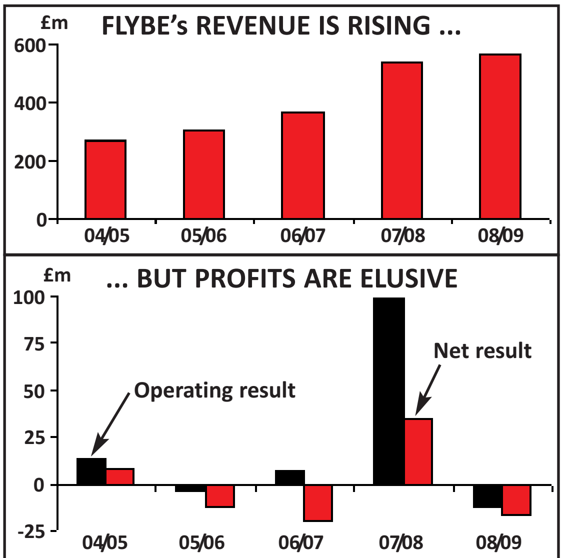
The degree of consolidation in the domestic market is going to cause some concern at the EC Competition Directorate. Olympic and Aegean together have more than 95% of the domestic market, the rest split between Athens Airways, a start-up, and Sky Express, a Crete-based regional. The merger restores Olympic's domestic near-monopoly that was the regulatory regime up to 1997, Greece having been allowed a five-year domestic market exemption from the 1992 air transport liberalisation package, in order to adjust gradually to free competition.

Flybe ready to expand in continental Europe?

Following the integration of BA Connect and after extensive fleet rationalisation, Flybe believes it is well positioned to take advantage of traffic recovery as the economy improves. But will Flybe also expand into other European domestic markets?

The airline's origins date back to 1969 and it has undergone several name changes, being known as Jersey European Airways and British European Airways before becoming Flybe in July 2002, at which time the carrier became a low cost/low fare airline. However, unlike most LCCs Flybe specifically targets business passengers and offers frills such as flexible tickets, an FFP (called Rewards4All, with more than 1m members) and passenger lounges.

Based at Exeter airport, Flybe has 13 other UK bases (Aberdeen, Birmingham, Belfast City, Edinburgh, Glasgow, Guernsey, Inverness, Isle of Man, Jersey, London Gatwick, Manchester, Newcastle and Southampton) and operates more than 180 routes to 70 destinations, of which 38 are in the UK, 12 in France, five in Germany, three in Spain, two in each of Croatia, Italy and Switzerland, and one in each of Norway, Portugal, Austria, the Netherlands, Eire and Belgium. Three-quarters of Flybe's routes are within the UK, with 15% linking UK-Europe business destinations and 10% connecting UK-Europe leisure destinations.



Note: Financial year ends March 31st.

Over the last five financial years (see charts, left) Flybe has seen steady growth in revenue, but operating profitability has been patchy and its record at the net level has been poor. Figures only released this January for the financial year ending March 31st 2009 reveal a 6.8% increase in revenue to £572m, based on a 4% rise in passengers carried in the 12 month period, to 7.3m.

"Unprecedented losses"

However, operating profit for April 2008-March 2009 fell a hefty 80% to £6.1m, and net profit plunged from £34.9m in 2007/08 to £4.1m in 2008/09 after "unprecedented" losses in the January-March 2009 period as well as £12.7m of restructuring costs related largely to the integration of BA Connect. Fuel costs rose by more than a third during the financial year to £115m, and the airline was also hit by the decline of sterling against the dollar (since a large part of Flybe's costs are denominated in dollars).

The airline employed 2,953 at the end of 2009, but although the airline implemented a cost reduction programme and productivity has increased recently (see chart, right), Flybe's productivity in terms of passengers per employee is a long way behind all of its European LCC rivals (see chart, right), as would be expected for an airline that, despite being a low cost operator, provides so many frills for its targeted business customer base and operates smaller aircraft.

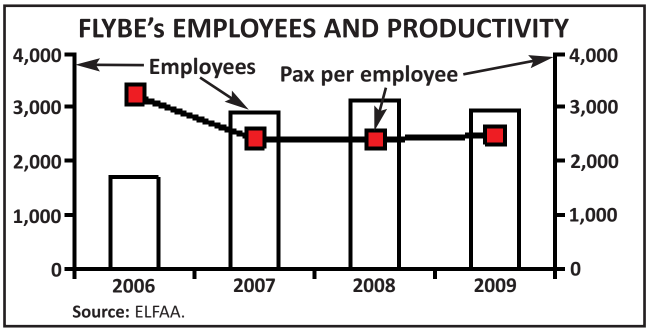
Jim French - Flybe's chairman and chief executive - says that the airline "is having a good recession", with passenger and revenue improvements since the end of the 2008/09 reporting period. French joined the airline back in 1990, becoming chief executive in 2001 and chairman in 2005, and he insists that the airline is ready to take advantage of better market conditions, whenever they come. That may be happening already (see chart, page 10).

Ancillary revenue per passenger rose 30% in 2008/09 to £10.37, helped by the introduction of paid-for advance seat reservations, and the 2008/09 results have to be taken in the context of Flybe's key focus over the last few years - the integration of BA Connect following its acquisition from British Airways in March 2007 (a deal in which BA in effect paid Flybe approximately £130m to take on the loss-making airline, although the UK flag carrier received a 15% stake in the enlarged Flybe in return).

In the middle of last year Flybe completed a frantic two-year rationalisation programme that has reduced the fleet to two types – 78-seat Bombardier Dash 8 Q400s and 118-seat Embraer 195s, with an average age of less than four years. In that period more than 70 aircraft left or joined the fleet, with 39 BA Connect aircraft being retired (mostly ERJ-145s), and 26 Q400s and 11 Embraer 195s coming in. However, Flybe also reduced its capacity by wet leasing four Q400s to the privatised Olympic Air under a contract that expires in September 2010. After this date the aircraft will return to Flybe's operations.

In addition 11 new aircraft were received in 2009, and the Flybe fleet now stands at 68 aircraft, of which all but 11 are on operating lease, with the airline selling and leasing back four new Q400s with specialist turboprop lessor Nordic Aviation Capital in January this year. No deliveries are scheduled for this year and four Q400s are scheduled for delivery in 2011. There are no other aircraft on firm order however, although Flybe has options for 15 Q400s and 12 E-195s.

Once the building of a new training centre in Edinburgh is completed at the end of 2010, capex should drop significantly over the next few years. Financially, the airline is strong. Cash stood at £56.6m as at the end of March 2009, compared with £67.4m a year earlier, but it had long-term debt of just

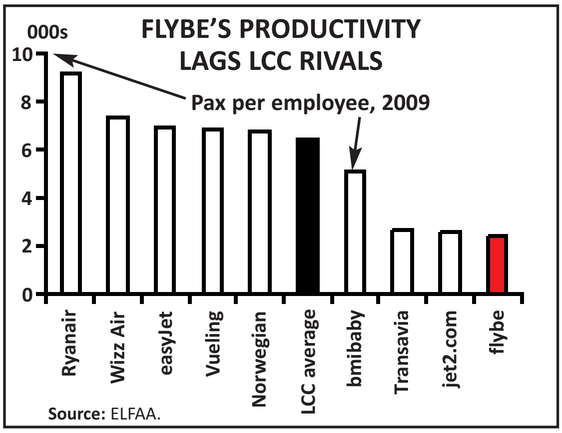


£89.7m at March 2009 (compared with £103.8m a year earlier), most of which is secured bank loans.

Medium-term focus

The focus for the airline is now expansion, although whether this is via organic growth and/or via acquisitions is the key strategic decision for management.

Within the UK, following the absorption of BA Connect, the emphasis is on tactical readjustment of capacity, closing down unprofitable routes and expanding in markets where competitors withdraw. For example, Flybe closed its base at Norwich airport last year, moving its aircraft from there to Manchester and Edinburgh. The Norwich base opened in 2005 and had serviced seven routes, although following the base closure most routes from Norwich have continued, but with aircraft now based at airports at the other end of its routes. On the other hand, last summer Flybe opened a base at London Gatwick, where routes are now flown to nine domestic and three continental European destinations.



UK DOMESTIC MARKET, 2009

	Pax. carried (000s)	ASK (m)	RPK (m)	Load factor
bmi Group	3,248	2,373	1,450	61.1%
British Airways	4,005	2,566	1,846	71.9%
easyJet	5,150	3,178	2,405	75.7%
Flybe	4,941	3,073	1,894	61.6%
Others	2,200	1,357	731	53.6%
TOTAL	**19,544**	**12,547**	**8,326**	**66.4%**

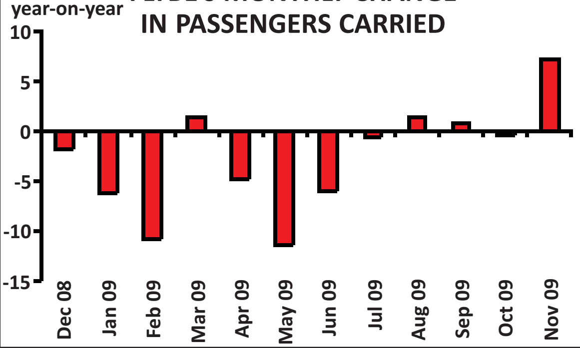
Source: CAA domestic scheduled statistics.

In the summer 2010 timetable Flybe has added 16 routes, including seven services from French destinations to Birmingham or Manchester, as well as new services out of Exeter, Southampton, Guernsey, Jersey and London Gatwick. Flybe's position in the UK has also been boosted by the appointment of Loganair as a franchise partner in October 2008. Using Flybe livery, the Glasgow-based airline operates a fleet of 21 aircraft to 20 destinations in Scotland, Northern Ireland and Eire.

Finally, Flybe is taking advantage of bmibaby's withdrawal from certain routes, given Lufthansa Group's restructuring plan for the East Midlands-based LCC unveiled in November last year, which entails "substantial capacity cuts in the winter months" and a reduction in its fleet from 17 to 12 aircraft. So after bmi stopped its four-times-a-day London Gatwick to Leeds Bradford service last year, citing a lack of passenger demand, Flybe stepped in with three flights a day from June using Q400s.

Flybe also increased frequency on the Birmingham-Glasgow route after bmibaby suspended its services in January this year,

FLYBE's MONTHLY CHANGE IN PASSENGERS CARRIED



and in late March it did the same on Birmingham-Edinburgh after again bmibaby appeared to withdraw.

There is some history between the two rivals. There was plenty of speculation in 2008 that Flybe was interested in buying bmi Regional and bmibaby from bmi, but at the time Flybe refused to comment on reports that it had started due diligence on these potential deals. If there was any interest it came to nothing, and now Flybe appears content to compete with bmibaby. The latest CAA statistics for full 2009 show that Flybe is now a close second to easyJet in terms of passengers carried and ASKs (see table, left) - although its load factor last year was well below that of easyJet and British Airways.

Continental move?

It is outside of the UK that Flybe may make a more substantial strategic move in the next year or two. Through much of the 2000s Flybe looked closely at replicating its business model in continental European markets, but this was put to one side once BA Connect was bought in 2007 and the airline doubled in size. Until then Flybe had been contemplating launching operations in either of France, Germany, Spain, Italy or Scandinavia, with tentative plans for placing 25 or so aircraft in one of those countries, operating to domestic routes only from a handful of bases.

In the late 2000s Flybe hinted that France was the most likely candidate for a new operation, thanks to the opportunity presented by Air France's loosening of its grip on the domestic market - but in the last few years both Ryanair and easyJet have been expanding domestic routes there. Flybe would also have to compete with the TGV high-speed rail network if it did venture into France. But Flybe currently operates 46 routes between the UK and France (into 12 French airports), so a move into the domestic market there may still be tempting.

Germany may be the other strong candidate. Flybe now operates 14 routes out of the UK to five destinations (Dusseldorf, Stuttgart, Frankfurt, Hanover and Hamburg) and further German routes are believed to be a priority. The downside for Flybe would be a potential counter-attack by the Lufthansa Group in the UK via bmibaby, although that would necessitate an abrupt and unlikely about-turn in the German flag carrier's new strategy for its UK LCC.

But Flybe has also been making noises about playing its role in industry consolidation, and the recent report for the 2008/09 financial year says that the airline "has been approached by various overseas companies to … support existing operations, manage the introduction of regional aircraft operations for others and participate in new joint ventures". The company specifically mentions two projects it worked on in Greece (which presumably is the wet lease deal with Olympic Airlines) and another "outside Europe", which it says was aborted … "since the financial risk profile was not acceptable".

In March this year news emerged of a deal with Gulf Air, whereby Flybe will provide up to 30 pilots and engineers to the Middle Eastern airline and its fleet of Embraer 170s in an initial three-month contract. Gulf Air has received two Embraer 170s on three-year leases, and the carrier may lease another seven aircraft as it tests a regional service.

At same time as 2008/09 results were announced earlier this year, Flybe said it was still looking for acquisition opportunities and - although organic expansion or a joint venture would be the lower risk route to overseas expansion - the danger for Flybe's management is that acquisition may be seen as the preferable option, particularly as the airline may want to create "excitement" before a potential flotation. Flybe has contemplated a float several times before (the last being in early 2009) but the issue may be coming to the fore again now that the fleet has been renewed and the airline is set for growth – and an acquisition may make the airline more appealing to investors.

There are suggestions that Flybe (which is advised by Merrill Lynch) may even be considering an IPO later this year, with an announcement possible in the next few months once the UK general election is out of the way (and assuming one political party wins an overall majority).

FLYBE FLEET

	Fleet	Orders	Options
Dash 8 Q400	54	4	15
E-195	14		12
TOTAL	**68**	**4**	**27**

Timing question

But it's debatable whether the timing is right at the moment because, although the London stock exchange has rebounded from 2009 lows, confidence in the aviation sector is still shaky - and whether Flybe could achieve a valuation much more than BA's implied valuation last year of £200m must be open to doubt.

In its 2008/09 financial results BA included a £13m write-down on its 15% stake in Flybe (on top of an earlier write-down of £6m), thus leaving its valuation of its stake at £30m (and hence valuing the whole of Flybe at just £200m, compared with £327m in 2007). BA said this was due to a "lower rate of forecast revenue and earnings growth than previously expected" at Flybe. Flybe responded with ill-disguised fury at the move, which it said was principally based on "BA's view of their own performance and prospects rather than an analytical view of Flybe's track record and future prospects".

BA's stake is likely to be disposed of when Flybe floats; the rest of the airline is owned by Rosedale (JW) Investments (69%) and by an employee share scheme (15%). The final decision on timing of a flotation rests with Rosendale, the family trust that looks after the majority stake acquired in 1983 by Jack Walker, the British industrialist who made most of his money in the British steel industry (and who died in 2000).

With Flybe known to have been profitable in the six months to the end of September 2009 (it says it made "good profits"), a flotation by the end of the year is possible – although more likely would be sometime in 2011.

AMR: Capitalising on alliances, navigating labour challenges

In the past six months American Airlines has transformed itself from a likely Chapter 11 candidate and a loser in the global alliance game to an airline that looks rather well positioned for the future. But will it successfully navigate its labour challenges?

Through 2008 and much of 2009, American's parent AMR was seen by many as a Chapter 11 risk in a prolonged recession, given its labour cost disadvantage and pension exposure – both arising from the fact that AMR is the only one of the large US network carriers to have avoided bankruptcy.

AMR did well to secure $1.8bn of voluntary annual labour concessions in the spring of 2003 (literally on the courthouse steps), but four of its key competitors - UAL, US Airways, Delta and Northwest - achieved much greater savings as part of their Chapter 11 restructurings in 2002-2007.

Then all of American's concessionary labour contracts became amendable in May 2008, just as fuel prices were soaring and the economy had begun to weaken. Many in the financial community considered Chapter 11 a likely eventual outcome, given that AMR could then also reap aircraft savings and eliminate unsecured debt.

To add to the woes, American risked being marginalised in key international markets because its global alliance-building efforts were going nowhere. Its decade-long efforts to secure transatlantic antitrust immunity (ATI) with BA seemed doomed because of BA's dominance at London Heathrow.

And then came the blow that JAL was considering defecting to Delta and SkyTeam. AMR is fortunate in that it has what is probably the strongest US domestic network, a diversified global network and a powerful FFP, but in a world increasingly dominated by alliances it was destined to lose market share.

Improved fortunes

However, through a combination of hard work and some luck, American has seen a reversal of its fortunes in recent months.

First of all, American took care of its liquidity needs when the US capital and banking markets opened in September 2009. The company raised $5bn in the second half of the year to bolster cash, refinance debt that was coming due in 2010 and fund aircraft deliveries.

This firmly extinguished any talk of bankruptcy. With $4.4bn of unrestricted cash at year-end (about 22% of revenues) and reduced near-term debt obligations, American will be able to weather the slowest and bumpiest of economic recoveries. As a bonus, the airline has fully funded its fleet plan for the next couple of years.

Then the global alliance issues were effectively resolved in February – something that materially enhanced American's longer-term prospects.

First, JAL announced in early February that it would stay in oneworld. American and JAL immediately applied to the DOT for ATI.

Second, in mid-February the DOT tentatively approved oneworld's application for broad ATI on the transatlantic, as well as a JV between American, BA and Iberia, with conditions that were acceptable to the airlines. Approval from the EU and a favourable final ruling from the DOT now seem virtually certain in the coming weeks.

As icing on the cake, American has also secured an interline/ticketing partnership with JetBlue in New York and Boston that could lead to bigger things – conceivably even oneworld membership for JetBlue eventually. The two announced on March

31st that, starting this quarter, they would collaborate in non-overlapping markets and were "exploring other commercial cooperation". The deal includes a slot swap, with American getting 12 slot pairs at JFK and giving up slots mainly at Washington National.

This is a major coup for American, because JetBlue codeshares with and is partially owned by Lufthansa and previously seemed destined to end up in the Star alliance. Then again, JetBlue has made it very clear all along that it wants multiple commercial and codeshare alliances at JFK.

Late last year AMR unveiled a new business plan, "FlightPlan 2020", as a strategic framework for the next 10 years. The five tenets of the new plan are to: "invest wisely, earn customer loyalty, strengthen and defend our global network, be a good place for good people, and fly profitably".

Digging from a deep hole

The key priority is to return to sustained profitability, but the past decade's record is not very promising. After net losses totalling $8.1bn in 2001-2005, AMR had two modestly profitable years – 2006-2007, when it earned about $800m – before losing another $3.6bn in 2008-2009.

Last year's performance was broadly in line with the other US legacy carriers'. AMR posted a $1.4bn net loss before special items on revenues of $19.9bn, up from the previous year's $1.2bn loss. Mainline passenger revenues fell by $3.2bn or 17.5%, which was partially offset by significantly lower fuel prices.

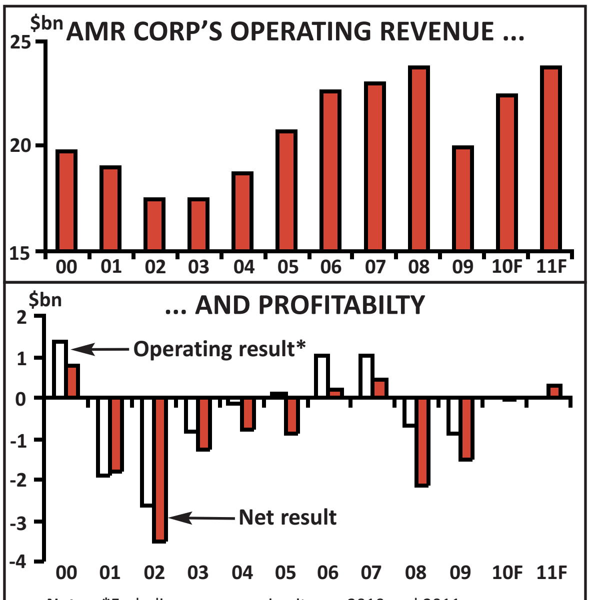
Given all the uncertainty with the economy and oil prices, analysts' forecasts for this year and 2011 are all over the place. But the current consensus estimates for AMR are a marginal loss of nine cents per share (about $34m) in 2010 and a modest profit of 81 cents per share ($315m) in 2011.

So, including this year's anticipated loss, AMR has earned net profits in only two of the past 10 years. Its operating margins in those years were only in the 4.5% range, compared with the 6.5-7% margins seen in 1999-2000.

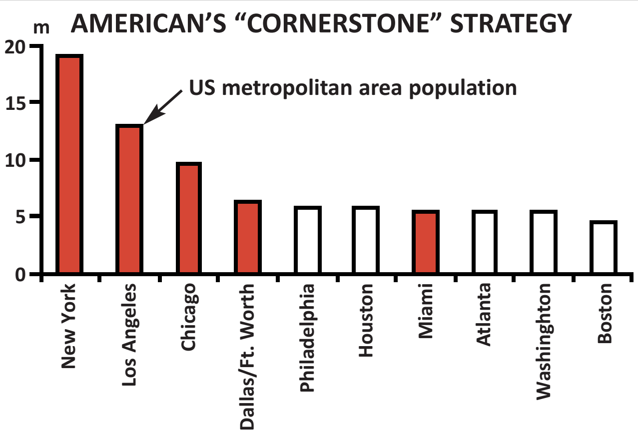
It is staggering to think that AMR could have such a dismal profit record when it succeeded in removing $6bn from its cost structure as part of the 2003-2007 Turnaround Plan ($1.8bn from labour and $4.2bn non-labour). Of course, those savings have been masked by the dramatic increase in fuel costs in recent years.

But American has taken many steps in the right direction, which raises hope for the future. To start with, it has been an industry leader in exercising capacity restraint. American pioneered the idea many years ago and the other legacy carriers followed. Everyone has benefited enormously, especially in the past two years. In 2009 American's domestic mainline capacity was 14.3% below the 2007 level (similar to the sector's decline).

AMR executives note that "this industry will not be profitable until we reach a supply/demand equilibrium that can sustain reasonable returns". The airline expects its mainline capacity to be up by only 1% in 2010, made up of a 0.5% decline domestically and a 3% increase internationally. Virtually all of the growth will be due to the restatement of flights to



Notes: *Excluding non-recurring items. 2010 and 2011 are analysts' consensus estimates (as of March 19th).



Source: American (US Census Bureau data).

Mexico that were pared back in 2009 due to H1N1 and the launch of Chicago-Beijing service that was deferred last year.

In recent quarters American has also excelled in revenue generation, outperforming all the other large network carriers in terms of RASM growth. This has been attributed to factors such as a more favourable entity mix, prudent revenue management, less discounting than competitors and the strength of the American network.

Like its peers, American has moved aggressively in recent years to unbundle its product and develop ancillary revenues. Its "other" revenues grew from $1.5bn in 2004 to $2.3bn last year.

Costs remain under control. In the fourth quarter, American's mainline ex-fuel CASM was up by 8.5%, driven by capacity headwinds, pension expenses, product investments and dependability initiatives. Thanks to a 16.5% year-on-year decline in fuel prices, total CASM was essentially flat.

American has a systematic hedging programme in place to dampen the effects of sharp price fluctuations on its cost structure. As of mid-March, the airline had about 30% of its 2010 fuel needs hedged with average floors at $67 and caps at $94.

American expects its total ex-fuel CASM to increase by 1% in 2010, due to revenue-related expenses, pension costs and higher aircraft lease expenses resulting from a recently sale/leaseback agreement. But the new aircraft will help the airline generate 2% more mainline ASMs per gallon of fuel this year.

Thanks to the Turnaround Plan, American's non-labour unit costs are actually very competitive with the other network carriers, resulting in unit costs that are in line with industry peers.

The "cornerstone" strategy

American has five "cornerstones" or primary markets in the US that it believes make its domestic network the best in the industry - the four largest metro areas in the US (New York, Chicago, Los Angeles and Dallas/Ft. Worth) plus Miami, the hub of the Americas. These five metro areas are home to more than 50m people and each also supports unique industries and vibrant business communities. All of them except Los Angeles are AMR hubs. As CFO Tom Horton recently put it, "we are not as of today the biggest carrier in the world, but we are big where it matters".

This spring, American and its wholly-owned regional unit Eagle are implementing a major domestic restructuring, which will further strengthen the five cornerstone markets and eliminate unprofitable or non-strategic flying at locations such as St. Louis and Raleigh/Durham.

There is nothing unique about this strategy. The past decade has seen the US network carriers increasingly retrench to their hubs and key markets as competition increased from LCCs, and the trend intensified in the past two years because of the need to cut capacity. The key markets are the ones most important to premium and corporate customers. Delta also recently announced plans to add service in Los Angeles and New York.

But American has a new reason to strengthen the cornerstone markets: they are all critical international gateways. They will offer important feed and global synergies for the planned JVs with BA/Iberia and JAL, as well as the other oneworld partners.

As for regional service, there are two new developments this year. First, Eagle's operations are being expanded with the addition of 22 new CRJ-700s from mid-2010. Second, Eagle will offer a first class cabin on those aircraft and on its 25 existing CRJ-700s, which will be deployed in Chicago and Dallas. The aim is to offer customers a premium product with the same level of service as in mainline operations – another example of how AMR is now going all out to attract premium traffic.

Bolstering global presence

This spring's key international moves will be the launch of Chicago-Beijing in April and three new international routes from JFK in April-May: Madrid, Manchester and San Jose (Costa Rica). American has reaffirmed its commitment to Chicago as its primary Asia gateway. Beijing will supplement the existing Chicago-Shanghai service, deepening AMR's presence in what it calls a "critical market for the future".

But much of American's future effort will now focus on developing co-operation with oneworld partners and implementing the planned JVs - or "joint business agreements" (JBAs), as American calls them.

The transatlantic ATI/JBA regulatory approval process is on the homestretch. The comment period on the DOT's tentative ruling ended in late March, and the DOT's answers were then due within 15 days, so the final ruling could come any time. The EU is seeking comments on the airlines' remedy proposals by April 10th. American said in its annual report filing that it expected to begin implementing the JBA in the second half of 2010.

The JBA is apparently broadly similar to the existing immunised transatlantic JVs. American, BA and Iberia are essentially combining their transatlantic businesses, which have a combined annual revenue of around $8.5bn. The airlines had a decade to plan it and analyse competitors' JVs, so they have been able to pick the best strategies.

The airlines have not yet released estimates of the potential benefits, because it will somewhat depend on their ability to sit down and restructure schedules, decide on pricing strategies, etc. AMR executives call the figure "quite meaningful" and similar to the ranges given by other alliances.

The immunised JBAs are particularly important for corporate sales efforts, enabling the airlines to offer a one-stop shop for their corporate clients. AMR executives noted recently that "today global companies are increasingly looking to negotiate large parts of their airline network needs with one alliance".

The new JAL/Japan opportunities are the result of several developments. First, the US and Japan reached a tentative open skies agreement in December 2009, which will for the first time allow immunised alliances; however, the US must grant ATI to alliances involving both JAL and ANA before the open skies pact can take effect.

Second, Japan plans to open up Tokyo's Haneda Airport to more international flights when a fourth runway opens there in October 2010. JAL and ANA dominate the slots at Haneda, which is much closer to downtown Tokyo than Narita. Under the open skies treaty, US airlines will receive four of the 20 daily departures earmarked for non-Japanese carriers.

Third, JAL decided to stay with American and oneworld, rather than defect to Delta and SkyTeam. It was the lowest-risk solution; the airline did not want to deal with the upheaval of switching alliances while undergoing a complex bankruptcy restructuring, and it worried that an alliance with Delta might not secure ATI.

American and JAL quickly rushed in their application for ATI and a JBA, to match a comparable application already submitted by United, Continental and ANA. American and JAL, which currently have modest codeshares in place, hope that the JBA will enable them to improve efficiency and reduce costs, in addition to the usual revenue benefits arising from the co-ordination of fares, services and schedules made possible by ATI. The JBA will be "metal neutral" (meaning both airlines will benefit equally from a customer ticket purchase regardless of which one carries the passenger).

The DOT is expected to look at the two ATI applications in concert. Approval seems highly likely, given that the proposals would ensure roughly equal US-Japan market shares for the three global alliances. The airlines expect the authorisations by the latter part of this year, so implementation could be in the first-half of 2011.

In mid-February American and four other US airlines applied to the DOT to serve Haneda. American is seeking to operate from JFK and Los Angeles (the largest markets between the US mainland and Tokyo), to complement its existing Narita flights from Chicago, JFK, Dallas and Los Angeles. Delta is proposing service from Detroit, Los Angeles, Seattle and Honolulu; United from San Francisco; Continental from Newark and Guam; and Hawaiian from Honolulu.

A key benefit for American, United and Continental would be the ability to connect to JAL's and ANA's extensive operations at Haneda. Delta applied for all four slots available to US carriers because SkyTeam is the only alliance without presence at Haneda.

To everyone's relief, the Japanese government declined the $1.4bn capital investment in JAL that American, oneworld and TPG had lined up. But American indicated in a subsequent SEC filing that it had agreed to negotiate in good faith to provide such an investment in the future if invited to do so (its contribution would not exceed $300m). Also, American gave JAL a guarantee for the first three years that JAL would realise at least $100m in annual incremental revenue from the ATI and JBA. It is obviously in American's and oneworld's interest to see a strong and vibrant JAL (and not see it continue to shrink).

American is poised to gain market share on the Pacific through both closer co-operation with JAL and the open skies pact, which replaces a 1952 treaty under which Delta/Northwest and United enjoy special rights. In particular, American should narrow the gap with Delta, which has a 20%-plus share of the North America-Japan market (about three times American's), a large Narita presence and extensive beyond-rights. However, because of airport and slot constraints in Tokyo, the market share shifts can only be very gradual.

While American is making JAL its exclusive partner in northeast Asia, elsewhere in the region it will rely on Cathay, Qantas and other oneworld members. It is also actively trying to recruit new members, such as its codeshare partner China Eastern (which is expected to announce its alliance choice in the near future). Kingfisher, India's leading domestic airline, is set to join oneworld probably in 2011.

Even though the recent headlines have centred on Asia and Europe, American remains focused on consolidating its leadership in Latin America, its largest international region that last year accounted for 21% of its total revenues (compared with Atlantic's 15%, Pacific's 4.3% and Domestic's 60% share). Oneworld is fortunate to have LAN and to have attracted Mexicana, which joined late last year. Efforts now focus on Brazil and courting Gol. American and Gol recently agreed to add a codeshare deal to their FFP co-operation, starting this quarter subject to government approvals.

Fleet renewal plans

American is well into the process of replacing its fleet of MD-80s with 737-800s. Having taken delivery of the first 31 of those aircraft in 2009, the airline is receiving another 45 in 2010 and at this point is committed to taking eight in 2011. All of those aircraft are fully financed thanks to a $1.6bn sale-leaseback deal with GECAS in late 2009.

Beyond-2011 there is much flexibility. Current firm commitments include only 11 737-800s (in addition to seven 777s) in 2013-2016. The MD-80 replacement process will take a while because of the sheer size of the fleet, which will still exceed 200 in number at the end of 2010. The retirement schedule can be adjusted to suit market conditions. Or if Boeing comes up with an attractive new narrow-body type, American would have the ability to move forward with that.

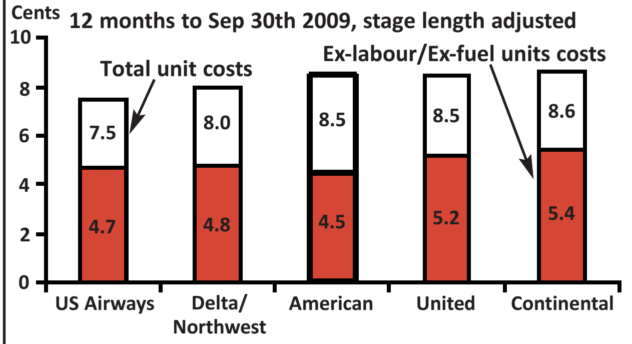
As for the widebody replacement plans, American has a deal with Boeing that enables it to retain delivery positions on 100 787-9 Dreamliners (42 orders and 58 purchase rights) without any obligation until May 2013, while it tries to reach a deal with its pilots. But each of the aircraft needs to be reconfirmed at least 18 months prior to the scheduled delivery date. The original delivery schedule (2012-2018) has not yet been revised to take into account Boeing's production delays, but the reconfirmation terms are expected to remain consistent with the original agreement.

AMR continues to take a measured approach to all capital spending. On the non-fleet side, the emphasis is on investments that will help keep the company competitive in the long term. That includes investments in items that customers really value (such as lie-flat seats), airport lounges and other facilities, operational dependability and new technology.

The labour challenge

While labour tensions are resurfacing at many US airlines, the situation at American is currently the most contentious. It has had three major work groups in federally mediated contract talks for quite some time and two of those – flight attendants and TWU-represented mechanics and ground workers – have asked to be released from mediation. If the NMB grants those requests, the unions would be moving closer to a strike vote. The pilots are still at the negotiating table, but AMR executives note that "it is fair to say we are far apart".

There is much hope that strikes will be avoided, in part because the TWU



Source: American (Conference presentation in December 2009).

and management have had a collaborative relationship in the past. Also, federal law in the US makes it quite difficult for airline workers to strike; if all else fails, the President or Congress may intervene. But it is also hard to see how the issues could be resolved, because the unions are determined to roll back the 2003 concessions.

American's objective, as it has made clear to all its unions, is to ensure that its costs are competitive. The challenge, as CEO Arpey put it, is to "have a constructive dialogue that on the one hand recognises the competitive disadvantage created by the bankruptcy of all these companies [United, US Airways, Delta and Northwest], but on the other hand does not suggest that we are pushing across the table to organised labour those bankrupt contracts and saying that is what we need for our company to be successful".

As Arpey explained it, American does not need the bankrupt competitors' contracts because it has been doing a good job on the revenue side in terms of driving RASM premiums. It believes it has a superior network, franchise and global partnership that "can beat those other guys".

Furthermore, over time there will be convergence as American's competitors will not be able to sustain their bankrupt labour rates and benefits. In fact, American may not have to wait that long since many of the other legacies will be trying to reach new contracts with key unions over the next year or so.

By Heini Nuutinen
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Strike action: A longer-term perspective

A common frustration for managers is their incomprehension that some staff are willing to contemplate strike action at a time when their airline is in serious financial trouble. British Airways, Finnair and to a lesser extent Lufthansa are all facing such threats at the moment. For hard working managers, probably deeply embroiled in trying to deliver competitive performance with reduced resources, the possibility that one or other group of staff might render all their efforts worthless by closing the airline down may come as a brutal shock.

Even the threat of strike action can cause such bitterness as in an age of 24-hour news and on-line booking forward sales are likely to be lost, and competitors will be quick to offer keen prices and advantageous loyalty bonuses to poach, and then retain, other airline's customers.

Such feelings are not new, nor are most airline staff like lemmings wishing to hurry to mutual self-destruction. Aviation is an industry in which most employees do care about the end product, and still regard working for their airline as having a certain social value.

The causes of strikes

Reasons for strike action vary enormously and even after the event reviews struggle to identify the real causes. In some cases the power of trade unions is cited, backed with accusations of intimidation and political agendas. These factors were certainly seen in the strikes that preceded the privatisation of Air France in the 1990s and in Italy. More recently some Aer Lingus unions have followed an overt political agenda believing that they will be better served with the Irish government as a major shareholder than under the direct ownership of Ryanair.

In other cases the threat of large scale job losses is a trigger, especially when outsourcing is proposed. This is a major factor in the current unrest in Finnair – another airline currently facing severe financial problems. The perception of moving jobs offshore is another major factor for groups of staff who either feel they cannot move – such as maintenance staff – or fear that their positions are too mobile – such as flight and cabin crew. Finnair pilots seized on clauses in a proposed new agreement that they believe would have enabled the airline to increase wet-leasing. Fear of job losses is also a major driver in the political opposition of some US Congressmen to global alliances and their ability to invest in US airlines.

As airlines consolidate, further unrest often results from integration. There is the fear - and reality - of the reduction of jobs as one company takes over a function for both. There is also often quite complex integration of terms and conditions for specific groups, especially when seniority is affected – such as with pilots. Lufthansa continues to face difficult discussions about such issues as it manages its portfolio of airlines.

Safety is often seized upon by the media as it makes a potentially dull story about industrial relations more engaging for the public. Rail unions are adept at playing this card when increases in working hours - thus leading to the risk of tired workers - or the replacement of train guards by technology is proposed. Airline people are usually much more circumspect about making such claims. Issues of pilot hours are constantly reviewed by regulators and in detailed discussions backed by serious research. The corollary of whether pilots actually fly enough "hands on" is also discussed as in the current review by the US Department of Transport. Only in rare cases do pilots speak out on a safety issue. Some individual Ryanair pilots have voiced concerns in the past and more recently Air France pilots have argued that they wish to be included in the reviews of the recent loss of the Airbus over the south Atlantic and have indicated that they might strike over this issue of involvement.

Cabin crew and ground passenger handling employees have long been regarded as volatile groups. Both are in direct contact with passengers and bear the brunt of explaining delays, product changes or mishandling. British Airways is going through a high-profile strike at present, as did Air France and Iberia last year, and Lufthansa in 2008. Even easyJet and Virgin Atlantic - where cultural norms of being 'new' airlines are strong - have faced strike threats by their cabin crew in the last three years.

Pay and recognition

Apart from such a web of causes there are usually two other causes of unrest waiting to trigger industrial action. The first is pay – usually associated with "conditions". Arguments may be based on inflation, parity with colleagues, efficiency achievements etc, or simply on perceived non-delivery of promises – as was the case with bmi staff recently. These claims are often complicated by the airline needing to adjudicate between the conflicting demands of different functional and professional skill groups – and still achieve an economically sustainable workforce capability. This is the traditional management /union battleground, although rather complicated of late by the very large differentials paid to very senior management in many airlines, especially in the US, and compounded by a perception that often top managers are more highly rewarded for failure than for success.

The second is lack of 'recognition'. This is the most intangible of all management-staff relationships and yet is probably the most important factor in the leadership of people, especially in adverse circumstances.

One of the most damaging of the pre-privatisation strikes that affected British Airways was triggered by the airport staff receiving their staff newspapers late. As a result some special travel offers had all been booked by 'head office' staff. Once on strike issues of job security, shifts, lack of uniform and equipment, overtime payments, internal promotion, car parking, restrooms and out of hours catering emerged and the strike lasted weeks. In the review afterwards a dominant theme was the lack of respect and recognition shown to ground operations staff over the years, and a belief that management simply did not understand what it was like to work on the ramp in all weathers. The days of Jan Carlson, Colin Marshall or Jurgen Weber walking around listening to staff seem in some cases to have been replaced by video conferences and blogs. Some such messages also appear to be overly goal rather than vision driven.

Ten years ago Air Canada was caught by surprise when the pilots grounded the airline for 12 days. Not only were they surprised by the totality of support – disproving their previous view that any unrest was largely a product of a small group of activists. They were also surprised by the ruthless onset with aircraft grounded at airports around the world, leaving passengers and cabin crew to their own devices. The airline thought they had an agreement that all aircraft would return to base first. Such behaviour by the pilots was the first indication that this strike did not have a simple monetary cause. Indeed in a review of the strike the importance of money was rapidly discounted. The pilots had achieved high earnings in the previous two years with additional hours and flights to service unprecedented demand. What emerged was a patchwork of individual grievances: one birthday too many missed, one standby duty too far; the mechanisation of catering in the simulator block and simulator hours being extended into the night; uniform replacements being delayed; too many late schedule changes; too many leave requests denied; too much pressure on junior pilots because the senior ones were better able to play the system; perhaps also too little management presence in the duty rooms and layover hotels.

In both these examples what also emerged was that the local and middle management knew the strength of feeling, but felt powerless to intercede. Over the preceding months the managers had become conduits of company policy carrying the missives about the competitive challenges and the need for ever greater efficiency as a result of which all in the airline would benefit. Other service functions under similar pressure had also adopted less sensitive approaches whether the junior clerk manning the standby desk or the facilities manager responsible for maintaining rest rooms. So loaders and pilots perceived that the system was more important than meeting their individual needs. What had been lost was the human recognition that individual effort was valued and sufficient perceived upward fight for resources and practices on their behalf: the individuals, whether pilots or aircraft cleaners, increasingly felt they were mere numbers. In the end they had enough. The strike was about them and how they felt not about the airline. They felt they had given enough and nobody had listened. In such a mood the fate of the airline became secondary to the need for someone to recognise that they were also “the airline” and in an example of reverse logic some actually argued that by taking such drastic action they were the only ones actually trying to save the airline.

So we return to the early days of 2010, at a time when virtually every European airline is facing financial threat. Managers, especially middle managers, may need to rethink their role. The support for industrial action, especially when activists are leading the charge, just might be mitigated by constant and consistent small acts of recognition. Relatively small improvements in upward communication might also help reduce some irritation. Another paradox of leadership is that sometimes the inability of a manager to gain agreement to changed practices or additional resources - but who is now better positioned to explain why - is more highly thought of than the manager who loyally holds the company line without question.

Different perspectives

So in this likely turbulent world of 2010 when one or more airlines is predicted to go bankrupt and others may be merged, how might the world look to three typical staff groups?

Pilots will remain only too aware that in their job mistakes are not tolerated, whether in the air or on simulators. For serious errors there are no second chances. Air traffic control and airport congestion will not make their work any easier, and the constant tailoring of capacity to demand will likely impact in more flying hours, perhaps more type training, and tighter scheduling. The days of the pilot as the officer class within the airline after the second world war and of social equity with barristers and surgeons - professions where you are only as good as the last case or operation, are probably over (certainly in terms of remuneration). The sense of responsibility for an aircraft and its passengers and crew has not changed, however, nor the awareness that the gold or silver rings make the holder very visible. In large airlines and even larger alliances the need of the individual to be recognised as a professional will probably increase and a familiar challenge for leaders will be how to maintain direct human contact with a workforce that by definition is largely unreachable at work.

Cabin crew will likely see other perspectives. As at the moment probably every flight will be full as yield management systems seek to minimise losses. With fewer crews and market driven scheduling there will probably be more standby duties. The crew will likely also face more passenger complaints about mishandled baggage or queues at check-in (because of cost savings elsewhere in the system). On network airlines they may also face more pressure to explain how formerly free services are now the subject of ancillary charges. As they make the announcements on each flight many will also constantly hear that they are part of a very large and powerful alliance. Yet in this tumultuous and demanding world they hear that the airline is still struggling financially. Just maybe they may wonder if anyone really appreciates what they do?

Ramp and ground operational staff will see the world from another perspective. As passengers buy tickets and check-in online fewer of them will have direct contact with their customers other than a few rushed minutes at a baggage drop or gate boarding desk. Security procedures will likely become more demanding and result in increased pressure on airline staff to complete their processes in even shorter time. The need to work with colleagues in service companies will increase in importance and yet the details of contracts may hinder adaptive working, especially when service recovery action is needed. Despite technology many ramp jobs will still need to be completed in sun, ice, wind and rain. Despite technology heavy bags will still need to be lifted, cramped restrooms cleaned, and cumbersome catering trolleys docked in tight spaces. Face-to-face communication and reinforcement that efforts are recognized by managers from beyond the narrow world of terminals and the ramp can help bridge potential gaps – especially if leaders do believe that their colleagues should have the tools to do their jobs and are willing to listen.

There will probably still be strikes this year. Possibly some may fatally weaken airlines and be viewed as betrayal by colleagues. On the other hand sometimes industrial relations need the release of built-up emotion through a major dispute. Sometimes, however, small actions and behaviours by leaders at all levels can obviate these, so it might be worth checking that these are taking place.

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		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 emp.
Air France/	**Year 2007/08**	**34,173**	**32,182**	**1,991**	**1,087**	**5.8%**	**3.2%**	**256,314**	**207,227**	**80.8%**	**74,795**	**104,659**
KLM Group	Apr-Jun 08	9,830	9,464	366	266	3.7%	2.7%	66,610	53,472	80.3%	19,744	106,700
YE 31/03	Jul-Sep 08	10,071	9,462	609	44	6.0%	0.4%	69,930	58,041	83.0%	20,439	107,364
	Oct-Dec 08	7,880	8,136	-256	-666	-3.2%	-8.5%	64,457	51,255	79.5%	17,934	106,773
	Jan-Mar 09	6,560	7,310	-751	-661	-11.4%	-10.1%	61,235	46,214	75.5%	15,727	106,895
	Year 2008/09	**34,152**	**34,335**	**-184**	**-1,160**	**-0.5%**	**-3.4%**	**262,359**	**209,060**	**79.7%**	**73,844**	**106,933**
	Apr-Jun 09	7,042	7,717	-676	-580	-9.6%	-8.2%	63,578	50,467	79.4%	18,703	106,800
	Jul-Sep 09	8,015	8,082	-67	-210	-0.8%	-2.6%	66,862	56,141	84.0%	19,668	105,444
	Oct-Dec 09	7,679	8,041	-362	-436	-4.7%	-5.7%	61,407	49,220	80.2%	17,264	105,925
British Airways	Jan-Mar 08	4,049	3,824	225	133	5.6%	3.3%	36,745	26,149	71.2%	7,394	
YE 31/03	**Year 2007/08**	**17,315**	**15,584**	**1,731**	**1,377**	**10.0%**	**8.0%**	**149,572**	**113,016**	**75.6%**	**33,161**	**41,745**
	Apr-Jun 08	4,455	4,386	69	53	1.5%	1.2%	37,815	27,757	73.4%	8,327	
	Jul-Sep 08	4,725	4,524	201	-134	4.3%	-2.8%	38,911	29,480	75.8%	8,831	42,330
	Oct-Dec 08	3,612	3,692	-80	-134	-2.2%	-3.7%	36,300	31,335	86.3%	8,835	
	Jan-Mar 09	2,689	3,257	-568	-402	-21.1%	-14.9%	35,478	25,774	72.6%	7,124	
	Year 2008/09	**15,481**	**15,860**	**-379**	**-616**	**-2.4%**	**-4.0%**	**148,504**	**114,346**	**77.0%**	**33,117**	**41,473**
	Apr-Jun 09	3,070	3,216	-146	-164	-4.7%	-5.3%	36,645	28,446	77.6%	8,446	
	Jul-Sep 09	3,479	3,507	-28	-167	-0.8%	-4.8%	37,767	31,552	83.5%	9,297	38,704
	Oct-Dec 09	3,328	3,287	41	-60	1.2%	-1.8%	34,248	26,667	77.9%	7,502	
Iberia	Apr-Jun 08	2,142	2,148	-6	33	-0.3%	1.5%	16,771	13,372	79.7%		21,793
YE 31/12	Jul-Sep 08	2,181	2,156	25	45	1.1%	2.1%	17,093	14,220	83.2%		21,988
	Oct-Dec 08	1,753	1,836	-83	-25	-4.7%	-1.4%	15,875	12,302	77.5%		20,956
	Year 2008	**8,019**	**8,135**	**-116**	**47**	**-1.4%**	**0.6%**	**66,098**	**52,885**	**80.0%**		**21,578**
	Jan-Mar 09	1,436	1,629	-193	-121	-13.4%	-8.4%	15,369	11,752	76.5%		20,715
	Apr-Jun 09	1,455	1,632	-177	-99	-12.1%	-6.8%	15,668	12,733	81.3%		20,760
	Jul-Sep 09	1,667	1,744	-77	-23	-4.6%	-1.4%	16,275	13,369	82.1%		21,113
	Oct-Dec 09	1,589	1,784	-195	-134	-12.3%	-8.5%	14,846	11,759	79.2%		20,096
	Year 2009	**6,149**	**6,796**	**-647**	**-381**	**-10.5%**	**-6.2%**	**62,158**	**49,612**	**79.8%**		**20,671**
Lufthansa	Jan-Mar 08	8,368	8,086	282	85	3.4%	1.0%	45,131	34,828	77.2%	15,992	106,307
YE 31/12	Apr-Jun 08	10,113	9,285	829	541	8.2%	5.3%	50,738	40,258	79.3%	18,488	108,073
	Jul-Sep 08	9,835	9,542	293	230	3.0%	2.3%	52,487	42,437	80.9%	18,913	109,401
	Oct-Dec 08	8,237	7,715	522	-5	6.3%	-0.1%	47,075	36,632	77.8%	17,150	108,711
	Year 2008	**36,551**	**34,625**	**1,926**	**812**	**5.3%**	**2.2%**	**195,431**	**154,155**	**78.9%**	**70,543**	**108,123**
	Jan-Mar 09	6,560	6,617	-58	-335	-0.9%	-5.1%	44,179	32,681	74.0%	15,033	106,840
	Apr-Jun 09	7,098	7,027	71	54	1.0%	0.8%	49,939	38,076	76.2%	18,142	105,499
	Jul-Sep 09	8,484	8,061	423	272	5.0%	3.2%	56,756	46,780	82.4%	22,164	118,945
	Oct-Dec 09	9,041	9,090	-49	-109	-0.5%	-1.2%	55,395	43,110	77.8%	21,204	117,521
	Year 2009	**31,077**	**30,699**	**378**	**-139**	**1.2%**	**-0.4%**	**206,269**	**160,647**	**77.9%**	**76,543**	**112,320**
SAS	Jan-Mar 08	1,969	2,089	-120	-185	-6.1%	-9.4%	9,696	6,700	69.1%	6,803	25,477
YE 31/12	Apr-Jun 08	2,409	2,384	25	-71	1.0%	-2.9%	11,564	8,479	73.3%	8,260	26,916
	Jul-Sep 08	2,114	2,085	30	-316	1.4%	-14.9%	10,984	8,180	74.5%	7,325	24,298
	Oct-Dec 08	1,652	1,689	-36	-359	-2.2%	-21.7%	9,750	6,559	67.3%	6,612	23,082
	Year 2008	**8,120**	**8,277**	**-107**	**-977**	**-1.3%**	**-12.0%**	**41,993**	**29,916**	**71.2%**	**29,000**	**24,635**
	Jan-Mar 09	1,352	1,469	-118	-90	-8.7%	-6.6%	8,870	5,541	62.5%	5,748	22,133
	Apr-Jun 09	1,546	1,665	-119	-132	-7.7%	-8.6%	9,584	7,055	73.6%	6,850	18,676
	Jul-Sep 09	1,522	1,486	36	21	2.3%	1.4%	8,958	6,868	76.7%	6,245	17,825
	Oct-Dec 09	1,474	1,676	-202	-186	-13.7%	-12.6%	8,160	5,764	70.6%	6,055	16,510
	Year 2009	**5,914**	**6,320**	**-406**	**-388**	**-6.9%**	**-6.6%**	**35,571**	**25,228**	**70.9%**	**24,898**	**18,786**
Ryanair	Jan-Mar 08	859	792	67	-85	7.8%	-9.9%					
YE 31/03	**Year 2007/08**	**3,846**	**3,070**	**777**	**554**	**20.2%**	**14.4%**			**82.0%**	**50,900**	
	Apr-Jun 08	1,215	1,202	13	-141	1.0%	-11.6%			81.0%	14,953	
	Jul-Sep 08	1,555	1,250	305	280	19.6%	18.0%			88.0%	16,675	
	Oct-Dec 08	798	942	-144	-157	-18.0%	-19.7%			71.3%	14,029	6,298
	Jan-Mar 09	623	592	31	-223	5.0%	-35.8%			74.6%	12,902	
	Year 2008/09	**4,191**	**3,986**	**205**	**-241**	**4.9%**	**-5.7%**			**81.0%**	**58,559**	
	Apr-Jun 09	1,055	844	211	168	20.0%	15.9%			83.0%	16,600	
	Jul-Sep 09	1,418	992	426	358	30.0%	25.2%			88.0%	19,800	
	Oct-Dec 09	904	902	2	-16	0.2%	-1.8%			82.0%	16,021	
easyJet	Oct 06-Mar 07	1,411	1,333	-47	-25	-3.3%	-1.8%	19,108	15,790	81.2%	16,400	
YE 30/09	**Year 2006/07**	**3,679**	**3,069**	**610**	**311**	**16.6%**	**8.5%**	**43,501**	**36,976**	**83.7%**	**37,200**	**5,674**
	Oct 07-Mar 08	1,795	1,772	22	-87	1.2%	-4.8%	23,442	19,300	82.3%	18,900	
	Apr-Sep 08	2,867	2,710	157	251	5.5%	8.7%	32,245	28,390	88.0%	24,800	
	Year 2007/08	**4,662**	**4,483**	**180**	**164**	**3.9%**	**3.5%**	**55,687**	**47,690**	**85.6%**	**43,700**	**6,107**
	Oct 08-Mar 09	1,557	1,731	-174	-130	-11.2%	-8.3%	24,754	21,017	84.9%	19,400	
	Apr-Sep 09	2,607	2,063	280	251	10.7%	9.6%	33,411	29,549	88.4%	25,800	
	Year 2008/09	**4,138**	**3,789**	**93**	**110**	**2.3%**	**2.7%**	**58,165**	**50,566**	**86.9%**	**45,200**	

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 emp.
ANA	Year 2004/05	12,024	11,301	723	251	6.0%	2.1%	85,838	55,807	65.0%	48,860	29,098
YE 31/03	Year 2005/06	12,040	11,259	781	235	6.5%	2.0%	86,933	58,949	67.8%	49,920	30,322
	Year 2006/07	12,763	11,973	790	280	6.2%	2.2%	85,728	58,456	68.2%	49,500	32,460
	Year 2007/08	13,063	12,322	740	563	5.7%	4.3%	90,936	61,219	67.3%	50,384	
	Year 2008/09	13,925	13,849	75	-42	0.5%	-0.3%	87,127	56,957	65.4%	47,185	
Cathay Pacific	Year 2006	7,824	7,274	550	526	7.0%	6.7%	89,117	71,171	79.9%	16,730	18,992
YE 31/12	Jan-Jun 07	4,440	4,031	409	341	9.2%	7.7%	49,836	38,938	79.6%	8,474	19,207
	Year 2007	9,661	8,670	991	900	10.3%	9.3%	102,462	81,101	79.8%	23,250	19,840
	Jan-Jun 08	5,443	5,461	-18	-71	-0.3%	-1.3%	56,949	45,559	80.0%	12,463	
	Year 2008	11,119	12,138	-1,018	-1,070	-9.2%	-9.6%	115,478	90,975	78.8%	24,959	18,718
	Jan-Jun 09	3,988	3,725	263	119	6.6%	3.0%	55,750	43,758	78.5%	11,938	18,800
	Year 2009	8,640	7,901	740	627	8.6%	7.3%	111,167	96,382	86.7%	24,558	18,511
JAL	Year 2004/05	19,905	19,381	524	281	2.6%	1.4%	151,902	102,354	67.4%	59,448	53,962
YE 31/03	Year 2005/06	19,346	19,582	-236	-416	-1.2%	-2.2%	148,591	100,345	67.5%	58,040	53,010
	Year 2006/07	19,723	19,527	196	-139	1.0%	-0.7%	139,851	95,786	68.5%	57,510	
	Year 2007/08	19,583	18,793	790	148	4.0%	0.8%	134,214	92,173	68.7%	55,273	
	Year 2008/09	19,512	20,020	-508	-632	-2.6%	-3.2%	128,744	83,487	64.8%	52,858	
Korean Air	Year 2005	7,439	7,016	423	198	5.7%	2.7%	66,658	49,046	73.6%	21,710	17,573
YE 31/12	Year 2006	8,498	7,975	523	363	6.2%	4.3%	71,895	52,178	72.6%	22,140	16,623
	Year 2007	9,496	8,809	687	12	7.2%	0.1%	76,181	55,354	72.7%	22,830	16,825
	Year 2008	9,498	9,590	-92	-1,806	-1.0%	-19.0%	77,139	55,054	71.4%	21,960	18,600
	Year 2009	7,421	7,316	105	-49	1.4%	-0.7%	80,139	55,138	68.8%	20,750	
Malaysian	Year 2004/05	3,141	3,555	-414	-421	-13.2%	-13.4%	64,115	44,226	69.0%		22,513
YE 31/03	Apr-Dec 05	2,428	2,760	-332	-331	-13.7%	-13.6%	49,786	35,597	71.5%		22,835
YE 31/12	Year2006	3,696	3,751	-55	-37	-1.5%	-1.0%	58,924	41,129	69.8%	15,466	19,596
	Year 2007	4,464	4,208	256	248	5.7%	5.6%	56,104	40,096	71.5%	13,962	19,423
	Year2008	4,671	4,579	92	74	2.0%	1.6%	52,868	35,868	67.8%	12,630	19,094
	Year 2009	3,296	3,475	-179	140	-5.4%	4.3%				12,000	
Qantas	Jul-Dec 06	6,099	5,588	511	283	8.4%	4.6%	61,272	49,160	80.2%	18,538	33,725
YE 30/6	Year 2006/07	11,975	11,106	869	568	7.3%	4.7%	122,119	97,622	79.9%	36,450	34,267
	Jul-Dec 07	7,061	6,323	738	537	10.5%	7.6%	63,627	52,261	82.1%	19,783	33,342
	Year 2007/08	14,515	13,283	1,232	869	8.5%	6.0%	127,019	102,466	80.7%	38,621	33,670
	Jul-Dec 08	6,755	6,521	234	184	3.5%	2.7%	63,853	50,889	79.7%	19,639	34,110
	Year 2008/09	10,855	10,733	152	92	1.4%	0.8%	124,595	99,176	79.6%	38,348	33,966
	Jul-Dec 09	6,014	5,889	124	52	2.1%	0.9%	62,476	51,494	82.4%	21,038	32,386
Singapore	Year 2004/05	7,276	6,455	821	841	11.3%	11.6%	104,662	77,594	74.1%	15,944	13,572
YE 31/03	Year 2005/06	6,201	5,809	392	449	6.3%	7.2%	109,484	82,742	75.6%	17,000	13,729
	Year 2006/07	9,555	8,688	866	1,403	9.1%	14.7%	112,544	89,149	79.2%	18,346	13,847
	Year 2007/08	10,831	9,390	1,441	1,449	13.3%	13.4%	113,919	91,485	80.3%	19,120	14,071
	Year 2008/09	11,135	10,506	629	798	5.6%	7.2%	117,789	90,128	76.5%	18,293	14,343
Air China	Year 2005	4,681	4,232	449	294	9.6%	6.3%	70,670	52,453	74.2%	27,690	18,447
YE 31/12	Year 2006	5,647	5,331	316	338	5.6%	6.0%	79,383	60,276	75.9%	31,490	18,872
	Year 2007	6,770	6,264	506	558	7.5%	8.2%	85,257	66,986	78.6%	34,830	19,334
	Year 2008	7,627	7,902	-275	-1,350	-3.6%	-17.7%	88,078	66,013	74.9%	34,250	19,972
	Year 2009							95,489	73,374	76.8%	39,840	
China Southern	Year 2005	4,682	4,842	-160	-226	-3.4%	-4.8%	88,361	61,923	70.1%	44,120	34,417
YE 31/12	Year 2006	5,808	5,769	39	26	0.7%	0.4%	97,044	69,575	71.7%	49,200	45,575
	Year 2007	7,188	6,974	214	272	3.0%	3.8%	109,733	81,172	74.0%	56,910	45,474
	Year 2008	7,970	8,912	-942	-690	-11.8%	-8.7%	112,767	83,184	73.8%	58,240	46,209
	Year 2009							123,440	93,000	75.3%	66,280	
China Eastern	Year 2005	3,356	3,372	-16	-57	-0.5%	-1.7%	52,428	36,381	69.4%	24,290	29,301
YE 31/12	Year 2006	3,825	4,201	-376	-416	-9.8%	-10.9%	70,428	50,243	71.3%	35,020	38,392
	Year 2007	5,608	5,603	5	32	0.1%	0.6%	77,713	57,180	73.6%	39,160	40,477
	Year 2008	6,018	8,192	-2,174	-2,201	-36.1%	-36.6%	75,919	53,754	70.8%	37,220	44,153
	Year 2009							84,422	60,918	72.2%	44,030	
Air Asia	Oct-Dec 08	237	152	84	-50	35.7%	-21.1%	5,006	3,800	75.9%	3,342	
YE 31/12	Year 2008	796	592	203	-142	25.5%	-17.9%	18,717	13,485	72.0%	11,795	
	Jan-Mar 09	198	84	114	56	57.6%	28.4%	5,207	3,487	67.0%	3,147	
	Apr-Jun 09	186	94	91	39	49.1%	21.1%	5,520	4,056	73.5%	3,519	
	Jul-Sep 09	211	145	66	37	31.1%	17.6%	5,449	3,769	69.2%	3,591	
	Oct-Dec 09	263	169	95	23	35.9%	8.6%	5,863	4,410	75.2%	3,995	
	Year 2009	905	539	366	156	40.4%	17.3%	21,977	15,432	70.2%	14,253	

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

EUROPEAN SCHEDULED TRAFFIC

	Intra-Europe			North Atlantic			Europe-Far East			Total long-haul			Total International		
	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 %
1990	113.4	70.9	62.5	128.8	89.7	69.6	80.5	57.6	71.6	272.6	191.7	70.3	405.8	274.9	67.7
1991	114.8	65.2	56.8	120.9	84.3	69.7	80.0	53.1	66.4	267.6	182.0	68.0	397.8	257.9	64.7
1992	129.6	73.5	56.7	134.5	95.0	70.6	89.4	61.6	68.9	296.8	207.1	69.8	445.8	293.4	65.8
1993	137.8	79.8	57.9	145.1	102.0	70.3	96.3	68.1	70.7	319.1	223.7	70.1	479.7	318.0	66.3
1994	144.7	87.7	60.6	150.3	108.8	72.4	102.8	76.1	74.0	334.0	243.6	72.9	503.7	346.7	68.8
1995	154.8	94.9	61.3	154.1	117.6	76.3	111.1	81.1	73.0	362.6	269.5	74.3	532.8	373.7	70.1
1996	165.1	100.8	61.1	163.9	126.4	77.1	121.1	88.8	73.3	391.9	292.8	74.7	583.5	410.9	70.4
1997	174.8	110.9	63.4	176.5	138.2	78.3	130.4	96.9	74.3	419.0	320.5	76.5	621.9	450.2	72.4
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	72.0
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
2006	329.9	226.6	68.7	230.5	188.0	81.5	182.7	147.5	80.7	588.2	478.4	81.3	874.6	677.3	77.4
2007	346.6	239.9	69.2	241.4	196.1	81.2	184.2	152.1	82.6	610.6	500.4	81.9	915.2	713.9	78.0
2008	354.8	241.5	68.1	244.8	199.2	81.4	191.1	153.8	80.5	634.7	512.4	80.7	955.7	735.0	76.9
2009	322.1	219.3	68.1	227.8	187.7	82.4	181.2	145.8	80.5	603.8	488.7	80.9	912.7	701.1	76.8
Dec 09	23.6	15.3	64.6	16.5	13.8	83.8	14.5	11.8	81.1	48.1	39.5	82.1	71.2	54.7	76.8
Ann. change	-2.1%	0.6%	1.7	-5.6%	-3.0%	2.3	-4.8%	-1.0%	3.2	-4.0%	-0.9%	2.6	-2.9%	-0.2%	2.1
Jan-Dec 09	322.1	219.3	68.1	227.8	187.7	82.4	181.2	145.8	80.5	603.8	488.7	80.9	912.7	701.1	76.8
Ann. change	-5.4%	-5.5%	0.0	-6.7%	-5.6%	1.0	-5.5%	-5.9%	-0.4	-4.7%	-4.8%	0.0	-4.0%	-4.4%	-0.3

Source: AEA.

JET ORDERS

	Date	Buyer	Order	Delivery/other information
Boeing	26 Mar	Virgin Blue Airlines	40 x 737-800s	
	25 Feb	Somon Air	2 x 737-900ERs	
	22 Feb	Turkish Airlines	10 x 737-800s, 10 x 737-900ERs	
	19 Feb	United Airlines	25 x 787-8s	
Airbus	31 Mar	Malyasia Airlines	2 x A330-200Fs, 15 x A330-300s	
	29 Mar	Hong Kong Airlines	6 x A330-200s	
	10 Mar	United Airlines	25 x A350-900s	
	9 Mar	Hawaiian Airlines	1 x A319	

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

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