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Asian carriers are suffering as well

Asian airlines had just managed to pull out of their regional recession, caused essentially by a financial crisis in 1997/98, when they have been pushed back into another slump by the events of September 11.

The Asian carriers might have expected to have been a little insulated from the full impact, but they have been badly hit by a 15%-plus decline in Europe-Far East traffic and a 40% collapse in transpacific traffic. Moreover, intra-regional traffic is depressed as a direct result of the elongated and deepening recession in Japan - the OECD has just downgraded to -1.0% in 2002. Japan generates about 20% of the intra-Asia international traffic.

As the preliminary post-September 11 traffic results show, the Japanese carriers and Korean were most affected, followed by Asia's two premier brands - SIA and Cathay - while flag-carriers like PAL and Thai have managed to maintain positive traffic trends.

However, as a direct result of the 1998-99 recession, the Asian carriers have been very restrained in their ordering. The capacity due for delivery in the period up to the end of 2002 is limited to 88 units.

JAL's major move has been to accelerate a merger with JAS (JAL was already the second largest shareholder in JAS with about 8.5% of the stock). Talks about a merger had already taken place early this year. Amalgamating the number two domestic operator would boost JAL's domestic share to around 48%, just below ANA's 49%, and create the world's sixth largest airline in terms of passengers carried.

JAL insists that the deal will be a" breakthrough for real competition between two big airlines" , a statement that might cause eyebrows to be raised. The Japanese Fair Trade Commission has to give its approval but no strong objections are foreseen. The integration process will take up to 2004 and will involve removing duplication at 30 airports where both carriers currently operate. Claims for cost savings are so far quite modest - around Y16bn ($130m) a year.

CHANGE IN INTERNATIONAL RPKs, SEPTEMBER 2001

ANA	-31.4
Asiana	-7.0
Cathay Pacific	-13.5
China Airlines	-16.8
EVA	-7.4
Garuda	8.5
JAL	-22.6
Korean	-15.5
PAL	2.2
SIA	-5.4
Thai	3.2

Source: AAPO

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CONTENTS

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DELIVERIES TO ASIAN CARRIERS UP TO END 2002

	737	747	767	777	A300	A320	A321	A330	A340	Total
Asiana		3		6			4	4		17
Korean	6	4		2				5		17
ANA			7	5		3				15
SIA		1		10						11
China Airlines	4	4							1	9
JAS		3	1	5						9
Cathay Pacific								2	2	4
JAL					3					3
Garuda				2						2
EVA		1								1
Total	**10**	**16**	**8**	**30**	**3**	**3**	**4**	**11**	**3**	**88**

Source: *ACAS.*

It is possible that ANA might respond to JAL's proposed takeover of JAS by buying out either or both of the two small Japanese carriers - Do and Skymark. However, there would appear to be very little point in doing this as the two newcomers have a very small market share and no perceptible impact on domestic yields. Generally, the threat from new entrants in the theoretically deregulated Japanese market appears minimal, partly because of the need to invest in widebody rather than narrowbody equipment.

The Japanese and Korean carriers have turned to their governments for support. The government will provide provide soft loans totalling Y16bn ($130m) to JAL and Y38bn ($310m) to ANA. Korean Air has received Won 140bn($110m) in government aid while Asiana will get Won 110bn ($86m).

There is no such option for the region's commercial leaders, SIA and Cathay. They are suffering from an unprecedented combination of adverse events:

• Severe trading recessions in both city-states;
• High exposure to both Japanese and US travel collapses;
•Escalating unit labour costs in SIA's case, and an interminable dispute with its pilots' union in Cathay's case.

In addition, SIA is faced with sorting out the fall-out from its global investments - a strategy which has been compared to that of the SAir Group. The bankruptcy of Ansett has deprived it of feed in the Australian market, while its investment in Air New Zealand is now worthless following that carrier's effective re-nationalisation. The investment in Virgin Atlantic has been almost completely written down in SIA's books, and little synergy is apparent in this alliance. Indeed, given the lack of cooperation on codesharing and conflicts of interest between Virgin Blue and Ansett, relations between SIA and Virgin are not smooth at all.

As for the other southeast Asian flag-carriers:

• Garuda has spent the past few years restructuring and downsizing under the auspices of Lufthansa, and, as it suspended US services in 1997, it has escaped the worst of the fall-out from September 11.
• PAL is still in receivership following its bankruptcy in 1998. The airline has abandoned its over-ambitious strategy of becoming a global Asian carrier and refocused on being essentially an ethnic carrier, and so too is also somewhat insulated.
• MAS is accelerated another major restructuring exercise. Still overburdened with debt from its expansionist phase, a downsizing in personnel and another sharp cutback in network is anticipated.
• Thai has postponed the sale of 23% of its stock, a transaction that was looking shaky in any case no trade investor had committed. In early October the entire board of directors resigned, and the incoming chairman has warned of that the airline would disappear unless radical changes are made, but he tempered that by saying that bankruptcy was still three years away.

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Post-September 11 market: the finance gap conundrum

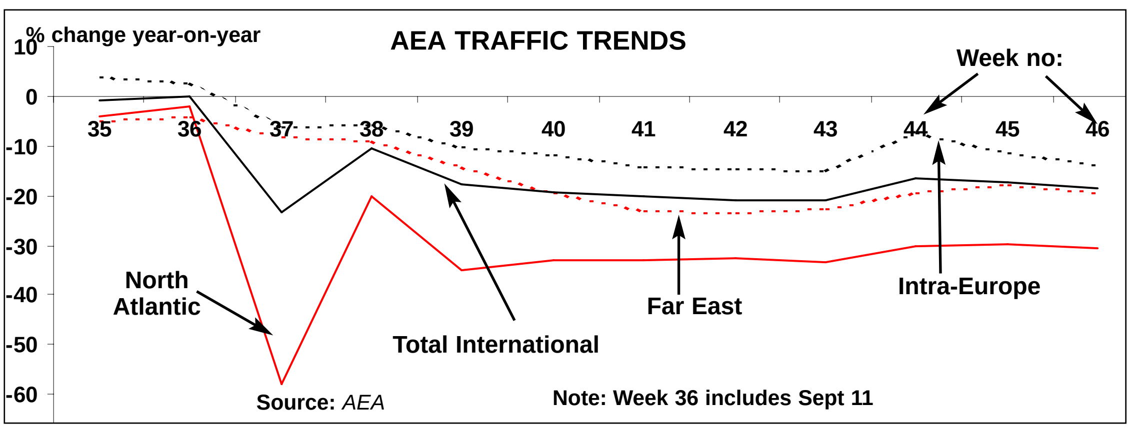
Two and half months on from September 11, *Aviation Strategy* reviews what has happened to global supply and demand, and looks at some of the implications for the financial basis of the industry.

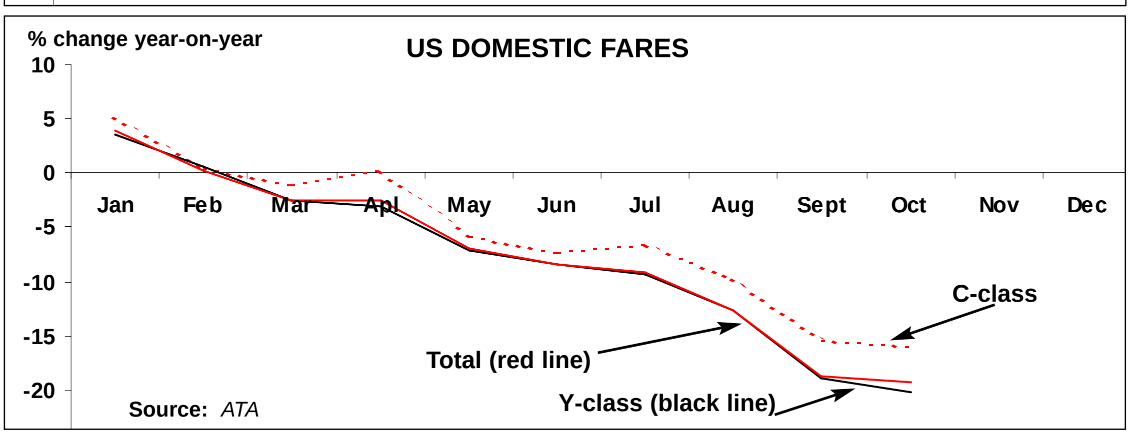
For the moment, we are sticking with the same regional traffic forecasts as originally made in October, which equate to a 6% global decline in RPKs this year and 5% next before a substantial (17%) rebound in 2003 restores the long-term growth trend.

There are two main reasons for this cautious view. First, traffic, having originally perked up, is not yet showing signs of a sustained recovery. According to the AEA's weekly reports, intra-Europe traffic is stuck at about -10% and intercontinental traffic at about -20% (and that is before factoring in the effects of Sabena's and Swissair's bankruptcies). There is a similar pattern in the US, and during the Thanksgiving holiday, a major test of discretionary travel, business was estimated by the ATA to be 20% below that of last year. And the unexpected element in the global equation is the poor performance of Asia/Pacific traffic where the September 11 effect has combined with the downturn in the major economies, particularly Japan's.

The other consideration has to be the economic outlook. The OECD's latest forecast, made in November shows the US slipping into recession and the Japanese recession deepening. The European economies look better, but still with insipid growth rates next year.

Nevertheless, there may be reasons for optimism, which are not showing up in the





LATEST ECONOMIC FORECASTS - REAL GDP

	US	UK	Germany	France	Japan	OECD total
2000	4.1%	2.9%	3.0%	3.4%	1.5%	3.7%
2001	1.1%	2.3%	0.7%	2.0%	-0.7%	1.0%
2002	0.8%	1.7%	1.0%	1.6%	-1.0%	1.0%
2003	3.8%	2.5%	2.9%	3.0%	0.8%	3.2%

Source: OECD, Nov 2001

numbers yet. The newsflow from Afghanistan has been surprisingly positive, and a semblance of normality has returned. Memories do fade, in the process lowering the psychological barriers to flying.

It is likely that we will revise the forecast in the near future, bringing forward the timing of the recovery in 2002, and smoothing down the 2003 rebound. But, as far as the financial health of the industry is concerned, traffic is not the only thing to worry about - yields have also collapsed.

The ATA's Domestic Fare Report Fare report makes disturbing reading - accelerating a trend that was apparent before September 11, business class fares were down 16% in October against a year ago and 20% down for economy class. Similar yield declines are reported by European and Asian carriers.

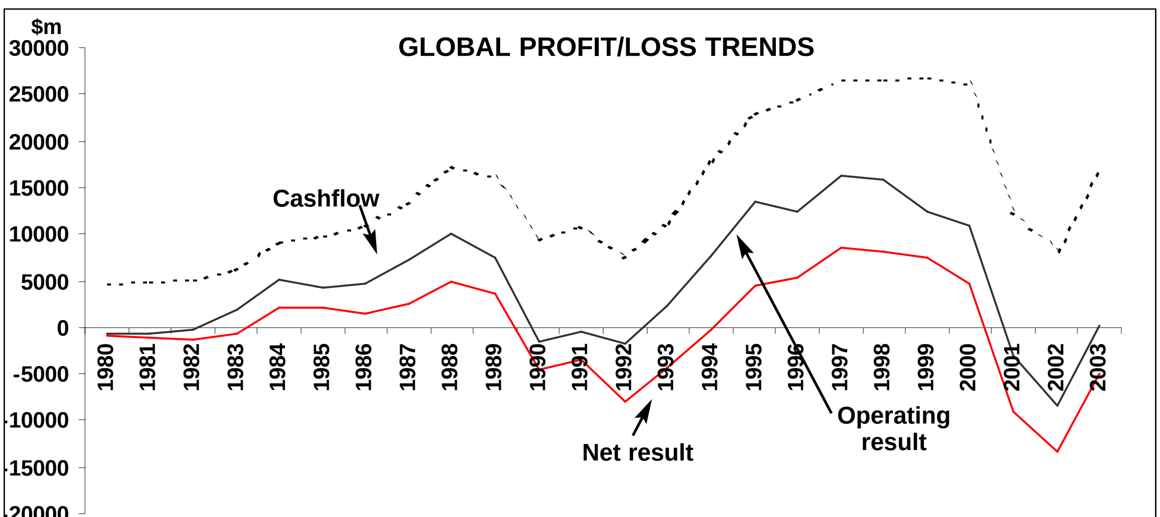
It is difficult to see how the network carriers can extricate themselves from the downward yield spiral in the short term Their priority has to be get their passengers flying again even if they have to bribe them back onto aircraft. And they cannot afford to lose further market share to the low cost airlines by visibly pushing up fares.

(Incidentally, the other winners in this market may prove to be the express parcel carriers - FedEx, DHL, UPS - who are picking up business from the network carriers as they have to abandon bellyspace cargo, partly because of security concerns, partly because of their overall downsizing).

Financial outlook - ouch!

Incorporating the yield decline into the forecast provides a rough indication of the global financial impact of this crisis on the industry (as before the historical numbers are based on ICAO and borrowed with thanks from ESG/Airline Monitor). The key assumptions that we have plugged in are an 8% fall in passenger yield this year and a further 5% next year (remembering that for the first eight months of 2002 the comparison is being made against a "normal" period). In 2003 yields come back but are still below 2001 levels.

The unit cost side is even more difficult to estimate. Airlines are cutting into their cost bases by laying off employees and renegotiating leases and other financial arrangements, but they are also grounding aircraft, with the overall effect that the reduction in capacity is matching the reduction in costs, resulting in little change in unit costs (or even an increase, as American Airlines has experienced). We have opted for a 3% drop



Source: *ESG (historical) and Aviation Strategy (forecast)* *Note: Cashflow= Net profit plus depreciation*

	FORECAST ASSUMPTIONS							
	Traffic* (RPKs)	Yield (Cents/RPK)	Unit cost (Cents/RPK)	Jet deliveries (units)**	Op. Profit ($bn)	Margin	Net profit ($bn)	Margin
2000	7%	-1%	3%	1105	11	3%	5	1%
2001	-6%	-8%	-3%	1000	-3	-1%	-9	-3%
2002	-5%	-5%	-3%	800	-8	-3%	-13	-5%
2003	17%	7%	0%	1500	0	0%	-5	-1%

*Notes: * For the purpose of this forecast the assumption is that capacity is reduced in line with the traffic decline.*
*** Includes only deliveries directly to airlines or lesssors, ie not those temporarily parked, etc..*

this year and next, partly because of the softness of fuel prices. In 2003 the unit cost change is zero.

What all this implies in terms of financial results in shown on the chart above. This year operating losses could total $3bn and total net losses $9bn (or even more if airlines decided to dump all the bad news in this exceptional year). Next year is even worse with record losses expected on the basis of our traffic, yield and cost assumptions. 2003 sees a return to break-even or close to it.

It is interesting to note that throughout this period the industry remains cash positive.

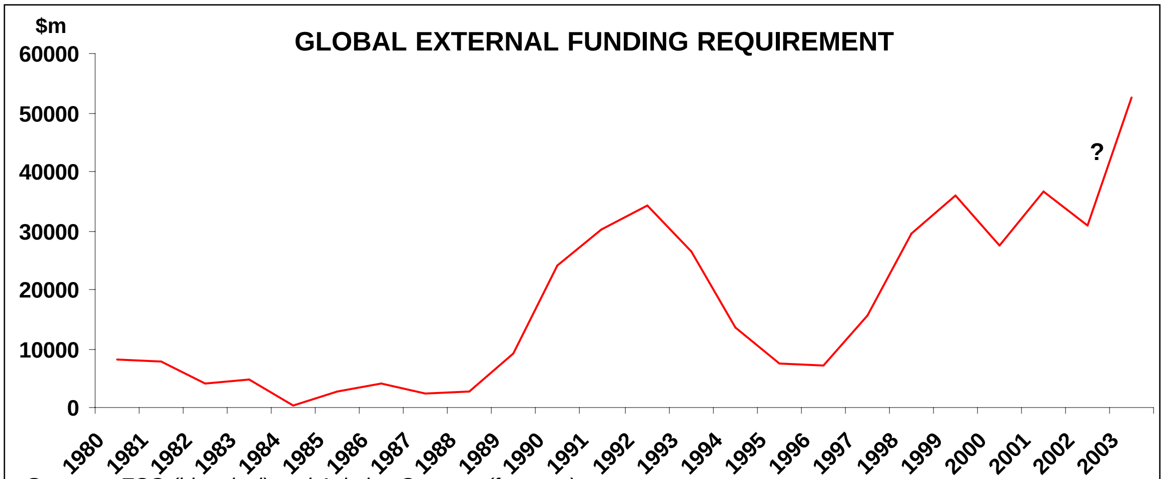
Delivery riddle

Nowhere near cash positive enough, however, to be able to accept the new aircraft due for delivery next year. Pre-September 11, some 1,300 units were scheduled for delivery in 2002. We are now estimating a 40% reduction on that figure to around 800 deliveries to operators (airlines and lessors).

This supply side adjustment results from cancellations (relatively few so far and mostly associated with bankrupt airlines), deferrals (just about everyone is trying to negotiate deferrals not just for 2002 but also for deliveries in the mid-00s), and through deliveries diverted into Special Purpose Companies (SPCs).

These SPCs come in various forms but, for example, they can be set up by the manufacturer in conjunction with the airline customer, which has an obligation to take the aircraft it has order but cannot afford to take delivery in the current market. The SPC arranges for the aircraft to be delivered directly into parking facilities in the desert and pays for the parking costs. However, the airline customer has an obligation to take over the aircraft within an agreed timescale and, of course, to compensate the manufacturer. The price of the aircraft is set to escalate through this time period, so providing an incentive for the airline to accept delivery as soon as is feasible.

The question is: when will all these deliv-



Source: *ESG (historical) and Aviation Strategy (forecast)* eries be deferred to? We are, very tentatively, predicting a major upturn in deliveries in 2003, the year when traffic rebounds. The 1,500 units includes both deliveries directly off the production lines and the final delivery of aircraft that had been temporarily parked to their owners.

This has important implications for the aviation financial community in terms of the amount of external funding required by airlines. External funding is defined as the difference between the industry's internal cashflow and its capital expenditure on aircraft and other equipment - the trend is shown on the graph on page 5.

Because of the combination of greatly weakened internal cash flow and the accumulation of planned and deferred deliveries, the theoretical external funding requirement balloons to a record $50bn in 2003. But will the financial community supply the capital?

It seems unlikely. Credit committees at investment banks will be casting very sceptical eyes over any aviation proposal. The aviation departments of many banks will be fully occupied trying to sort out problems with their client airlines. Many of the old precepts - such as the notion that a European flag-carrier would be allowed to go bust - have been undermined. Indirect investors who were attracted into the industry through tax-effective products like EETCs and JOLs will be wondering what their real exposure is. The European Credit Agencies should be worrying about having to reveal how much taxpayers' money has been committed to support sales of Airbus equipment to developed world purchasers.

Fate of the lessors?

Back in the last recession in the early 90s, the demise of GPA resolved the conundrum of the so-called financial gap. And, as its orderbook was wound down or sold off, balance in the aircraft market was gradual restored. Could something similar happen today?

Gecas and ILFC are backed by financially very strong parents, though AIG, the insurance giant that owns ILFC, has been rocked by September 11. The others are more fragile financially.

Just looking at the lessee list opposite reveals, hardly surprising, more weak than strong airlines. Some - Air New Zealand, Ansett, Canada 3000, Swissair, Sabena - are already in some form of bankruptcy; others - US Airways, America West, Olympic, Asiana, etc. - are looking shaky.

Their delivery commitments up to the end of next year are shown below. Where the operator is also a leasing company, this means that either the scheduled delivery has not been committed to an airline, or that ACAS cannot identify the lessee.

SCHEDULED DELIVERIES TO LESSORS UP TO END 2002

Operator	ILFC	Gecas	Flightlease	Pembroke	Bouillon	SALE	Awas	Total
ILFC	43							43
Gecas		41						41
Flightlease			12					12
Air Canada	7	4						11
Pembroke				10				10
American Trans Air	9							9
LTU	6		3					9
Virgin Blue	7							7
WestJet		7						7
Air France	6							6
Emirates	3					2		5
Frontier	0	5						5
USA 3000		5						5
Others (31 operators)	31	11	4	3	8	2	2	61
Total	**112**	**73**	**19**	**13**	**8**	**4**	**2**	**231**

Source: *ACAS.*

LESSOR FLEET BY OPERATOR, NOVEMBER 2001

Operator	Gecas	ILFC	Awas	Debis	Boullioun	Pembroke	SALE	Flight-lease	TOTAL
Continental	57	11							68
Air France	15	19	5	5		3			47
US Airways	45								45
Gecas	43								43
TWA	15	16	5	4					40
America West	16	6	1		9		4		36
Air Canada	28	7							35
TAM	3			16	4			6	29
Swissair		18						9	27
Aeromexico	16	5	2						23
Delta Express	22								22
Air New Zealand	5	10		3	2	1			21
bmi	5	10		6					21
Varig	15		4		2				21
Iberia	2	16			1		1		20
KLM	8	12							20
Canada 3000	4	12	2						18
Mesa	17								17
Northwest	17								17
Olympic	13	3			1				17
China Eastern	14			1			1		16
Asiana	3	10			1		1		15
Frontier	10	3			2				15
American	14								14
Korean	10			2			2		14
Virgin Atlantic	6	7		1					14
Air 2000	6	3	3			1			13
Delta	6					7			13
ILFC		13							13
JMC	6	7							13
Rio Sul		5	7		1				13
Ansett Australia	1	1	10						12
China Southern	9	3							12
Dragonair		12							12
Sabena		4		3	1		4		12
Air Jamaica	3	4	2	2					11
Britannia		11							11
Mexicana		5		4		2			11
Alaska	3	7							10
Lanchile	4	6							10
Malev	5			3		2			10
Others (214 operators)	241	249	66	42	36	21	18	8	681
Total	**687**	**495**	**107**	**92**	**60**	**37**	**31**	**23**	**1,532**

Source: *ACAS.*

Note: Where theoperator is also a lessor, this means either aircraft off-lease or airline not identified

Market regeneration after death of a flag-carrier

When Belgian flag-carrier Sabena collapsed on November 6 local observers fretted that essential air links to European and overseas capital cities were at risk. Little did they realise how quickly market forces would work. Literally overnight, EU carriers already serving Brussels stepped in with increased capacity, mainly by using larger aircraft. Soon thereafter, higher frequency on existing routes and brand new services became the typical market response.

By November 12, Lufthansa was operating three additional daily flights to its Frankfurt main hub, bringing the daily total to ten. On the same day, in cooperation with Eurowings, Lufthansa started to offer four daily flights to Nuremberg. On the Berlin, Munich, Hamburg and Stuttgart routes, Lufthansa increased aircraft size - from A319 to A321. And on November 26, Lufthansa introduced three daily flights from Brussels to Hanover.

Air France was not to be left behind. On November 19, the airline initiated new direct services from Brussels to the UK cities of Birmingham, Edinburgh and Newcastle through a code-share agreement with British European. Air France also started two daily flights to its centrally-located Clermont-Ferrand domestic hub, offering good connections to 17 other French regional destinations.

To restore African links, Air France announced a reinforcement of its African schedule from Paris CDG in January 2002 that will include the reopening of the Kinshasa route (twice weekly) and new direct services to Bamako, Ouagadougou and Conakry. To make the point clear, Air France currently widely advertises in Belgium the 415 destinations from its Paris CDG main hub which has a fast (1 hour 15 minutes) direct rail link with central Brussels.

Bmi British Midland too has responded. On November 12, it launched new services to Manchester and Leeds. The three daily services to Manchester are operated on 80-seat BAe 146s and on 49-seat Embraers to Leeds, matching capacity to market demand. The Manchester connection offers connections to Chicago and Washington D.C. Bmi also proposed to launch a new service to Birmingham in December.

Local Belgian airline VLM commenced flying three times daily from Brussels to London City on 9 November.

Virgin Express, while engaged in schizophrenic negotiations with Sabena's successor designate DAT, quickly moved in with new services to Geneva, Stockholm and Zurich, while continuing to serve, in a code-share with DAT, London Heathrow, Barcelona and Rome, as it did with Sabena.

Never had it so good

Not only is Belgium still connected to the world, it is connected on a much cheaper basis than when Sabena was around. New routes are stimulated by promotional campaigns and Virgin Express and DAT vie to offer the lowest fares. Lurking in the background is, of course, Ryanair operating from Brussels South Charleroi Airport. The Belgian travelling public, business and leisure, has probably never had it so good.

While the competition has moved in aggressively, and apparently successfully, DAT continues to be hampered by its poor distribution system. Passenger loads are still hovering at 30% (up from 10% in mid-November). This means that DAT is haemorrhaging money on every flight. Not a good sign when the only capital the airline now has is a government bridge loan that is to repaid by next spring. Considering the former Sabena network has already been rebuilt, albeit by different actors, perhaps permanently, few in Belgium will mourn the demise of the national carrier.

State aid revisited

From a legal perspective there would appear to be ways in which state aid could be granted to Europe's airlines. But the European Commission is still holding firm to its non-interventionist policy. These issues were discussed at a seminar held by the European Aviation Club in Brussels on November 20.

John Balfour, a leading aviation lawyer at Beaumont and Co, provided an overview of the state aid position. The basic rule can be found in Article 87(1) of the Treaty of Rome:

"Save as otherwise provided by this Treaty, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings … shall, insofar as it affects trade between member states, be incompatible with the common market".

But there is what John Balfour describes as a "mandatory exemption" - "aid to make good the damage caused by natural disasters or exceptional occurrences" is compatible with the common market.

Then there are "discretionary exemptions" - "aid to promote the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a Member State", and "aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest". Such aid may therefore may be considered to be compatible with the common market providing it does not change the overall competitive position of the market.

In 1994 the Commission issued guidelines on state aids in the aviation sector.

For airlines that remain in total or partial state ownership the EC established the "market economy investor principle" (MEIP). MEIP allows the state to make a capital injection if accompanied by significant injection by private investors under the same terms. Such a capital injection would be expected to produce an expectable rate of return over a reasonable time frame. The capital injection should also take into account the general economic environment of industry. Any difference from normal market conditions for a loan (including the effect of a loan guarantee) would constitute state aid.

When permitting state aid the EC has imposed these conditions:

- A viable restructuring plan;
- A ban on airline acquisitions;
- A "one time, last time" stipulation;
- Capacity restrictions or reductions;
- A "normal" shareholder relationship between government and airline;
- · No preferential behaviour on traffic rights;
- Restrictions in terms of price leadership; and
- Divestment of non-core assets.

The EC is not permitted by the Treaty of Rome to rule on ownership questions and hence has not been able to insist on privatisation. This is probably one of the basic reasons for the failure of so many airline turnaround plans.

MAJOR CASES OF STATE SUPPORT

Date	Airline	Amount (Euro m)	Comment
Jul 1991	Sabena	1,600	
Nov 1991	Air France	300	Not aid
Jul 1992	Air France	580	Not aid
Jul 1992	Iberia	750	Informal
Dec 1993	Aer Lingus	200	
Jul 1994	Air France	3,000	Appeal and reissued decision
Jul 1994	Air France	225	Not allowed
Jul 1994	TAP	1,800	
Oct 1994	Olympic	2,000	Partly suspended
May 1995	Sabena	40	Not aid
May 1995	Lufthansa	800	Not aid
Jul 1995	AOM	50	Not aid
Jan 1996	Iberia	560	Not aid
Aug 1997	Alitalia	1,500	Appeal and reissued decision

Source: *Beaumont and Son.*

Rescue and restructuring aid

The relative buoyancy of the airline industry in the past few years, and the "one time, last time" stance taken by the EC, has meant that there has been no state applications since August 1997. There is now , however, possible assistance in the form of rescue aid, which is not aviation-specific.

The three important definitions behind rescue aid are as follows:

• "Firm in difficulty" - a firm unable, through its own resources or with funds from shareholders or creditors, to stem losses which, without outside public intervention, will almost certainly condemn it to go out of business in the short or medium term;

• Rescue aid - temporary, one-off assistance intended to keep an ailing firm afloat for the time needed to work out a restructuring or liquidation plan (normally a maximum of six months); and

• Restructuring aid - based on plan to restore long-term viability, not for making good past losses without tackling the reasons for them.

The guidelines for applying rescue aid are that it must:

• Consist of liquidity support in the form of loans or loan guarantees on commercial terms;

• Be linked to loans to be reimbursed over no more than 12 months;

• Be warranted on grounds of serious social difficulties;

• Have no unduly adverse spill-over effects;

• Be restricted to the amount needed to keep the company in business for the period of the aid; and

• The member state must within six months provide the Commission with a restructuring plan or liquidation plan.

EC EMERGENCY MEASURES

Security The Commission has decided to embody the ECAC rules concerning passenger identification and baggage handling and screening procedures in legislation The EC will monitor member states to ensure that they conform to the improved levels of security demanded by the legislation. The additional costs will have to be met directly by the member states themselves.

Insurance The EC stance on insurance to airlines, following the effective withdrawal of terrorism and war-related cover by insurers was announced following a meeting of the EcoFin Council on September 27.

Compensation has been allowed for the extra cost of insurance, provided that:

• The support addresses a failure in the commercial insurance market;

• Governments must charge a reasonable premium (except in the short term);

• The period covered terminates at the end of 2001;

• It is exclusively intended to compensate for extra cost of insurance resulting from September 11; and

• it is applied in a non-discriminatory manner.

Slot rules The "use it or lose it" principle which requires airlines to operate services for at least 80% of the time over a season or lose the slot has been relaxed by the Commission for the summer 2001 season. Thus all EC carriers will receive the same slot allocation for the summer 2002 season as they enjoyed in summer 2001, whether they have conformed to the 80% rule or not.

The low cost carriers argue that this represents a distortion of competition. Why should a carrier be able to keep a slot, which it may not choose to use, when a low cost carrier may be able to make a profitable return from its use.

The EC guidance on the rules governing slot usage over the winter 2001/02 season has yet to be defined. However, a relaxation on the 80% rule for winter 2001/02 would appear very likely.

Compensation for closure of US airspace

The guidelines associated with the compensation due to the closure of US airspace are as follows, that:

• It is paid in a non-discriminatory manner to all airlines in a given Member State

• The amount of compensation is calculated with reference to traffic the preceding week, adjusted to take account of the corresponding period in 2000, and subject to a maximum of 4/365 annual turnover.

It was under these guidelines that on October 17 that the €125m bridging loan offered to Sabena by the Belgian government was constituted as rescue aid and was approved by the Commission. The Commission affirmed that rescue aid is temporary, and is intended to keep an ailing company afloat for the time needed to work out a restructuring or liquidation plan. It is different from restructuring aid, which is only permitted once.

The EC's policy stance

Ben van Houtte, Head of Unit DG TREN at the European Commission outlined the technical actions taken by the EC since the events of September 11 (see box below), and the discusses the wider EC stance on the airline industry. This is essentially pro-consolidation, with the EC preferring to see takeovers and mergers but accepting bankruptcies.

As the central plank of its policy, the EC is continuing to seek a mandate to negotiate air service agreements with third party states on behalf of all the member states. On the assumption that the UK will sign an "open skies" agreement with the US in the first quarter of 2002, the likelihood is that the EC will receive such a mandate later on in the year.

But the fact that the EC has yet to receive such a mandate has allowed the Commission to take a swipe at member states regarding the aid packages being offered to US carriers. With no negotiating mandate, the EC has been not able to discuss with US authorities the concern that some observers have that US carriers may dump spare capacity on the North Atlantic market. The EC is seeking to apply a Code of Conduct for carriers on the North Atlantic to prevent unfair competition and is in discussions with relevant US authorities.

In its communication of October 10, the EC emphasised that the events of September 11 must not undermine Commission policy or be used as a pretext for governments to use the pretext of "exceptional measures" to grant their flag-carriers financial support. If any member state were even contemplating offering aid to its flag-carrier, then the Commission had to be notified.

But then, the question arises as to whether the Commission, by allowing a relaxation of its rules on slot usage, has implicitly recognised that the September 11 impact should not just be regarded as a four day impact (when US airspace was closed) but as a longer term disaster.

As the full realisation of long-term impact of September 11 on their finances begins to sink in, a perceptible mood swing is taking place. Whereas most of the major carriers, like Lufthansa, initially applauded the EC for its tough stance on compensation, a growing number are now reconsidering the situation.

So far the Commission has not received any state aid applications, and if it does receive any applications that they would have to be dealt with on a case by case basis. Given the stance taken on allowing carriers to protect their slots, it would seem likely that some struggling carriers may be tempted to make state aid applications. They will presumably argue that the "exceptional occurrence" stated under Article 87 should not just be applicable to the four days closure of US airspace. Instead, given that the impact has been far more wide-reaching, as reflected in the stance on slots, compensation (state aid) could be allowed at a far greater level.

If the Commission is to take a more pro-consolidation stance, it has some interesting possible test cases on which to make judgements in the near future. Among these will be:

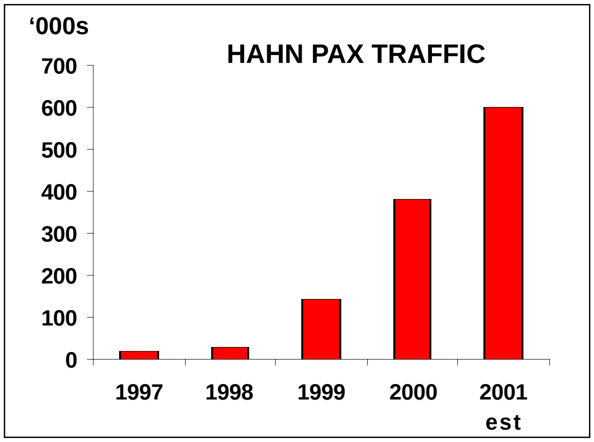
•The BA/AA anti-trust immunity application;
• New merger and acquisition activity (perhaps BA-KLM, and Air France-Alitalia):
•The UK government bailing out the National Air Traffic Services business which is partly owned by a consortium of UK airlines;
• easyJet's application for slots at Paris Orly;
•Unliateral actions on the part of Southern European member states to support their flag-carriers;
• Ryanair’s deal with Charleroi airport which is, perversely, being interpreted as an illegal subsidy from the state of Wallonia; and
• DAT’s use of Sabena’s bridging loan.

Ryanair and Frankfurt Hahn - airline and airport strategies coincide

Ryanair has announced its long awaited plans to open its second continental European hub at Frankfurt's Hahn airport. It already flies into the airport with four daily flights from London Stansted and daily operations from Glasgow and Shannon. It plans to base up to four 737s at the airport and has announced plans to start operations to Milan, Pisa, Pescara, Oslo, Montpellier, Perpignan, and Bournemouth from the middle of February. In its first year of operation it is assuming that it will generate an additional 1.5m passenger throughput.

As we highlighted in the July/August issue ("Ryanair, just too good a negotiator"), Ryanair is excellent at getting the small regional airports to pay it to serve them. (In that issue we estimated that the airline was receiving a net benefit of some €3.5m from Charleroi airport and the local government to use that as its Brussels hub). It is unlikely that the agreement with Hahn is quite that generous, but Ryanair will have cut a good deal.

Operating in Germany is not easy and within a day of the announcement, Lufthansa sought and gained a court injunction banning Ryanair from using comparative pricing in its advertising on the rather spurious basis that Frankfurt-Hahn airport was not a Frankfurt airport. Silly reaction really - every time the no frills carriers come up against a major, the flag carrier does something to ensure that its new competitor gains a major publicity advantage.



This move from Ryanair certainly and rightly has upset Lufthansa - but should not have come as a surprise. Lufthansa will have seen the damage that BA had received from the establishment of the low cost carriers in the UK - and even may have taken lessons from BA's mistake in setting up its own low-cost subsidiary Go, and the resulting cannibalisation of its own traffic base.

Fraport gains too?

Frankfurt Hahn airport (HNN) is one of the old US military airfields that only came into civilian use when the Americans abandoned it in 1993. It is managed and majority owned by newly privatised Fraport AG, which runs Frankfurt am Main airport (FRA). The remaining 25% is held by the Land of Rheinland-Pfalz. Fraport plans ultimately to take over full ownership and in the meantime underwrites any operating losses.

The airport has successfully built up a strong cargo operation with some 1.2m tonne throughput (including road logistics), but only handled 380,000 passengers in 2000 (although forecasts 600,000 in the current year). This compares with the 50m a year at FRA. It is currently loss-making, and is likely to remain so at least until it can build up its passenger throughput beyond the 2m mark. Ryanair is really its only scheduled carrier. Despite Lufthansa's objections, it is officially designated as a Frankfurt airport.

Like many of Ryanair's airports, it is a long way from the town it serves. It is based some 110km by road from Frankfurt, within the rich magic triangle between Frankfurt am Main, Cologne and Luxembourg. This puts it in the middle of the "blue banana" of maximum population density within Europe (which extends from London via the Benelux to Milan) and claims a catchment area containing some 13m people within an hour's access. Unlike major airports nearer city centres (particularly that coming at FRA) it has no night-flight restrictions.

Fraport is seriously interested in building Hahn as an overflow to Frankfurt/Main - and publicly congratulates and wants to emulate BAA in its success at building London's Stansted airport into a low-cost carrier base - although of course Frankfurt does not have the same point-to-point demand that London generates.

The main Frankfurt airport is severely constrained and has effectively been operating at its runway capacity of 78 movements per hour. Lufthansa started the ball rolling for the building of a fourth runway in 1997. The Hessian state government initiated a mediation process in 1998 which concluded in 2000. Its main recommendations included a curfew on night flights (up to now it has been able to operate round the clock - only with restrictions against non-chapter 3 compliant aircraft between 22.00 and 08.00). The planning application process is now underway with an expectation that the new runway will be built by 2006/7.

Fraport responded to the mediators' report with a ten point action plan at the top of which was the proposal to move operations to Hahn - and specifically point-to-point passenger, night charter and night mail/cargo flights. It hopes of course to continue to be allowed to operate without a curfew but the recent decision from the European Court of Human Rights against BAA's Heathrow means that there will be increasing pressure at all airports near built up areas to restrict night flights).

In addition, Fraport is heavily dependent on Lufthansa and its partners - with some 70% of its terminal passenger throughput at FRA generated by the Star Alliance. Lufthansa's second hub is at Munich (still government-, city- and Land-owned) and has some bargaining power against Fraport. Partly as a result of this the management are trying to improve revenues and returns from sources other than FRA, with the aim of generating 30% of its revenues from this area within five years. Building up operations at Hahn gives it a modicum of opportunity to offset its reliance on Lufthansa and fulfil this strategy.

Hahn is a very small element of Fraport's portfolio and it is very unlikely that this deal with Ryanair will do much to boost Fraport's short term returns. In the longer run it should be seen as a reasonable strategic benefit.

FRAPORT'S AIRPORT PORTFOLIO

Country	**Airport**	**Activity**
Peru	Lima	participation in a BOT project.
		for operating and extending Jorge Chavez Airport
Hong Kong	Hong Kong	participation in a BOT project In cooperation with Schiphol
		with regard to the planning, construction and operation of a
Philippines	Manila	participation in a BOT project with regard to the planning, fir
		and operation of the new international passenger terminal
		at Ninoy Aquino International Airport
Australia	Brisbane,	equity stake in cooperation with Schiphol
Portugal	Lisbon, Porto, Faro	passenger, ramp and freight service
Spain	Madrid, Tenerife, Palma de Mallorca,	ramp, passenger service,
	Alicante, Ibiza, Menorca	flight operations freight service
Germany	Saarbrücken	airport management
	Hahn	airport ownership & operation
	Hanover	airport operation
Austria	Vienna	ramp, passenger and baggage service
Turkey	Antalya,	Terminal management
Sweden	Stockholm	baggage-cart management

Source: Morgan Stanley

America West: fate in the hands of the Stabilization Board

Of the US major airlines, America West is the one most at risk of not making it through the winter. The Phoenix-based carrier entered the current industry crisis with extremely poor liquidity - just $80m in cash at hand and no available credit facilities on September 10 - after two years of deteriorating earnings and weakening financial profile.

Without the $15bn federal emergency relief package, which included $2.5bn of immediate cash payments to US airlines, AWA would have filed for Chapter 11 bankruptcy protection in the last week of September.

In addition to the $60.3m received as the first installment of the government cash grant, America West managed to raise $70m in mid-October through the sale-leaseback of eight A319s and some flight simulators and spare engines. This was a feat considering that the airline had little in terms of unencumbered assets (it converted secured aircraft debt financing to leveraged leases with the help of a New York bank).

AWA expects to collect the remaining $60m cash grants over the next couple of months - probably $48m by year-end and $18m in early 2002. As a result, and assuming cash burn of $1-2m per day in the current quarter (the actual rate in mid-November), the company could end the year with cash and short-term investments only slightly below the $144.5m reported for September 30.

However, those reserves will not be sufficient to take AWA through the winter, let alone through a post-attack demand slump and economic downturn that could continue until late 2002. The airline needs substantial additional liquidity probably by the early part of next year, as well as significant further cost reductions, to survive the downturn.

The company is clearly unable to raise funds through normal commercial channels. Its corporate credit ratings are in the "vulnerability to default" grades. Standard & Poor's recently cited its "minimal financial flexibility" and the possibility of a bankruptcy filing as reasons for yet-another downgrade.

Consequently, America West is now the first airline seeking to take advantage of the $10bn federal government loan guarantee programme.

It applied in mid-November for $400m in federal loan guarantees which, in turn, would be a catalyst for $600m of financial support and concessions negotiated with key business partners and constituents - banks, creditors, manufacturers, lessors, vendors, state and local governments, shareholders and employees. All of that support is contingent on the approval of the loan guarantee application.

America West's fate will therefore be determined by the four-member Air Transportation Stabilization Board, consisting of the transportation secretary, treasury secretary, Federal Reserve Board chairman and comptroller general. The board has auditing powers and broad discretion to approve or turn down applications.

When processing applications, the government officials will face the tough task of sorting through many conflicting objectives and guidelines. On the one hand, an airline must show that it is in serious enough trouble to be denied access to alternative financing. But the guidelines also require preference to be given to strong applicants that can demonstrate their ability to repay the loans.

It is hard to predict at this stage what AWA's chances are, but UBS Warburg analyst Sam Buttrick suggested recently that the government may opt to apply the loan guarantees liberally. Others have mentioned the support promised by state and local governments, which will make it hard to deny applications. However, every application must include a solid business plan that demonstrates reasonable long-term survival prospects and ability to repay the loan.

The loan guarantee application

America West is asking the government to guarantee a $400m tranche of a $426m loan, thus meeting the requirement that the guarantee should cover "less than 100%" of the loan. Citibank has agreed to underwrite the $26m at-risk portion. Even better, there is a commitment to provide $135m of additional aircraft financing.

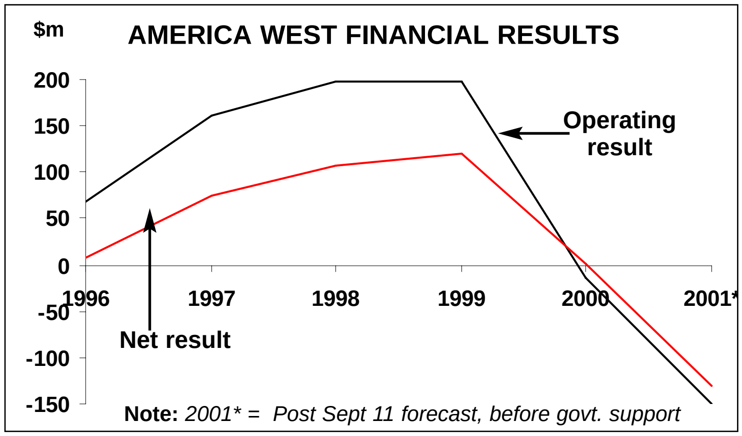
The government-guaranteed loan would be for a seven-year period - the maximum permitted by the guidelines. Ability to borrow over a longer term was an important victory for AWA when the guidelines were formulated, because the stronger carriers had pressed for maximum terms as short as 12-18 months. "As economy rebounds, the loan would be repaid ratably from 2005 to 2008 while the company retains comfortable cash balances", AWA said in a statement.

AWA is understandably determined to avoid having to give the government stock or options as collateral - a controversial last-minute addition to the guidelines patterned after the 1980 Chrysler buyout. Instead, the airline is proposing to compensate the government and taxpayers for risk through a "guarantee fee structure that increases as the airline becomes more profitable".

The guidelines require applicants to be carriers that suffered as a result of the September 11 events and for whom "credit is not otherwise reasonably available". The wording of the regulations is not very clear on that point, but the government is determined not to compensate the industry for the effects of a weak economy or keep airlines afloat if they were failing anyway.

Some industry insiders earlier questioned whether AWA would qualify in that respect, because it had severe liquidity problems before September 11. It had been unable to obtain any line of credit since June, when its existing $125m facility was reduced and frozen at $90m due to financial covenant violations.

However, AWA recently disclosed that just before September 11 it arranged a new liquidity facility that was "sufficient to weather the most severe of projected economic downturns". The facility was not yet in place on September 11, so the parties involved (believed to be Airbus and GE Capital) were able to terminate the commitment after the attacks.



CEO W. Douglas Parker explained at the recent Salomon Smith Barney transportation conference that the company had signed term sheets in respect of aircraft orders that included a separate $200m loan. The transaction had been expected to close in early October and it would have brought liquidity to $250-300m. That documentation could significantly help the loan guarantee application.

Concessions

Securing the loan guarantees would facilitate an impressive $440m worth of concessions, probably amply satisfying the recommendation that applicants obtain assistance from "key constituents" in order to restructure costs. The details are not yet publicly available, but here is *Aviation Strategy*'s assessment of what the package is likely to contain.

First, AWA is known to have secured concessions from its aircraft lessors. In October, in an effort to conserve cash and speed up the negotiations, the airline suspended some lease payments, as a result of which it was served default notices. The talks focused on rent reductions, restructuring of costs and obligations and the potential early return of some aircraft.

Lessor concessions are particularly important because AWA has a substantial $2.2bn of operating lease commitments (compared to $352m of long-term debt at the end of September). Consequently, the end result should be a de-leveraging of the company.

Even before the lessor concessions, AWA has considerable flexibility to reduce its fleet because a relatively large number of aircraft are on short-term leases. As many as 15 leases - three A320s and 12 737-300s - expire over the next year or so.

AWA has undoubtedly negotiated an agreement to defer aircraft deliveries. The company said earlier that it was hoping to defer the deliveries of seven A319/A320s scheduled over the next 12 months.

AWA may also have secured financing from Airbus (and GE Capital) for future aircraft covered by the purchase contract. At the end of September, the carrier had 28 A320-family aircraft on firm order for delivery by the end of 2004. Of the $1.1bn of firm order commitments, $195.2m of financing is in place covering deliveries through November 2002 under the original schedule.

AWA may also have secured concessions from its credit facility lenders. In October it was in discussions that sought to waive collateral shortfalls resulting from declining aircraft values, extend repayment terms (the facility was due to mature at the end of 2002), reduce interest rates and eliminate certain financial covenants.

The company was in negotiations with virtually all of its vendors about reducing costs and improving operating flexibility. Some of those payments were suspended after September 11 to save about $40m in cash by the end of that month.

It is not known whether the package includes concessions from regional airline partners. AWA has been in negotiations with at least Mesa, with which it has an excellent relationship, about restructuring existing cost reimbursement and revenue sharing arrangements.

AMERICA WEST FLEET

	In operation	On order	Comments
737-200	14		
737-300	44		
757-200	13		
A318		15	Del. 2003-05
A319	30	3	Del. 2002
A320	45	10	Del. 2002-04
Total	**146**	**28**	

Source: *ACAS.*

The indications are that employees have not been asked for concessions at this stage. At the company's third-quarter earnings conference call, Parker pointed out that the 2,000 layoffs implemented in October (about 14% of the workforce) already significantly reduced the quality of work life for the remaining people and that AWA's wages are not above market rates. However, while no further layoffs were anticipated, the possibility of concessions had not been excluded. The company is in contract negotiations with its ALPA-represented pilots.

Ability to repay the loan?

The loan guarantee application included a "detailed and well-documented" seven-year business plan that demonstrates ability to repay the loan over time. While no financial projections have been released, America West executives say that the plan is based on conservative economic rebound assumptions and revenue forecasts that are below Wall Street consensus estimates.

The airline is selling itself as a success story of deregulation, being the only post-1978 entrant (1983) that has made it to "major carrier" status. AWA argues that, with its low cost structure and a large hub and spoke network centred on Phoenix, it keeps in place price discipline across the rest of the airline industry.

In particular, AWA argues that it has significant impact in transcontinental markets, where its 7-day or closer-booked fares are about 40% below competitors' lowest fares. Even though its overall domestic market share is only 3%, it is the third largest carrier (behind United and American) in the large Northeast-to-West Coast market.

The airline points out that it is much larger in size than low-cost carriers like Frontier and ATA and that Southwest has a different product and focuses on different markets. Of the 86 markets served by America West, 51 are not served by Southwest.

Parker explained at the Salomon Smith Barney conference that yields at Phoenix are about 85% of what other airlines are able to generate at hubs such as Chicago, Atlanta and Dallas Fort Worth.

Consequently, AWA's cost structure has historically been 15-20% lower than that of other hub and spoke airlines. It has been able to maintain the cost differential, primarily through lower labour costs.

While AWA was profitable through the best part of the 1990s, its profit margins remained low because of persistent operational problems, which the company now blames on unmanageably rapid growth. 2000 was a particularly tough year operationally, which meant that AWA's financial profile began deteriorating long before economic slowdown hit the airline industry generally.

However, AWA has staged an impressive operational turnaround since taking various corrective actions in July 2000. The company also claims that it has been outperforming the industry this year - and particularly since September 11 - in terms of load factors, unit revenues and EBITDA margins. This is in part because traffic has held up better on the West Coast and because leisure demand has been less affected than business travel - factors that have also helped Alaska Airlines.

Parker said that AWA's average load factor had recovered to 71% by the last week of October, which was a higher than a year ago (on reduced capacity). While industry traffic was down by 60% on September 19, AWA's traffic was down by 42%, and at the end of October those percentage declines were 23% and 10% respectively.

While yields in late October were still 20% below year-earlier levels, AWA blamed it on fare sales led by other carriers. After outperforming the industry in RASM in the past eight months, AWA now believes that it can continue to close the revenue gap as industry unit revenues recover gradually. Unit costs are expected to remain flat in the current quarter, despite a 15% capacity reduction and unfavourable fuel hedges.

AWA reported a $31.7m net loss for the third quarter, including the $60m cash grant, compared to a marginal profit of $1.3m a year earlier. Merrill Lynch analyst Michael Linenberg pointed out that the pretax margin (22.4% negative) was the worst among all the major carriers. Net loss for the first nine months of 2001 was $87m on revenues of $1.7bn. However, Parker said that AWA's 15.6% EBITDA margin in January-September was the industry's third highest (after Southwest and Continental).

The airline implemented the 20% post-attack schedule cut entirely through frequency reductions, spread fairly evenly across its three hubs. It wanted to maintain a presence in all markets, because its main competitor is Southwest. Parker said that he expected about half of that capacity to be restored over the next 12 months, depending on demand recovery, which would result in a small year-over-year ASM decline in 2002.

Parker's industry revenue predictions are less optimistic than those of other airline CEOs. In early November he suggested that a full recovery could take 12-18 months. Key determinants are the economy and "perceived hassle factor", which is affecting business travel demand much more than fear of terrorism.

AWA is also telling the government that it is well positioned to grow when economic recovery gets under way, because Las Vegas and Phoenix are the nation's two fastest-growing cities. By most analysts' estimates, the Phoenix hub remains undersized. AWA's plan is to grow it to over 300 daily departures, from the 250 pre-attack level.

Parker also points out that, contrary to analysts' dire predictions in the mid-1990s, AWA has been able to expand its market share at Phoenix despite Southwest's major presence. Since 1995, AWA's market share there has grown from 38% to 46%, while Southwest's has declined from 34% and 28%. Southwest does not appear to have plans to grow substantially at Phoenix.

While America West is now naturally being talked about as one of the most likely acquisition targets if there is industry consolidation, at this point the management's total focus is on securing long-term viability for independent operation.

In a recent research note, Linenberg detected "promising signs that the carrier will indeed survive the industry crisis and come out of it stronger than before", as long as the short-term liquidity issues are resolved. He also felt that the operating performance improvements "hint at a stronger structure that will be more efficient and profitable when traffic picks up again".

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JET OPERATING LEASE RATES
($ '000/month)

	New	5-years old	10-years old	15-years old
Boeing				
737-200				65
737-300		179	155	138
737-400		188	169	
737-700	247			
737-800	299			
757-200	299	284	269	224
747-200				238
747-400	875	743	634	
767-200			234	187
777-200	665	578		
Airbus				
A300-600R		380	332	
A319	250	215		
A320	257	226	206	
A321	344	294		
A330	639	535		
A340-300	708	605		
A340-500	960			
A340-600	929			
MDC				
MD82		158	143	127
MD90		174		
MD11		525	426	
Bombardier				
CRJ200ER	153	139		
Embraer				
Emb 145 ER	146	127		

Source: AVAC
Note: As at November 2001; typical operating lease = 5 years; approximate 25% fall since September 11; distress lease rates could be significantly lower

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 %
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
Oct 01	18.1	10.6	58.4	16.8	10.5	62.7	10.8	7.4	68.7	39.5	26.7	67.4	60.6	38.8	64.1
Ann. chng	-0.7%	-13.4%	-8.5	-18.2%	-33.5%	-14.4	-8.2%	-23.0%	-13.2	-10.4%	-23.4%	-11.4	-7.8%	-21.2%	-10.9
Jan-Oct 01	183.9	117.1	63.7	190.3	142.6	74.9	111.4	86.5	77.7	421.3	322.2	76.5	638.3	460.9	72.2
Ann. chng	4.0%	1.9%	-1.3	-2.4%	-7.9%	-4.5	-3.6%	-5.4%	-1.5	-1.6%	-4.6%	-2.4	0.1%	-3.0%	-2.3

Source: AEA.

US MAJORS' SCHEDULED TRAFFIC

	Domestic			North Atlantic			Pacific			Latin America			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 %
1993	867.7	538.5	62.1	140.3	97.0	69.2	112.5	79.7	70.8	55.8	32.5	58.2	308.7	209.2	67.8
1994	886.9	575.6	64.9	136.1	99.5	73.0	107.3	78.2	72.9	56.8	35.2	62.0	300.3	212.9	70.9
1995	900.4	591.4	65.7	130.4	98.5	75.6	114.3	83.7	73.2	62.1	39.1	63.0	306.7	221.3	72.1
1996	925.7	634.4	68.5	132.6	101.9	76.8	118.0	89.2	75.6	66.1	42.3	64.0	316.7	233.3	73.7
1997	953.3	663.7	69.6	138.1	108.9	78.9	122.0	91.2	74.7	71.3	46.4	65.1	331.2	246.5	74.4
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
Oct 01	77.0	49.9	64.8	12.8	7.7	60.1	8.5	4.7	55.1	6.2	3.3	52.8	27.5	15.6	56.9
Ann. chng	-16.0%	-21.1%	-4.2	-20.2%	-38.4%	-17.8	-19.8%	-42.2%	-21.3	-7.2%	-25.1%	-12.5	-17.4%	-37.3%	-18.0
Jan-Oct 01	873.8	609.9	69.8	150.8	113.1	75.0	103.8	76.7	73.9	70.2	48.0	68.4	324.9	237.8	73.2
Ann. chng	-2.0%	-5.1%	-2.2	0.3%	-6.5%	-5.5	-0.4%	-4.6%	-3.2	2.2%	0.2%	-1.4	0.5%	-4.6%	-3.9

Note: US Majors = American, Alaska, Am. West, Continental, Delta, NWA, Southwest, TWA, United, USAir. **Source:** Airlines, ATA.

ICAO WORLD TRAFFIC AND ESG FORECAST

	Domestic			International			Total			Domestic growth rate		International growth rate		Total growth rate	
	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK %	RPK %	ASK %	RPK %	ASK %	RPK %
1993	1,349	855	63.3	1,785	1,205	67.5	3,135	2,060	65.7	3.4	2.0	4.4	4.8	3.9	3.6
1994	1,410	922	65.3	1,909	1,320	69.1	3,318	2,240	67.5	4.6	7.9	6.9	9.4	5.9	8.8
1995	1,468	970	66.1	2,070	1,444	69.8	3,537	2,414	68.3	4.1	5.4	8.5	9.4	6.6	7.8
1996	1,540	1,043	67.7	2,211	1,559	70.5	3,751	2,602	79.4	4.9	7.4	6.8	8.0	6.0	7.8
1997	1,584	1,089	68.8	2,346	1,672	71.3	3,930	2,763	70.3	2.9	4.5	6.1	7.2	4.8	6.1
1998	1,638	1,147	70.0	2,428	1,709	70.4	4,067	2,856	70.3	3.4	5.2	3.5	2.2	3.4	3.4
1999	1,911	1,297	67.9	2,600	1,858	71.5	4,512	3,157	70.0	5.4	5.0	5.7	7.4	5.6	6.4
2000	2,005	1,392	69.4	2,745	1,969	71.8	4,750	3,361	70.8	4.9	7.2	5.6	6.0	5.3	6.5
***2001**							4,713	3,205	68.0					-1.1	-6.0
***2002**							4,737	3,270	69.0					0.5	2.0
***2003**							5,066	3,596	70.9					6.9	10.0
***2004**							5,320	3,830	72.0					5.0	6.5

Note: * = Forecast; ICAO traffic includes charters. **Source:** Airline Monitor, Oct 2001.

DEMAND TRENDS (1990=100)

	Real GDP					Real exports					Real imports				
	US	UK	Germany	France	Japan	US	UK	Germany	France	Japan	US	UK	Germany	France	Japan
1993	105	100	100	101	105	117	107	106	109	112	117	104	108	101	96
1994	109	103	103	104	106	126	117	115	115	117	131	110	117	107	104
1995	111	106	105	106	107	137	126	122	123	123	141	115	124	113	119
1996	114	108	107	107	111	152	135	128	128	126	155	124	127	116	132
1997	118	112	110	109	112	172	146	142	142	138	177	135	136	123	132
1998	122	115	113	112	109	173	150	152	150	135	196	144	147	133	121
1999	127	117	114	115	111	179	150	155	153	135	220	151	152	136	122
2000	134	121	117	119	114	198	162	174	172	153	250	164	166	153	139
***2001**	138	124	121	122	116	216	173	191	188	162	272	176	179	165	148

Note: * = Forecast; Real = inflation adjusted. **Source:** OECD Economic Outlook, December 2000.

FINANCIAL TRENDS (1990=100)

	Inflation (1990=100)					Exchange rates (against US$)							LIBOR
	US	UK	Germany	France	Japan		UK	Germ.	France	Switz.	Euro**	Japan	6 month Euro-$
1993	111	109	114	108	106	**1992**	0.570	1.562	5.294	1.406	0.773	126.7	3.84%
1994	113	109	117	110	107	**1993**	0.666	1.653	5.662	1.477	0.854	111.2	3.36%
1995	117	112	119	112	107	**1994**	0.653	1.623	5.552	1.367	0.843	102.2	5.06%
1996	120	114	121	113	107	**1995**	0.634	1.433	4.991	1.182	0.765	94.1	6.12%
1997	122	117	123	114	108	**1996**	0.641	1.505	5.116	1.236	0.788	108.8	4.48%
1998	123	120	124	115	109	**1997**	0.611	1.734	5.836	1.451	0.884	121.1	5.85%
1999	125	122	126	116	108	**1998**	0.603	1.759	5.898	1.450	0.896	130.8	5.51%***
2000	128	124	127	117	107	**1999**	0.621	1.938	6.498	1.587	1.010	103.3	5.92%***
***2001**	131	127	128	119	107	**2000**	0.603	2.119	7.108	1.658	0.923	118.1	5.36%***
						Nov 2001	0.706	2.215	7.430	1.650	0.883	122.6	3.25%***

Note: * = Forecast. **Source:** OECD Economic Outlook, December 2000. **Euro rate quoted from January 1999 onwards. 1990-1998 historical rates quote ECU. *** = $ LIBOR BBA London interbank fixing six month rate.

AIRCRAFT AVAILABLE FOR SALE OR LEASE

	Old narrowbodies	Old widebodies	Total old	New narrowbodies	New widebodies	Total new	TOTAL
1988	126	34	160	16	1	17	177
1989	216	38	254	42	2	44	298
1990	380	77	457	74	14	88	545
1991	457	129	586	114	27	141	727
1992	433	138	571	75	15	90	661
1993	370	195	565	103	37	140	705
1994	267	182	449	61	23	84	533
1995	238	157	395	49	29	78	473
1996	124	101	225	32	22	54	279
1997	162	104	266	54	13	67	333
1998	187	125	312	67	55	122	434
1999	243	134	377	101	53	154	531
2000	302	172	474	160	42	202	676
2001-Jan	288	150	438	172	43	215	651
2001-Feb	298	155	453	152	46	198	651
2001-Mar	345	144	489	164	47	211	700
2001-Apr	326	130	456	184	61	245	701
2001-May	371	140	511	210	61	271	782
2001-Jun	353	150	513	222	67	289	802
2001-Jul	352	145	497	179	64	243	740
2001-Aug	373	157	530	218	80	298	828
2001-Sep	388	173	561	251	95	346	907

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 narrowbodies = 737-300+, 757. A320 types, BAe 146, F100, RJ; New widebodies = 747-300+, 767, 777. A600, A310, A330, A340.*

JET AND TURBOPROP ORDERS

	Date	Buyer	Order	Price	Delivery	Other information/engines
Airbus	Nov 22	JAT	8 A319s			
	Nov 12	TAM	1 A320			
	Nov 4	Emirates	22 A380s, 3 A330-200s		2Q2003+	Includes 2 A380 freighters
ATR	Nov 5	First Air (Canada)	4 ATR42-300s		4Q2001	Replacing HS748 aircraft
BAe	-					
Boeing	Nov 13	UPS	1 767-300F			
	Nov 13	Egyptair	2 777-200s			
Bombardier	Nov 19	Qantas Airways	3 Q300s	$43.9		For use by Qantas Link
	Nov 5	TAG Aeronautics	5 Global 5000s		2004	
Embraer	-					
Fairchild	Nov 5	Skyway Airlines	4 328JETS	$177m	1Q01-4Q02	Subsidiary of Midwest Express Plus 10 options

Note: Prices in US$. Only firm orders from identifiable airlines/lessors are included. MoUs/LoIs are excluded. **Source:** Manufacturers.

	Group revenue US$m	Group costs US$m	Group operating profit US$m	Group net profit US$m	Total ASK m	Total RPK m	Load factor %	Group rev. per total ASK Cents	Group costs per total ASK Cents	Total pax. 000s	Total ATK m	Total RTK m	Load factor %	Group employees
American*														
Jan-Mar 00	4,577	4,365	212	132	64,392.8	43,478.4	67.5	7.11	6.78					104,500
Apr-Jun 00	5,011	4,494	517	321	67,000.4	50,538.7	75.4	7.48	6.71					105,900
Jul-Sep 00	5,256	4,684	572	313	66,654.0	50,828.1	76.3	7.89	7.03					107,500
Oct-Dec 00	4,859	4,779	80	47	63,562.5	44,318.5	69.7	7.64	7.52					107,500
Jan-Mar 01	4,760	4,743	17	-43	62,725.7	42,590.7	67.9	7.59	7.56					108,900
Apr-Jun 01	4,838	5,586	-748	-494	66,007.0	47,484.0	71.9	7.33	8.46					128,300
Jul-Sep 01	4,816	5,374	-558	-414	62,675.9	45,314.7	72.3	7.68	8.57					127,200
America West														
Jan-Mar 00	563	552	11	15	10,440.8	6,960.5	66.7	5.39	5.29	4,612				12,024
Apr-Jun 00	618	570	48	33	10,979.8	8,091.7	73.7	5.63	5.19	5,206				12,158
Jul-Sep 00	591	591	0	1	11,079.9	8,088.3	73.0	5.33	5.33	5,178				
Oct-Dec 00	573	654	-81	-47	11,133.1	7,616.8	68.4	5.15	5.87	4,958				
Jan-Mar 01	587	612	-25	-13	11,355.2	7,857.8	69.2	5.17	5.39	5,104				
Apr-Jun 01	587	641	-54	-42	11,097.7	8,367.4	75.5	5.29	5.78	5,294				
Jul-Sep 01	491	590	-99	-32	10,774.3	7,973.0	74.0	4.57	5.48	5,034				
Continental														
Jan-Mar 00	2,277	2,223	54	14	33,710.2	24,143.0	71.6	6.75	6.59	11,201				
Apr-Jun 00	2,571	2,292	279	149	34,406.9	26,534.0	77.1	7.47	6.66	12,084				
Jul-Sep 00	2,622	2,368	254	135	35,978.0	27881.1	77.5	7.29	6.58	12,155				
Oct-Dec 00	2,429	2,332	97	44	34,454.0	24,685.1	71.6	7.05	6.77	11,456				
Jan-Mar 01	2,451	2,375	76	9	34,533.9	24,322.9	70.4	7.10	6.88	11,220				
Apr-Jun 01	2,556	2,419	137	42	36,712.9	27,443.4	74.8	6.96	6.59	12,256				
Jul-Sep 01	2,223	2,136	87	3	35,394.9	26,086.1	73.7	6.28	6.03	11,254				
Delta														
Jan-Mar 00	3,960	3,605	355	223	57,093.8	39,404.4	69.0	6.94	6.31	25,093				72,300
Apr-Jun 00	4,439	3,863	606	460	59,753.4	46,509.8	77.8	7.48	6.46	28,333				73,800
Jul-Sep 00	4,325	3,827	498	127	61,319.9	47,076.5	76.8	7.05	6.24	27,378				
Oct-Dec 00	4,017	3,839	178	18	58,655.8	40,527.0	69.1	6.85	6.54	24,919				
Jan-Mar 01	3,842	3,957	-115	-133	60,714.1	40,690.6	67.0	6.33	6.52	26,932				
Apr-Jun 01	3,776	3,890	-114	-90	61,538.0	44,783.6	72.8	6.14	6.32	28,130				82,500
Jul-Sep 01	3,398	3,649	-251	-259	60,718.9	43,259.6	71.3			26,441				83,500
Northwest														
Jan-Mar 00	2,570	2,573	-3	3	39,486.0	28,627.4	72.5	6.51	6.52					
Apr-Jun 00	2,927	2,675	252	115	42,049.6	33,523.5	79.7	6.96	6.36					
Jul-Sep 00	3,178	2,824	354	207	44,379.9	35,353.1	79.7	7.16	6.36					
Oct-Dec 00	2,740	2,774	-34	-69	40,417.6	29,850.1	73.9	6.78	6.86					
Jan-Mar 01	2,611	2,847	-236	-171	40,211.6	29,394.7	73.1	6.49	7.08					
Apr-Jun 01	2,715	2,751	-36	-55	42,216.8	32,886.9	77.9	6.43	6.52					
Jul-Sep 01	2,594	2,749	-155	19	41,870.8	31,753.1	75.8	6.20	6.57					
Southwest														
Jan-Mar 00	1,243	1,057	155	74	22,773.8	15,210.2	66.8	5.46	4.77	14,389				27,911
Apr-Jun 00	1,461	1,146	315	191	23,724.3	17,624.9	74.3	6.16	4.83	16,501				
Jul-Sep 00	1,479	1,179	300	184	24,638.0	17,650.8	71.6	6.00	4.79	16,501				
Oct-Dec 00	1,467	1,216	251	155	25,267.5	17,443.2	69.0	5.81	4.81	16,287				
Jan-Mar 01	1,429	1,218	210	121	25,512.2	17,169.7	67.3	5.60	4.77	15,716				29,563
Apr-Jun 01	1,554	1,263	291	176	26,430.0	18,970.4	71.8	5.88	4.78	17,527				30,369
Jul-Sep 01	1,335	1,242	93	151	26,216.8	18,120.7	69.1	5.09	4.74	16,208				30,946
TWA														
Jan-Mar 00	954	939	15	-4	15,465.4	11,607.0	75.1	6.17	6.07	7,020				
Apr-Jun 00	973	984	-11	-35	15,928.0	12,316.3	77.3	6.00	4.79	7,211				
Jul-Sep 00														
Oct-Dec 00														
Jan-Mar 01														
Apr-Jun 01														
Jul-Sep 01														
United														
Jan-Mar 00	4,546	4,294	252	-99	68,421.1	46,683.5	68.2	6.64	6.28	20,141				96,100
Apr-Jun 00	5,109	4,504	605	408	70,913.5	53,624.8	75.6	7.20	6.35	22,412				98,300
Jul-Sep 00	4,905	4,946	-41	-116	72,495.7	54,049.9	74.6	6.77	6.82	21,458				99,700
Oct-Dec 00	4,792	4,955	-163	-71	70,550.1	49,897.9	70.7	6.79	7.02	20,509				99,100
Jan-Mar 01	4,424	4,815	-391	-313	67,741.4	46,267.7	68.3	6.53	7.11	18,860				98,600
Apr-Jun 01	4,658	5,011	-353	-292	71,928.2	52,651.5	73.2	6.48	6.97	21,331				98,000
Jul-Sep 01	4,107	4,819	-712	-542	69,232.9	50,609.3	73.1			19,815				95,900
US Airways														
Jan-Mar 00	2,098	2,237	-139	-218	24,250.3	15,568.7	64.2	8.65	9.22	12,804				42,727
Apr-Jun 00	2,433	2,265	168	80	26,171.9	19,557.4	74.7	9.30	8.65	15,554				42,653
Jul-Sep 00	2,381	2,376	5	-30	28,452.4	20,726.2	72.8	8.37	8.35	15,809				44,026
Oct-Dec 00	2,347	2,428	-81	-98	28,275.4	19,590.0	69.3	8.30	8.59	15,605				43,467
Jan-Mar 01	2,241	2,469	-228	-171	27,752.4	18,372.1	66.2	8.07	8.90	14,193				44,077
Apr-Jun 01	2,493	2,473	20	-24	29,394.8	21,693.4	73.8	8.48	8.41	16,582				44,673
Jul-Sep 01	1,989	2,739	-750	-766	27,609.2	19,618.9	71.1	7.20	9.92	14,188				42,723
ANA														
Jan-Mar 00	5,591	5,842	-251	6	49,646.9	31,844.9	64.1	11.26	11.77	27,430				
Apr-Jun 00	SIX MONTH FIGURES													
Jul-Sep 00	5,288	4,793	495	359	47,586.3	31,753.1	66.7	11.11	10.07	24,958				
Oct-Dec 00	SIX MONTH FIGURES													
Jan-Mar 01	5,376	5,186	190	-486	46,278.4	29,168.4	63.0	11.61	11.21	24,471				
Apr-Jun 01	SIX MONTH FIGURES													
Jul-Sep 01	5,168	4,811	357	136	45,756.4	30,790.3	67.3	11.29	10.51	25,876				
Cathay Pacific														
Jan-Mar 00	SIX MONTH FIGURES													
Apr-Jun 00	2,070	1,765	305	285	29,839.0	22,588.1	75.7	6.94	5.92		5,483.0			
Jul-Sep 00	SIX MONTH FIGURES													
Oct-Dec 00	2,356	1,983	373	382	32,070.0	24,586.6	76.7	7.35	6.13		6,147.0			
Jan-Mar 01	SIX MONTH FIGURES													
Apr-Jun 01	2,031	1,898	133	170	32,419.0	23,309.3	71.9	6.26	5.85		5,936.0			
Jul-Sep 01														
JAL														
Jan-Mar 00	14,665	14,254	411	181	126,282.4	88,478.5	70.1	11.61	11.29	37,247	18,856.7	12,738.0	67.6	
Apr-Jun 00														
Jul-Sep 00														
Oct-Dec 00	TWELVE MONTH FIGURES													
Jan-Mar 01	14,198	13,542	656	342										
Apr-Jun 01														
Jul-Sep 01														

Note: Figures may not add up due to rounding. 1 ASM = 1.6093 ASK. *Airline group only.

Micro-trends

	Group revenue US$m	Group costs US$m	Group operating profit US$m	Group net profit US$m	Total ASK m	Total RPK m	Load factor %	Group rev. per total ASK Cents	Group costs per total ASK Cents	Total pax. 000s	Total ATK m	Total RTK m	Load factor %	Group employees
Korean Air														
Jan-Mar 00														
Apr-Jun 00														
Jul-Sep 00	TWELVE MONTH FIGURES													
Oct-Dec 00	4,916	4,896	20	-409	55,824.0	40,606.0	72.7	8.81	8.77	22,070		10,407		16,000
Jan-Mar 01														
Apr-Jun 01														
Jul-Sep 01														
Malaysian														
Jan-Mar 00	2,148	1,652	496	-67	48,906.0	34,930.0	71.4	4.39	3.38		7,531.5	4,853.4	64.4	
Apr-Jun 00														
Jul-Sep 00														
Oct-Dec 00	TWELVE MONTH FIGURES													
Jan-Mar 01	2,357	2,178	179	-351	52,329.0	39,142.4	74.8	4.50	4.16		8,055.0	5,379.0	66.8	
Apr-Jun 01														
Jul-Sep 01														
Singapore														
Jan-Mar 00	2,459	2,203	256	439	44,582.6	33,430.1	75.0	5.51	4.94	7,030	8,665.8	6,185.7	71.4	
Apr-Jun 00	SIX MONTH FIGURES													
Jul-Sep 00	2,864	2,438	426	668	46,477.5	36,136.6	77.8	61.6	5.25	7,584	8,950.0	6,524.6	72.9	
Oct-Dec 00	SIX MONTH FIGURES													
Jan-Mar 01	2,635	2,317	318	209	46,170.5	34,981.8	75.8	5.71	5.02	7,416	9,084.0	6,460.4	71.1	
Apr-Jun 01														
Jul-Sep 01														
Thai Airways														
Jan-Mar 00														
Apr-Jun 00	TWELVE MONTH FIGURES													
Jul-Sep 00	3,111	2,732	379	121	55,517.0	41,347.0	74.5	5.60	4.92	17,700	7,752.0	5,469.0	70.6	
Oct-Dec 00														
Jan-Mar 01														
Apr-Jun 01														
Jul-Sep 01														
Air France														
Jan-Mar 00	4,831	4,430	401	41	55,508.0	41,650.0	75.0	8.70	7.98	19,200				
Apr-Jun 00	SIX MONTH FIGURES													
Jul-Sep 00	5,506	5,132	374	385	60,088.0	48,464.0	80.7	9.16	8.54					
Oct-Dec 00	SIX MONTH FIGURES													
Jan-Mar 01	4,981	4,988	-7	-25	59,100.5	44,622.2	75.5	8.42	8.43					
Apr-Jun 01	SIX MONTH FIGURES													
Jul-Sep 01	5,798	5,511	287	250	64,474.4	50,984.1	79.1	8.99						
Alitalia														
Jan-Mar 00	SIX MONTH FIGURES													
Apr-Jun 00	2,225	2,254	-29	-15	24,747.8	16,898.8	68.3	8.99	9.11	11,693	3,464.8	2,404.5	69.4	
Jul-Sep 00	SIX MONTH FIGURES													
Oct-Dec 00	2,553	2,753	-200	-209	32,735.2	24,534.2	74.9	7.80	8.41					
Jan-Mar 01														
Apr-Jun 01														
Jul-Sep 01														
BA														
Jan-Mar 00	3,097	3,281	-184	-247	44,533.0	29,328.0	65.9	6.95	7.37	10,778	6,253.0	4,041.0	64.6	64,874
Apr-Jun 00	3,488	3,342	146	-85	44,826.0	32,295.0	72.0	7.78	7.46	11,633	6,475.0	4,407.0	68.1	61,411
Jul-Sep 00	3,673	3,293	380	197	45,333.0	35,093.0	77.4	8.10	7.26	12,615	6,608.0	4,741.0	71.7	62,793
Oct-Dec 00	3,328	3,212	116	84	42,347.0	29,008.0	68.5	7.86	7.58	10,493	6,230.0	4,128.0	66.3	62,831
Jan-Mar 01	3,048	3,136	-88	-111	40,018.0	26,800.0	67.0	7.62	7.84	9,721	5,883.0	3,711.0	63.1	62,425
Apr-Jun 01	3,277	3,206	71	37	40,980.0	28,646.0	69.9	8.00	7.82	11,293	6,124.0	3,915.0	63.9	58,989
Jul-Sep 01	3,219	3,116	103	33	39,629.0	29,297.0	73.9	8.12	7.86	11,306	5,969.0	3,868.0	64.8	59,902
Iberia														
Jan-Mar 00														
Apr-Jun 00														
Jul-Sep 00	TWELVE MONTH FIGURES													
Oct-Dec 00	4,136	4,075	61	188	54,120.0	40,049.0	74.0	7.64	7.53	24,500		4,382		26,814
Jan-Mar 01														
Apr-Jun 01														
Jul-Sep 01														
KLM														
Jan-Mar 00	1,361	1,436	-75	-142	18,627.0	14,084.0	75.6	7.31	7.71		3,238.0	2,453.0	75.8	35,348
Apr-Jun 00	1,600	1,509	91	39	18,730.0	15,149.0	80.9	8.54	8.06		3,276.0	2,549.0	77.8	27,267
Jul-Sep 00	1,615	1,445	170	100	19,386.0	16,378.0	84.5	8.33	7.45		3,359.0	2,703.0	80.5	26,447
Oct-Dec 00	1,617	1,574	43	4	19,050.0	14,715.0	77.2	8.49	8.26		3,316.0	2,618.0	78.9	26,349
Jan-Mar 01	1,360	1,422	-62	-77	18,056.0	13,805.0	76.4	7.53	7.88		3,230.0	2,471.0	76.5	26,538
Apr-Jun 01	1,507	1,487	20	17	19,231.0	15,200.0	79.0	7.84	7.73		3,322.0	2,526.0	76.0	27,211
Jul-Sep 01	1,679	1,596	83	24	19,554.0	16,049.0	82.1	8.59	8.16		3,328.0	2,559.0	76.9	28,911
Lufthansa* **														
Jan-Mar 00	2,831	2,742	89	11	28,599.0	19,781.0	69.2	9.90	9.59	10,355	5,422.0	3,751.0	69.2	67,489
Apr-Jun 00	3,346	3,123	223	400	31,865.0	24,405.0	76.6	10.50	9.80	12,249	5,988.0	4,338.0	72.4	68,000
Jul-Sep 00	3,375	2,993	382	182	32,654.0	25,878.0	79.2	10.33	9.17	12,849	6,156.0	4,536.0	73.7	
Oct-Dec 00	3,750	3,148	602	10	30,682.0	22,096.0	72.0	12.22	10.26	11,547	5,997.0	4,293.0	71.6	69,523
Jan-Mar 01	3,222	3,202	20	-80	30,223.0	21,232.0	70.3	10.66	10.59	10,903	5,781.0	3,953.0	68.4	72,279
Apr-Jun 01	4,119	4,045	74	41	30,658.0	22,930.0	74.8	13.44	13.19	12,236	6,371.0	4,239.0	66.5	85,771
Jul-Sep 01	4,188	4,027	161	96	32,454.0	24,546.0	75.6	12.90	12.41	12,692	6,271.0	4,282.0	68.3	83,447
SAS														
Jan-Mar 00	1,145	1,179	-34	-33*	8,253.0	4,992.0	60.5	13.87	14.24	5,314				28,060
Apr-Jun 00	1,289	1,176	113	112*	8,492.0	6,004.0	70.7	15.18	13.85	6,236				28,295
Jul-Sep 00	1,122	1,070	52	33*	8,496.0	6,155.0	72.4	13.21	12.59	5,943				28,485
Oct-Dec 00	1,310	1,131	179	174*	8,541.0	5,492.0	64.3	15.34	13.24	5,747				27,767
Jan-Mar 01	1,183	1,175	8	2*	8,558.0	5,286.0	61.8	13.82	13.73	5,482				29,985
Apr-Jun 01	1,345	1,329	16	18*	9,144.0	6,227.0	68.1	14.71	14.53	6,279				30,499
Jul-Sep 01	1,199	1,220	-21	-20*	9,629.0	6,498.0	67.5	12.45	12.67	6,463				30,896
Swissair **														
Jan-Mar 00	SIX MONTH FIGURES													
Apr-Jun 00	1,916	2,006	-90	2	25,476.0	18,241.0	71.6	7.52	7.87	9,162	3,972.8	2,719.6	68.5	
Jul-Sep 00	SIX MONTH FIGURES													
Oct-Dec 00	2,179	2,069	110	-1,650	23,540.0	17,677.0	75.1	9.27	8.79	5,890	4,296.2	3,007.4	70.0	
Jan-Mar 01														
Apr-Jun 01														
Jul-Sep 01														

Note: Figures may not add up due to rounding. 1 ASM = 1.6093 ASK. *Pre-tax. **SAirLines' figures apart from net profit, which is SAirGroup. ***Excludes Condor from 1998 onwards. 4Q+ data are on IAS basis.