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Legacy issues worldwide

Legacy has now become an aviation industry buzzword with severe negative connotations.

In the US, the major network carriers are now intolerably burdened by their labour/pension funding cost legacy. The extensive analysis carried in the last issue of *Aviation Strategy* ("Why the US Majors are in such trouble") has now been presented to Transportation Secretary Norman Mineta, and its implications are being absorbed as the Administration prepares to introduce legislation to alleviate statutory cash pension contributions now falling due (the quid pro quo being serious union concessions?).

How many of the US legacy carriers will survive partly depends on how much of the domestic market moves to point-to-point or quasi-network carriers from established full-network carriers. The hub and spoke model in the US domestic market is supposed to have a firm foundation because a high proportion of the traffic is to/from secondary cities that can only be served using hub/spoke connections. The problem may be that, as the LCCs capture the thicker routes, the thinner connecting routes become more unviable, and the whole economics of the network disintegrate.

There are other dynamics at work. As LCCs increasingly come into direct competition with each other, maintaining Southwest-type levels of profitability may become increasingly difficult. Which is why Southwest might just be considering altering some of its strategies that have worked for almost 30 years (see pages 7-11 of this issue).

In Europe there is no significant internal connecting market, which in theory creates even greater opportunities for LCCs. This may partly explain why there are so many LCC start-up projects at present. The other reason is that the European market is still segmented on national and social lines, so that there appear to be opportunities for developing LCCs in regional niches. The overall implication, though, is a high casualty rate and/or a high level of merger and takeover activity in a few years time.

Europe has another type of aviation legacy - that of the traditional charter carrier. The issues facing MyTravel, which, as Airtours, used to be one of the strongest operators in this sector, are explored on pages 2-6 of this issue.

LCCs are now hitting Asia. Air Asia, driven by entrepreneurial ownership and ex-Ryanair management, is expanding rapidly, having adapted an LCC model to local conditions. Virgin Blue's capital raising exercise has proved very successful, but it is not clear if this carrier is a genuine LCC in terms of its strategic model and its operating efficiencies. Singapore Airlines has decided to set up a LCC subsidiary, Tiger. But will it be able to avoid the cannibalisation problem BA encountered with Go? And what will it do with Silk Air?

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Charter airline legacy: the case of MyTravel

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It has been a disastrous 12 months for MyTravel Group, the UK air-inclusive tour (AIT) operator that includes MyTravel Airways and MyTravelLite. Is the company's performance due to poor management, or does its troubles have wider implications - such as the beginning of the end for the traditional package product, and hence the charter airline?

The decline of MyTravel - previously known as Airtours - has been steep. Up until 2000 the group was successful, or at least as successful as you can be in the wafer-thin margin world of AIT. And then came September 11, which had a devastating effect on financial results (see graph, opposite). For an analysis of MyTravel's historical performance and the effects of September 11, see *Aviation Strategy*, July/August 2002.

Yet instead of 2001 and 2002 being a messy but temporary blip on profits, this was followed by a even worse 2003, in which the Group declared a £913m ($1.5bn) net loss for the year ending 30 September, compared with a £60m ($93m) loss in 2001/02. Of that loss, £472m was exceptional, £359m of which was for a write-down of assets and goodwill. Most of this was a legacy of MyTravel's troubled expansion policy, designed to make it a truly vertical AIT group by owning every part of the value chain. The write-downs included £68m for German operations, £35m for hotel assets and £71m for US businesses. But that still leaves £441m of underlying net loss, largely driven by an operating loss before goodwill and exceptionals of £358m (compared with a £20m operating loss in 2001/02).

According to Peter McHugh, chief executive at MyTravel Group, these results were due not only to "legacy and one-off issues" but also to what he calls Group "structural issues … and poor management information systems" - matters that MyTravel claims are now being addressed. Looking at external factors, the Group was hit by the effects of the Gulf War, the SARs epidemic as well as "unusually hot weather in the UK and Scandinavia", which reduced the number of people taking package holidays abroad.

Clearly, the same external factors affected all AIT operators in the UK, yet none of them managed to rack up the substantial underlying operating losses that MyTravel did. In contrast, in the year ending 31 October 2003 First Choice (which includes First Choice Airways, previously known as Air 2000) reported a net profit of £32m, compared with a £26m profit in 2001/02, based on an operating profit before goodwill and exceptionals of £89m ($151m), compared with a £72m profit in 2001/02.

Internal woes

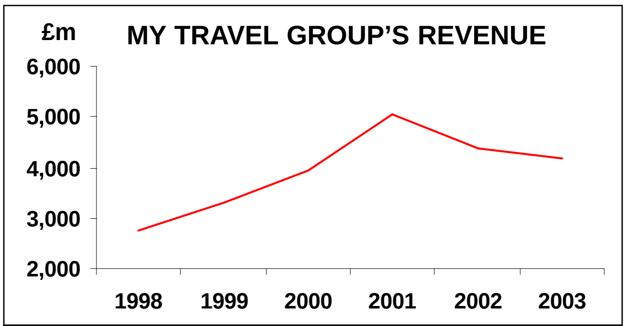
With rivals doing well in the same difficult circumstances, the underlying reason for MyTravel's poor performance lies elsewhere, for instance, in poor management, including a lack of adequate information systems, an absence of effective cost control and the decision to deeply discount holiday prices in 2003. But perhaps MyTravel's troubles really started a few years ago, with the attempt to construct a global travel company (reminiscent of SAS's "Total Travel Concept"). The exotic mix of companies that the group bought - such as a foreign currency provider, a car hire firm, a hotel room distributor, a US cruise company, a vacation resort and assorted non-UK tour operators - were difficult to control and impossible to gain meaningful synergies from. In the last financial year, the disposal of what are now deemed "non-core" assets has earned the group a handful of working capital at the cost of horrendous write-downs and the waste of thousands of hours' worth of management time.

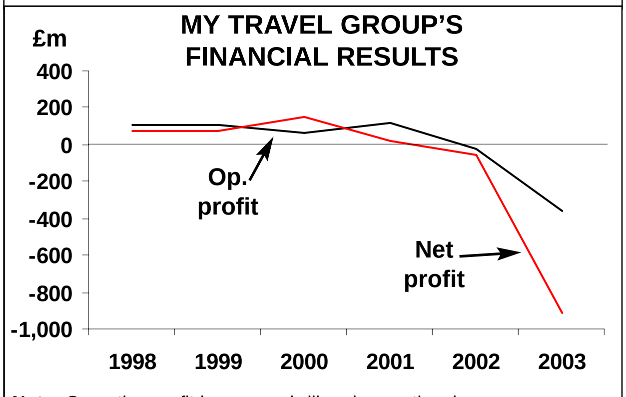
MyTravel claims that if it had been allowed to buy the company it really wanted to acquire - First Choice, in 1999 - then its strategy would have proved successful after all. Maybe so, but there is a nagging feeling that even if the European Commission (EC) had not blocked the Airtours/MyTravel takeover of First Choice on competition grounds, then the "quality" of MyTravel's management would have adversely affected the performance of the combined MyTravel/First Choice anyway. But the argument is academic, and all that is left is MyTravel's ongoing pursuit of a damages case against the EC over the ruling. In 2002, the European Court of First Instance ruled that the EC's decision was wrong, and so MyTravel is seeking more than £0.5bn in damages on the grounds that a combined group would have weathered the changes in the AIT market much better. Inevitably, the case will take years to resolve, by which time MyTravel may not be around to enjoy the fruits of a largely meaningless legal victory.

Also contributory to MyTravel's woes is the ongoing managerial merry-go-round at the group. Ever since founder and former chairman David Crossland resigned in February 2003, claiming that the company "was in excellent hands", senior management has been a shambles (although MyTravel's troubles started well before Crossland left). For example, MyTravel has had four group finance directors in two years, the latest being John Allkins, formerly CFO at technology company Equant, who replaced Kazia Kantor after she resigned in August 2003. The latest reshuffle among senior management was in December 2003 when Duncan Wilson, head of the Group's UK and Ireland operations, resigned and was replaced by Group COO Philip Jansen. Until there is a settled, competent management team, the group will find it hard to recover.

Belatedly, MyTravel has recognised its mistakes, says it will not discount in the 2004 season, and after a change in "internal processes" is forecasting it will return to profit in 2005. In addition, the Group completed a major refinancing in 2003, agreeing a three-year extension on repayment of £221m of bonds to 2007 - although MyTravel paid a heavy price, with the bond interest rate rising from 5.75% to 7% and bondholders being granted shares and warrants giving them a 21% equity share.

In a presentation made to UK analysts in December 2003, chief executive Peter McHugh said: "In the short to medium term,





Note: Operating profit is pre-goodwill and exceptionals

the Group's earnings and cash flows will remain subject to significant risk due to the high fixed cost structure and high levels of indebtedness and we will have to continue to manage our resources carefully."

Those words are hardly going to reassure long-suffering shareholders at My Travel Group, who have seen the share price plunge from £5.45 to less than 10p in less than five years. (At the start of January trading, the share price was around 11p.)

Industry implications

While it is easy to place a large part of the blame for MyTravel's demise on its management and strategy, the rationale behind some of MyTravel's poor decisions needs to be examined - and it is this analysis that is worrying for the AIT industry, and hence for charter airlines as well.

A key problem with MyTravel is that is has relied on the traditional AIT business model for too long - a model that relies on large amounts of low-margin packages being sold to "mass-market" customers that fly to traditional Mediterranean resorts for one or two weeks, departing from/returning to a major UK airport in the middle of the night. But as *Aviation Strategy* has pointed out before (see July/August 2002 issue), this legacy model is coming under attack from the fact that traditional AIT customers are migrating to self-assembled, more flexible holidays.

The relentless march of customers towards flexibility is against everything ingrained into the mindset of the northern-European based AIT giants, and many executives ignored the trend for far too long. When they did respond, it was by the disastrous policy of discounting packages in the belief that customers would come flocking back to the traditional package product, now made even cheaper. Well they didn't, and by cutting prices on holidays that would have been sold to "hard-core" package holidaymakers anyway, many AIT operators plunged themselves into the red (don't forget that AIT operators have smaller margins than even the airline industry).

At this point many AIT operators realised that something had to be done about the trend for flexibility, and the most obvious answer was to provide seat-only sales on their own charter airlines. But again this was (and is) a flawed strategy, because customers still associate charter airlines with a poor product - i.e. flights that depart and return late at night or very early in the morning, often prone to severe delay, and which only fit in with seven or 14-day itineraries.

This product looks even poorer when compared with the offer of the low cost carriers (LCCs). What the LCCs and their simple websites have done is to make consumers realise that organising flights is an easy, quick process that does not need the skills of a travel agent. Many consumers have therefore leapt from booking an all-inclusive package straight to an LCC website without the intermediary step of visiting the seat-only operation of an AIT. And the competition from LCCs is increasing further now that the overlap between the destinations of the LCCs and the charter airlines is growing.

For some AIT companies, the fierce competition from LCCs to their seat-only operations and the stagnation in demand for the package holiday product has meant a radical change in strategy. First Choice, for example, has recognised that the AIT market has changed fundamentally and irrevocably, and now offers more and more specialist, "higher-value" holidays, where prices (and margins) are higher than the standard package holiday and certainly do not need to be discounted - what some analysts call the "Kuoni" strategy. As many of the niche destinations served by specialist holidays tend to be long-haul, this has the added bonus of facing less competition from the LCCs, and hence less possibility for customers to assemble their own packages.

Other, smaller AIT operators are taking the first tentative steps to producing brochures with separate accommodation and flight prices, allowing customers to mix-and-match as required. But MyTravel Group refuses to accept this analysis of the market, and insist that the mass-market package product can be profitable again.

However, MyTravel's new management has now accepted that discounting is not a sensible idea. Even in the summer of 2003, it resorted to deep discounting at peak periods: MyTravel cut prices so much that for each holiday MyTravel sold, it lost around £25-30 - and it sells around 6m holidays a year. It is turning instead to cost cutting. Fixed costs typically account for a third to a half of an AIT operator's costs - and perhaps there is no greater fixed cost than a charter airline.

MyTravel's airlines

MyTravel's UK charter airline - My Travel Airways - has suffered from the troubles at its parent group. Mike Lee, MyTravel aviation chief executive, left in March 2003 after being in charge of all airline matters since 1997, and in the same month Travel Trade Gazette reported that MyTravel cancelled summer contracts with charter airlines such as Monarch, Spanair, Futura and Iberworld for between 200,000 and 350,000 seats - up to 10% of the group's total airlift capacity, though yet again MyTravel appeared to be playing catch-up as rivals such as TUI and First Choice had already cut flight capacity for the 2003 summer season back in late 2002.

Soon after these moves, in June 2003, instead of receiving four A321-200s direct from Airbus as planned, the MyTravel Group agreed a sale and leaseback deal with debis AirFinance. MyTravel sold the aircraft to the lessor and agreed six-year operating leases for the aircraft, one of which is for MyTravel Airways and three for MyTravel Denmark. And in August 2003, MyTravel announced it was retiring three DC10-10s in order to trim capacity, though a DC10-30 will remain. Along with continuing efforts to increase aircraft utilisation, it is clear that that MyTravel Airways is coming under considerable pressure from Group management to cut costs.

As for MyTravel's LCC, its future appears to be in doubt. MyTravelLite was launched in October 2002 and operates from Birmingham and Manchester to Belfast, Knock, Dublin, Faro, Malaga, Almeira, Murcia, Alicante, Palma and Barcelona with a fleet of four A320-200s. A twice-daily Dublin route was also started in September 2003 as a direct challenge to Ryanair and Aer Lingus.

However, reports out of London in December 2003 suggest that MyTravel Group was "evaluating options" for the LCC, including a reduction in the fleet and route network (routes out of Manchester are believed to be most at risk). This is part of the Group review of costs, but also may reflect a strategic reappraisal of how beneficial an in-house LCC truly is. Peter McHugh, MyTravel Group chief executive, is reported as saying that: "We are not abandoning the brand, we will use it as a flight-only holiday product rather than as a stand-alone scheduled airline."

But even if the LCC is abandoned, MyTravel Group still appears to be clinging to the traditional charter airline for its airlift needs - even though other parts of the industry are now moving away from the charter model.

A charter future?

The charter airline has long been the unfashionable part of the European aviation industry, partly because the charter carriers have always depended on the strategies and fortunes of their parent AIT operators (large, independent charter airlines have largely disappeared over the last 10 years, with the exception of Monarch). And it is this precarious dependence of the charters on the AIT companies that may well, at last, spell the end of the charter industry.

MY TRAVEL AIRWAYS FLEET (ORDERS)

	MT Airways	MT Lite	MT A/S*
A320	12 (3)	4	3
A321	6 (1)		3
A330	4		4
757-200	4		
767-300ER	3		
DC10	1		
Total	**30 (4)**	**4**	**10**

Note: * Based in Denmark

As the AIT firms beefed up their seat-only operations as a response to consumers' increasing demand for flexibility, some people believed there would be resurgence in charter airlines. As pointed out previously, this just didn't happen - and that was largely down to the LCCs.

The success of the LCCs in drawing off previous package holiday customers, combined with the need to cut costs at the AIT groups, has led to a Damascus-like conversion to the LCC model at some AIT group in the last few years - and this is a trend that is still continuing.

For example, German AIT giant TUI launched its own LCC - Hapag Lloyd Express - in December 2002 (ironically not long after the German group criticised MyTravel for doing exactly the same with the launch of MyTravelLite). This LCC has apparently been so successful (although it is not yet profitable) that TUI now want to shift short-haul flights from its standard charter airline Hapag-Lloyd to Hapag-Lloyd Express, and it is also trying to introduce as many LCC practices as possible into the "full-cost" Hapag Lloyd. In addition, TUI is believed to be planning the launch of a LCC in the UK in 2004.

So does this signal the end of the charter airline? In one sense the trend of AIT operators to launch LCCs is a red herring, since AIT groups need to reduce costs anyway in order to underpin thin margins. If a new or existing "in-house" airline serves AIT customers - whether or not it adopts LCC practices - it is still a charter carrier.

Many people disagree with this. TUI, for example, now seems almost fanatical in its espousal of the LCC concept at the expense of the charter model. In October 2003 Wolfgang Kurth, CEO of Hapag-Lloyd Express, claimed that all "fully-fledged" charter airlines would be gone by 2006, and that the only charter "survivors" would be airlines that were a hybrid, offering not only flights aimed at AIT customers but also no-frills flights aimed at the non-AIT market. But when is an airline not a charter airline? Surely even if an airline adopts a low cost strategy and serves non-AIT customers, if it still offers flights for the AIT product of parent companies - and hence still needs an ATOL licence - then it is still a charter airline.

IAT and non-IAT together?

But can tour operators' in-house airlines really serve the AIT and non-AIT markets at the same time? They might be able to in the short-term, but surely in the long-term they will lose out to the exclusively "non-AIT" airlines, for two reasons:

• First, can one single airline operation serve both these markets? Can the same airline efficiently offer seven and 14-day products concentrated on the summer months and a 365-day scheduled operation?
• Second, it is becoming increasing apparent that seat-only customers have little loyalty to the AIT brands. If anything, the tour operator brands as applied to airlines are a turn-off to customers looking to book a seat-only product. This is a point that the AIT giants simply do not recognise, as recently they have been changing the names of charter airlines from stand-alone brands to the brands of the parent AIT groups - often to the bewilderment of consumers. JMC, the 1998 merger of Flying Colours Airlines and Caledonian Airways, was itself renamed Thomas Cook Airlines in April 2003, while Air 2000 rebranded itself as First Choice Airways in October 2003. Meanwhile TUI Group, which acquired Thomson in 2000, is renaming Britannia Airways as Thomson, but with a TUI logo. In fact it was Airtours that started the recent rebranding trend, when the group name changed to MyTravel and the Airtours International was rebranded as MyTravel Airways in 2002 - though the wisdom of changing such as a well-known brand as Airtours to the anaemic MyTravel is debatable.

But some AIT companies are thinking further. Logically, why do the AIT groups have to have their own in-house airlines anyway, whatever they are labelled? Wouldn't it make sense to completely offload the fixed costs of in-house airlines and at the same time break the link between the accommodation and the lower-margin flights?

It's happening already - or almost is. One major AIT operator is believed to be planning the scrapping of its existing charter operation, replacing it with a scheduled airline that would serve seat-only customers through an "all destinations all the time" strategy. Crucially, the airline would issue a scheduled ticket and thus no longer need an ATOL licence. The link between the accommodation and a bundled flight would disappear in the company's brochures, leaving the group's airline to independently price and offer its scheduled flights to customers booking group accommodation, but with no obligation on them to book the "in-house" scheduled airline.

Southwest: tinkering with the tried and tested formula?

The US airline industry structure is in the process of changing dramatically, with the rapid rise of LCCs coming at the expense of the legacy carriers. At least, that will be the outcome if the large network airlines do not get their act together and prevent further significant erosion of their market shares.

The LCCs that are spearheading the change - JetBlue, AirTran and others - belong to a new breed of aggressive and profitable carriers. First, they are growing extremely rapidly, not just in short haul but also coast-to-coast markets. Second, they have opted out of many traditional Southwest formulas, such as operating a single 150-seat aircraft type and offering a no-frills product. Third, they have gone a step further by setting new standards for in-flight service.

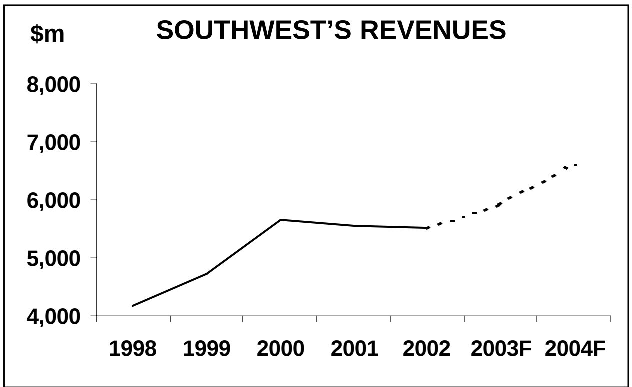
Many people are now wondering how Southwest, the airline that pioneered the original LCC concept, will fit in with all this. Is it going to stick to the strategies that have worked so well for it for 30-plus years? Or could it, too, now benefit from some changes?

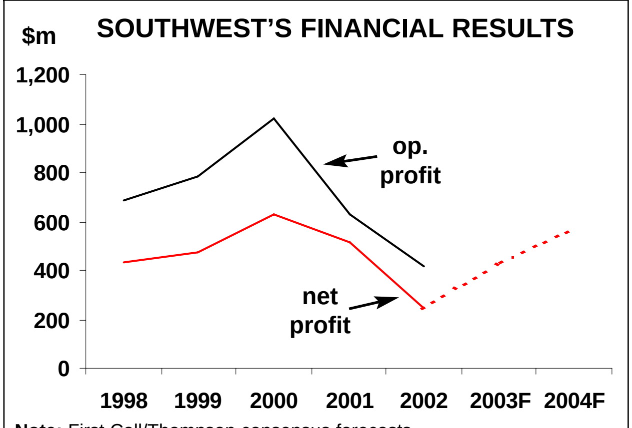
Southwest continues to be one of the industry's strongest profit performers and hugely successful in the marketplace. It has remained profitable through the industry crisis, albeit at reduced margins. In the latest reported quarter (3Q03), its operating margin had recovered to double digits (11.9%). The margin gap with the high-cost majors is wider than ever before and is expected to stay that way. By 2005, when the legacy carriers will have returned to, at best, marginal profitability, Southwest's operating margins are expected to have recovered fully to the 17-18% level seen in 1999 and 2000.

Like other LCCs, Southwest has made significant market share gains during the industry crisis. Although this was probably not the intention, it has gained market share in the past two years simply by the virtue of maintaining pre-September 11 2001 service levels in most markets when competitors cut capacity significantly. According to figures presented by its treasurer Laura Wright, between 1998 and 2003 Southwest's domestic capacity (ASM) share rose from 7.7% to 11.5%, while other LCCs' share (including America West) increased from 9% to 14.4%. The legacy carriers' ASM share fell from 83.3% to 74.1%.

However, Southwest's share price has been rather volatile in recent months, reflecting various investor concerns (as opposed to just excessive valuation - the main reason why LCC stocks plummeted by 40% between mid-October and mid-December).

First, analysts and investors worried that Southwest might never get its growth back to the 10% level. There were fears that the airline - traditionally cautious about entering new markets and, after September 11 2001, determined to remain extremely conservative "until there is more clarity in the earnings picture" -





Note: First Call/Thompson consensus forecasts might lose good growth opportunities to JetBlue, AirTran and others if it waited much longer.

Next, after Southwest's big Philadelphia announcement in late October, there were some jitters about the aggressive nature of that expansion. Why was the airline departing from its usual strategy of flying to cheaper and less congested secondary, non-hub airports?

In late November and early December the shares took further hits as investors began to fear that costs were getting out of control. New guidance from Southwest indicated that its unit costs (CASM) would rise by a hefty 4% in the fourth quarter. This prompted analysts to revise down their 4Q earnings estimates.

The jitters about LCCs generally reflect the fact that competition is really heating up on the East Coast. Last year saw the rapid build-up of Delta's Song. JetBlue and AirTran are both expanding aggressively - most recently, in Boston and Baltimore, respectively. Edward Beauvais, former head of America West, is working to start a new low-cost airline out of Pittsburgh in June. Atlantic Coast is planning to build a large low-fare hub operation at Washington Dulles from mid-2004.

But what really makes the current situation different is that the legacy carriers are at last beginning to respond aggressively to the LCC threat. This is taking the form of both general capacity addition (aggregate ASMs are up significantly in 2004) and competitive moves in specific markets. As an example of the latter, American is now offering a free roundtrip ticket anywhere to AAdvantage FFP members who purchase two roundtrip tickets in selected Northeast-Florida and Northeast-California markets that JetBlue serves - an aggressive move by any standards.

Southwest is doing its bit, first, by accelerating its overall capacity growth significantly this year and in 2005, and second, by adding Philadelphia as its 59th city from May. Philadelphia - the nation's fourth largest city and US Airways' primary hub - represents an unusually aggressive move for the low-fare carrier, which has traditionally avoided direct confrontation with the majors.

Southwest's CFO Gary Kelly recently described increased competition with LCCs as "potentially a different ball game". What does that mean in terms of strategy?

Resumption of rapid growth

After growing extremely cautiously through the past two years' industry crisis, Southwest is now accelerating ASM growth from 4.2% last year to around 7% in 2004. Subsequently, in 2005 and 2006, the current aircraft orders and options would facilitate a return to the 10%-plus annual ASM growth seen in the 1990s.

This is happening in large part because Southwest is feeling more confident about economic and industry prospects. However, it is also responding to the growing presence of LCCs. As Kelly explained it in a recent conference call: "There is a higher risk of being pre-empted in some markets. We've never been driven by a concern of being pre-empted, but our decision to step up our near-term growth does reflect that. We sensed some urgency to get there first - at least more than we did in the past."

As a result of some aircraft order additions and delivery accelerations in recent months, Southwest is now scheduled to take a staggering total of 47 new 737-700s in 2004, up from 17 last year. This is in sharp contrast with the other US major airlines' non-existent or meagre deliveries this year. It is also substantially more than what the other (much smaller) LCCs are taking.

The 47 new aircraft represent an all-time annual record for Southwest. The net addition of 30 aircraft (after the retirement of 17 older 737-200s) will be the same as in 2000 and will increase the total fleet to 417 by the end of 2004. Next year's schedule currently includes 23 firm deliveries, 11 options and five retirements.

Philadelphia: rationale and plans

Philadelphia, due to be added on May 9, will be Southwest's first new city since late 2001. The plan is to serve a variety of short haul and long haul destinations, based on demand. The six initial markets - Chicago

Midway, Las Vegas, Orlando, Phoenix, Providence and Tampa Bay - will see a total of 13 daily departures.

Philadelphia was a great surprise, particularly since Southwest had also considered secondary airports in the area, including Trenton in New Jersey and Allentown in Pennsylvania, which would have been more in line with its traditional strategy. But the airline insisted that Philadelphia met its key criteria. First, it was a classic overpriced and underserved market, with only 5-10% of traffic carried by discount airlines. Second, infrastructure and airport costs were attractive. Third, there was a rare opportunity to obtain gates.

Southwest had apparently considered Philadelphia for 15 years, but until recently there were no gates available and the airport was too congested to allow efficient operation. Then four ex-TWA gates became available after AMR purchased TWA, and since September 2001 US Airways has cut its daily flights from 410 to 384. Although Southwest plans to utilise only four gates initially, it could grow to eight, facilitating up to 80 daily flights.

While US Airways' shrinkage played a major part in Southwest's Philadelphia decision, competitively the move was probably more aimed at JetBlue and AirTran - namely preventing other LCCs from establishing a presence at that airport. According to Southwest executives, the Philadelphia move does not represent any change in strategy. The airline is only interested in overpriced and underserved airports, whether hubs or secondary airports. The problem with hubs is that they may be overpriced, but generally they are not underserved.

Southwest is counting on stimulating demand with low fares so that total traffic in the Philadelphia markets multiplies. With US Airways currently dominating those markets with unrestricted fares four or five times the fares that will be introduced in May, the famous "Southwest effect" can be taken for granted.

The main risk to Southwest is Philadelphia's congestion. "In the final analysis we simply concluded that the risk was worth the potential reward", explained CEO Jim Parker at a recent conference. Southwest is such a strong competitor that it probably does not make any difference from its point of view how US Airways responds - except if US Airways pulls out entirely and disposes of its Philadelphia gates and facilities.

Many people have expected Southwest to start a major expansion from St. Louis, after American halved its daily flights there on November 1. But so far Southwest has only announced plans to boost its daily flights from 55 to 57, as it apparently has concerns about airport costs at St. Louis.

A second fleet type?

Dedication to a single aircraft type, the Boeing 737, has been the cornerstone of Southwest's low-cost strategy - and one that was previously copied by other low-cost entrants. However, JetBlue and AirTran have recently opted for the flexibility offered by two aircraft types. JetBlue has ordered 100-seat EMB-190s for expansion in smaller markets, to supplement its A320 fleet from 2005. AirTran will start adding 737-700s in June for transcontinental expansion, to supplement its 717 fleet.

Other LCCs on both sides of the Atlantic are also seriously considering adding a second aircraft type. They are tempted by new types of market opportunities that have come about during the industry crisis (often when weaker carriers pulled back or disappeared), as well as the current low aircraft acquisition and ownership costs.

Southwest's top executives have indicated that although at this point the airline remains dedicated to a single aircraft type and will not reconsider 50-seat or 70-seat regional jets (after firmly rejecting them in the past), it is now taking a serious look at the EMB-190.

In the first place, Southwest is looking at the EMB-190 simply because it is an interesting new addition to the 100-seat category. Its top executives have stressed that they would be extremely hesitant to walk away from the advantages of operating a single aircraft type. They are "not even close to reaching a decision on that question".

Kelly has made the point that a 100-seat aircraft may not be sufficiently different in size from Southwest's 137-seat 737s to add much flexibility. Certainly, the benefit of the 100-seat EMB-190 will be greater to JetBlue since its other aircraft are 156-seat A320s.

Some people take the view that Southwest already effectively operates two or three different aircraft types - the 737-200, the 737-300 and the 737-700 (the 200s are being phased out).

The key question is: does Southwest want to serve smaller markets? So far it has only been interested in relatively large markets. It is worth noting that JetBlue identified 900 potential markets that could be developed profitably with a 100-seater, compared with 305 markets suitable for the A320.

What about some frills?

The new-generation LCCs are much more up-market than Southwest, with assigned seating, more legroom and latest-technology in-flight entertainment systems. The ability to offer low fares without sacrificing any aspect of service has made JetBlue, in particular, a real hit in the marketplace. The fact that so many LCCs are moving in that direction may even raise travellers' general expectations.

While Southwest is renown for its great service and friendly workers, its very simple product may soon look dated. Consequently, in recent conference calls analysts have quizzed its top executives about possible changes in that area.

Southwest has denied that assigned seating or any other major changes to the model are being considered. However, Kelly disclosed recently that the airline is studying new-technology in-flight entertainment systems. This is hardly surprising in light of the huge popularity of the in-flight satellite television pioneered by JetBlue and also introduced by Frontier, WestJet and Song. JetBlue and AirTran have also announced plans to introduce digital satellite radio later this year, with JetBlue also adding pay-per-view films.

Southwest is about half-way through a five-year programme, due to be completed by the end of 2005, of introducing a new paint scheme and interiors, including leather seats, on its entire fleet. Otherwise, the airline will continue to count on its great corporate culture and high employee morale to keep the air travel experience fresh and unique for its passengers.

CEO Jim Parker said recently that he believed employee morale was at or near an all-time high. He said that his number one focus is maintaining the corporate culture. That involves keeping in contact with workers on a personal level, which is obviously more difficult now that Southwest is a large company. One solution has been to develop "local leaders" - people at every facility, station, pilot base, etc. that really understand the corporate culture and values and share that with the employees.

Labour cost pressures

Southwest's number one objective is to maintain its cost leadership. But there are some challenges on that front because of continued labour cost pressure, resulting from five new contracts concluded over the past year or currently under negotiation.

In particular, pilot costs are rising sharply, reflecting a 6.4% wage increase last September and a 13.6% hike in September this year. The pilots took a five-year pay freeze in the 1990s, but the new rates will still make them among the best paid in the industry. In one analyst's estimate, the new pilot contract alone will add $60m to costs this year.

However, Southwest is optimistic that it can maintain its CASM at 7.5 cents per ASM in 2004 and 2005. It is seeing some productivity offsets and will continue to aggressively seek cost savings both internally and externally to retain its low cost structure.

One of the most important new measures, implemented last month, was the elimination of travel agents' commissions - a move that is expected to save about $40m annually. Southwest had been the last major airline paying base commissions. As Kelly explained it: "With more low-cost competition looming, it was time to make that change".

Financial outlook

Southwest will be the only US major carrier to report a profit for 2003 (the results are expected on January 22). In early January the First Call consensus estimate was a net profit before special items of 37 cents per share, which would represent a 54% increase over the 24 cents earned in 2002.

Aside from the labour cost pressures, prospects are excellent. The airline remains extremely well hedged for fuel, having covered 83% and 45% of its planned consumption in 2004 and 2005, respectively, with derivative instruments that effectively cap prices at about $23 per barrel. On the revenue side, Southwest's traffic mix has recovered to a much greater extent than what the other large carriers have experienced.

Analysts expect Southwest's EPS growth to accelerate and profit margins to recover fully as capacity growth is stepped up. The current consensus forecast for 2004 is a profit of 58 cents per share (up 57%), though individual analysts' estimates range from 52 to 70 cents.

Significantly, Southwest has maintained investment grade credit ratings through the industry crisis. Its balance sheet is stronger than ever, with total assets of $9.7bn, shareholders' equity of $4.9bn and long-term debt of $1.5bn at the end of September. After paying down some debt in October, the company projected its lease-adjusted debt-to-capital ratio to be below 40% at year-end (100%-plus is now typical for the other large majors, and even JetBlue is in the high 60s).

Southwest is therefore well positioned to meet its substantial aircraft capital spending requirements over the next few years. 2004 will see total capital spending peak at $1.8bn (compared to $1.2bn last year and $1.4-1.5bn in 2005). But there are no pension underfunding issues because the airline only offers a defined pension contribution plan.

With $2bn in cash at the end of September, $575m of available credit facilities and healthy cash generation, Southwest is expected to continue to be largely self-financing. However, it has indicated that it wants to carry a large cash balance for emergencies. Because of that and 2004's unusually heavy spending needs, the airline expects to raise external funding to the tune of $300-500m this year.

Russian/CIS airlines: what's happening

By Heini Nuutinen

Russia continued to see growth in passenger numbers, revenue kilometres and freight tonnages in 2002, but this growth was tempered by a shortage of suitable aircraft available. There was just an overall 2% growth in passenger numbers in 2002 - from 26m in 2001 to 26.5m. Despite the same problem in 2003, some airlines have managed to achieve substantial growth by increased utilisation and higher load factors.

In mid 2003, the Russian Air and Space Agency admitted that the country's aviation industry would be unlikely to build sufficient aircraft to meet airline needs, taking "five years" to restore it to full production. The airlines responded by saying that they could not wait five years, and called on the government to drop the heavy taxes (44% up to the end of 2003, now just 40%) on imported aircraft. The heavily politicised industry has objected to tax cuts and no decision has yet been reached, although there is some evidence of partial relaxation.

The aviation industry has a severe shortage of capital to finance new aircraft, and airlines lack the funds to either finance or even lease new aircraft. This has been compounded by a scarcity of Russian/Soviet aircraft on the used market, with only three ex-Slovak Tu-154Ms becoming available for repatriation in 2003. Almost 20 airlines, including most of the majors, have sought ways to import foreign aircraft with minimum tax burdens. Until now, only Aeroflot and Transaero, the two companies given exemptions by the Yeltsin government, have been able to do this.

The long-awaited Tupolev Tu-334 made little progress in 2003, although in late November, the first production example made its maiden flight. It has joined the flight test certification programme, and full certification is expected in late 2004. Airlines have been waiting for many years for a Tupolev Tu-134 replacement, and over 60 have been ordered (although no deposits have been paid). No financing plans have been made to allow airlines to lease or buy the 334, so there will be further problems before they enter service. Intended to replace the workhorse 154 and 154M, two 204s were delivered in 2003, one freighter to Air Rep associate company Aviastar-Tu and one passenger version to Kras Air. Two longer-range 214s were delivered to the State Transport Company, Rossiya, and a third delivered to Dalavia in the last few days of the year. No Ilyushin Il-86s were delivered to any company, although in December, Aeroflot agreed to take six and Cubana placed the first export order for two aircraft. Sukhoi's partnership with Boeing on the RRJ (Russian Regional Jet) seems to have progressed more than any other new aircraft, and the management team has shown the first realistic business approach evident in the industry overall.

This has increased the pressure to order foreign aircraft. Aeroflot received permission from the Russian government to take in 27 new aircraft to replace the 27 already in service, and negotiated an exceptional agreement allowing costs to reduce by around $100m per year. The new aircraft began to arrive in August, as they are delivered, the existing aircraft are withdrawn. Transaero has added two 767-200s and two 737-300s in 2003, and plans further Boeing orders in 2004. This has allowed substantial traffic growth and marked revenue improvements.

Sibir has being building up experience on Western aircraft through its Armenian subsidiary, Armavia. By the end of 2003, two A320s and one ATR42 had entered service with this company, and Sibir has trained some of its aircrew and technical staff to work with the new types, and is building a

MAIN RUSSIAN/CIS FLEETS

	Aeroflot	Sibir	Pulkovo	Kras Air	UT Air	Transaero	Domodedovo	East Line	Volga Dnepr
737-3/4/700	6					5			
767-200						3			
767-300									
767-300ER	6 (3)					3			
777-200	2								
DC10-40F	2								
A310	8								
A319/320	5 (13)								
IL-62				2			17	1	
IL-76									(2)
IL-76 TD	5*								2
IL-76T/TD				8				11	
IL-86	6	14	8	4				1	
IL-96-300	6 (6)						3		
Tu-134	21		11	2	20			1	
Tu-154B/M		36	25	17	9			3	
Tu-154M	15								
Tu-204		2		3 (3)					
An-24					11				
An-26					1				
An-124-100									9 (2)
An-140									(3)
An-2					51				
Yak 40				1	21				5
Yak 42							2	1	
TOTAL	**82 (22)**	**52**	**44**	**37 (3)**	**113**	**11**	**22**	**18**	**16 (7)**

Note: * all grounded

team to be ready when the barriers fall. Currently Sibir is looking for 757s as there are no Tu-154s are on the market.

UT Air issued a request for tenders to supply five regional aircraft, under current consideration are the ATR42, the Bombardier Dash 8 and the Antonov An-140. In December, the first An-140 rolled out from Aviacor in Samara (earlier deliveries had all come from the Ukraine), UT is under considerable pressure to decide on the 140, but earlier unhappy experiences between the two companies may cause friction.

Kras Air's plans to import MD-80s in partnership with Germania fell through due to the non-certification of the type in Russia and the CIS. Now they are negotiating leases on a number of 767-200ERs to join the fleet by the second quarter of 2004.

Sakhalin Avia Trassi now has three Dash 8-100s, operating on charter for an Exxon contract in the Russian Far East. Taxes have had to be paid on these, but the entire regional fleet in the country is so aged that every operator is anxious to modernise.

VIM airlines, primarily a cargo operator with a fleet of 12 Il-62s (normally long range passenger aircraft), is understood to have bought a DC-10 from Finova in the last few weeks, although confirmation has not yet been made, but its plans to take ten 757s are understood to have fallen through due to a lack of finance.

And Volga Dnepr, the major freight airline, has agreed to take two ex-Alitalia 747-200s for cargo conversion. These are likely to be operated by a foreign subsidiary on routes to China.

Aeroflot

Russia's national airline saw traffic fall in 2002 by 5.9% to 5.5m passengers. This was due to the airline's management concentrating on improving profitability, and eliminating unprofitable routes and services. It worked - net profits grew from 2001's $44m to $101m in 2002, and further cost savings should be reflected in 2003's results. The first 11 months of 2003 has seen a growth of 6.3% in passenger numbers, some 5.4 million have flown with the flag-carrier. In August, it unveiled new livery, the first real change since Soviet times, although its first A310s wore an Airbus-designed "flying flag" style scheme for several years.

Revenues for 2002 grossed $1.4bn, up just $5m on 2001, but they include some $183m from "commercial agreements" made between the Soviet Union and airlines overflying Russia on routes linking Europe and the Far East. The arrangement was intended to compensate Aeroflot when other airlines provided more capacity than it on these routes, and Aeroflot says that, in some cases, it pays European airlines when it provides more capacity than they do. However, the European Commission intends to put a stop to this arrangement. Aeroflot needs to improve revenues and reduce costs if it is to maintain services.

Cargo tonnages for the first eleven months of 2003 came to 103,700, a 4.1% increase on the comparable figure for a year earlier.

The airline's plan to develop its own terminal for itself and its SkyTeam partners at Moscow's Sheremetyevo Airport have resulted in the government imposing a partnership solution joining the airline and the airport. Construction is expected to begin in the first quarter of 2003, and completion should result in early 2007. Aeroflot intends to train all of the new terminal staff at its own training centre and to meet or beat the highest international standards.

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Sibir

Sibir achieved remarkable growth in 2002, with passenger numbers rising by 85% to 2.6m. Even with the 0.5m attributed to Vnukovo in 2002, the airline's growth came to 35%. This was achieved mostly by the availability of ex-Vnukovo aircraft following overhaul, and the airline ended 2002 with an overall load factor of 73.4%. Despite a lack of available extra capacity, the first eleven months of 2003 saw traffic grow a further 26%, reaching 3.2m, due mainly to an increased load factor of just over 80%. Operational revenues are expected to be over $400m for 2003, and the airline has engaged Ernst and Young to prepare its annual accounts to International Accounting Standards, in order to be ready to discuss leasing terms with western companies as soon as the tax situation changes.

The airline's headquarters are being transferred to Moscow, and contact information will change in the next month, although it will maintain some personnel in its Novosibirsk offices.

In the summer of 2003, Sibir introduced a "no frills" low fare service linking Moscow and Nizhni Novgorod. With three other airlines already serving the route, the Sibir flight soon was carrying over 50% of traffic. The airline did this by allocating one specific Tu-154, just out of its final major overhaul, to the route, thus minimising maintenance charges for the service.

CEO: Vladislav F. Filiov
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Address: 633115 Novosibirsk, Tolmachevo Airport

Pulkovo Aviation Enterprise

Pulkovo saw traffic grow in 2002 by 10% to 2m passengers, and revenues of $256m, on which it reported pre-tax profits to be $42.9m. By July 2003, traffic had grown a further 9%, and the airline and airport revenues were expected to reach $300m.

In May, Pulkovo Airport opened a new international terminal, just in time to cater for St. Petersburg's 300th anniversary. Later, in December, the wholly State-owned airline was advised by its owners that it would be joined with the Russian State Transport airline, Rossiya under the new title "Soyuz" (Union), although as yet it is not clear which company will take command of the new airline. Rossiya is Moscow-based, although with ex-Pulkovo leadership. Rossiya carries about 300,000 revenue passengers, although its principal task was government (ministerial and state official) transportation. In the last few years, it has received two new Tu-154Ms (some of the last built) and two Tu-214s from the State. It also has a fleet of almost 60 aircraft, including long range Il-62s, Tu-154Ms and Tu-134s, Yak 40s and helicopters - many of these would be valuable to the Pulkovo operation.

Pulkovo has also announced it intends to add 20 Tu-334s to replace its elderly 134 fleet, and has also looked at ways to bring in some foreign medium-range aircraft.

Chief Executive: Boris G. Demchenko
Tel/ Fax: (812) 122 9422, (812) 104 3302
Address: 196210 St. Petersburg, Pilot St., 18/4

Kras Air

Kras Air carried 1.2m passengers in 2002, and, in the first 11 months of 2003, this figure grew a further 16% to reach 1.7m, mainly attributed to improved utilisation of its fleet.

It added a third Tu-204 to its fleet in December, and is in negotiation with western lessors to add two 767-200ERs by mid 2004. Its plans to add MD-80s fell through, as the type has not been certificated for CIS operations. In 2003 it opened a new international terminal at its base of Krasnoyarsk.

CEO: Boris M. Abramovich
Tel/ Fax: (3912) 236366, (3912) 244895
Address: 663020 Krasnoyarsk, Yemelianovo Airport.

UT Air

UT Air (formerly Tyumenaviatrans (TAT)) achieved a 15% growth in passenger numbers in its airline operations carrying 1.2m in 2002 and saw overall revenues of $173m (up from $144m in 2001), greatly assisted by the revenues earned from its increasing United Nations helicopter operations - in 2002, these were $40m.

In August, it decided to issue a request for tender for the supply of five regional turboprops to begin the fleet renewal for local services in its western Siberia market. Four serious proposals were received and one (for Ilyushin Il-114s) has so far been eliminated, as UT Air felt that its low wing was likely to suffer damage on the poor runways in the region. The other three proposals are for high-winged aircraft: the ATR42, the Bombardier Dash 8 and the Antonov An-140. The An-140 offer came from its major producer in Kharkov, although if selected, the aircraft may be built at the Aviacor factory in Samara.

Chief Executive: Andrei Martyrosov
Tel/ Fax: (34671) 94557, (34671) 94588
Address: 628012 Khanti-Mansiisk, Tyumen Region, West Siberia

Transaero

Transaero carried just under 400,000 passengers in 2002, and set a target to reach 1m by 2004. Having access to western aircraft without the requirement to pay their import taxes, the rising market has allowed the airline to grow considerably in 2003.

It has re-opened routes to the Russian Far East, Thailand and Taiwan and has experienced solid traffic growth in 2003. Accordingly, they have added a 737-400, a third 767-200 and three 767-300s.

At the 2003 Moscow Air Salon, Transaero announced that it intends to add up to 15 Tu-234s, the long range but shorter fuselage version of the 204, to its fleet.

Chief Executive: Olga Pleshakova
Tel/ Fax: (095) 937 8463 (095) 937 8463
Address: 113054 Moscow, Paveletskaya Square 2/1 (second floor)

Domodedovo Airlines

The battles for control of the airline have resumed, and its situation is not yet clear. Traffic in 2002 grew by about 6% to 641,848 passengers.

It is difficult to foresee what will happen, as the State, which holds a minority, but "golden" share, is opposing plans brought up by other shareholders.

Chief executive: Andrei Maslov
Tel/ Fax: (095) 323 8991, (095) 952 8651
Address: 142945 Moscow Region, Domodedovo Airport

East Line Airlines

At the end of 2003, the East Line group decided to concentrate on the development of Domodedovo Airport, and to sell the airline early in 2004.

Chief Executive: Alexei Raevski
Tel/ Fax: (095) 795 3427
Address: Domodedovo Airport, Moscow Region 142945

Volga Dnepr Airlines

Volga Dnepr Airlines has taken several quite major steps to develop its position on Russian and international markets in 2003.

The first step is to begin 747 cargo operations, and in the summer it agreed to take two ex-Alitalia 747-200s, convert them to freighters, and operate them on routes from Western Europe, through Russia to China in general freight roles. It is not yet clear whether this will involve establishing a subsidiary company in a European country to avoid the Russian taxes.

They have also agreed to purchase up to 15 Ilyushin Il-76s from the production factory (there are about 30 unsold aircraft stored there), fitting them with Chapter 3 Perm PS-90A engines and a modern western avionics suite, thus allowing them to operate in the European market. The uptake rate will be about two per year.

It has also signed a letter of intent to take three An-140 regional turboprops to replace the Yak 40s on its domestic passenger routes.

Meanwhile, its cargo tonnages exceeded 50,000 in 2002, leaving it in a strong second place after Aeroflot in the Russian market.

Progress on JAA/UK certification of two new An-124s is continuing, although the airline is monitoring the cost of this work very closely, as it is not yet sure whether the project will be economical.

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By Paul Duffy

		Group revenue US$m	Group costs US$m	Group op. profit US$m	Group net profit US$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group employees
Alaska	**Year 2001**	**2,141**	**2,263**	**-121.8**	**-39.5**	**-5.7%**	**-1.8%**	**28,837**	**19,712**	**68.4%**	**13,668**	**10,742**
	Jul-Sep 02	620	597	24	11	3.9%	1.8%	8,380	5,911	70.5%	3,978	10,465
	Oct-Dec 02	430	484	-60	-94	-14.0%	-21.9%	7,657	5,092	66.5%	3,367	
	Year 2002	**2,224**	**2,313**	**-89**	**-119**	**-4.0%**	**-5.4%**	**31,156**	**21,220**	**68.1%**	**14,154**	**10,142**
	Jan-Mar 03	519	597	-79	-56	-15.2%	-10.8%	7,577	5,058	66.7%	3,258	9,988
	Apr-Jun 03	576	581	-5	-3	-0.9%	-0.5%	7,932	5,427	68.4%	3,616	10,222
	Jul-Sep 03	702	623	79	41	11.3%	5.8%	8,380	5,911	72.5%	4,280	10,114
American	**Year 2001**	**18,963**	**20,823**	**-1,860**	**-1,762**	**-9.8%**	**-9.3%**	**161,030**	**176,143**	**69.4%**	**99,235**	**102,093**
	Jul-Sep 02	4,494	5,815	-1,321	-924	-29.4%	-20.6%	73,899	53,236	72.0%	24,952	99,700
	Oct-Dec 02	4,190	4,869	-679	-529	-16.2%	-12.6%	67,964	47,428	69.8%	22,857	93,500
	Year 2002	**17,299**	**20,629**	**-3,330**	**-3,511**	**-19.2%**	**-20.3%**	**277,121**	**195,927**	**70.7%**	**94,143**	**93,500**
	Jan-Mar 03	4,120	4,989	-869	-1,043	-21.1%	-25.3%	64,813	44,800	69.1%	21,021	92,200
	Apr-Jun 03	4,324	4,237	87	-75	2.0%	-1.7%	68,678	51,095	74.4%		
	Jul-Sep 03	4,605	4,440	165	1	3.6%	0.0%	69,234	52,653	76.0%		
America West	**Year 2001**	**2,066**	**2,380**	**-316**	**-148**	**-15.3%**	**-7.2%**	**42,709**	**30,696**	**71.9%**	**19,576**	**13,827**
	Jul-Sep 02	510	552	-42	-32	-8.2%	-6.3%	11,504	8,619	74.9%	5,165	12,320
	Oct-Dec 02	522	560	-38	-32	-7.3%	-6.1%	11,154	8,160	73.2%	4,906	
	Year 2002	**2,047**	**2,246**	**-199**	**-430**	**-9.7%**	**-21.0%**	**43,464**	**33,653**	**73.6%**	**19,454**	**13,000**
	Jan-Mar 03	523	569	-46	-62	-8.8%	-11.9%	11,027	7,841	71.1%	4,655	
	Apr-Jun 03	576	559	17	80	3.0%	13.9%	11,223	8,854	78.9%	5,185	11,309
	Jul-Sep 03	592	542	50	33	8.4%	5.6%	11,365	9,068	79.8%	5,322	11,175
Continental	**Year 2001**	**8,969**	**9,119**	**-150**	**-95**	**-1.7%**	**-1.1%**	**135,962**	**98,393**	**72.4%**	**44,238**	**44,273**
	Jul-Sep 02	2,178	2,132	46	-37	2.1%	-1.7%	33,839	25,625	75.0%	10,581	40,925
	Oct-Dec 02	2,036	2,094	-56	-109	-2.8%	-5.4%	31,496	22,382	70.6%	9,651	40,500
	Year 2002	**8,402**	**8,714**	**-312**	**-451**	**-3.7%**	**-5.4%**	**128,940**	**95,510**	**73.3%**	**41,014**	**40,713**
	Jan-Mar 03	2,042	2,266	-224	-221	-11.0%	-10.8%	30,699	21,362	68.9%	9,245	
	Apr-Jun 03	2,216	1,978	238	79	10.7%	3.6%	30,847	24,841	75.9%	10,120	
	Jul-Sep 03	2,365	2,191	174	133	7.4%	5.6%	33,071	26,450	79.1%	10,613	
Delta	**Year 2001**	**13,879**	**15,124**	**-1,245**	**-1,216**	**-9.0%**	**-8.8%**	**237,914**	**163,693**	**68.8%**	**104,943**	**77,654**
	Jul-Sep 02	3,420	3,805	-385	-326	-11.3%	-9.5%	59,287	44,037	74.3%	27,713	76,000
	Oct-Dec 02	3,308	3,670	-362	-363	-10.9%	-11.0%	56,776	40,419	71.2%	27,290	75,100
	Year 2002	**13,305**	**14,614**	**-1,309**	**-1,272**	**-9.8%**	**-9.6%**	**228,068**	**172,735**	**71.9%**	**107,048**	**75,100**
	Jan-Mar 03	3,155	3,690	-535	-466	-17.0%	-14.8%	53,435	36,827	68.9%	24,910	72,200
	Apr-Jun 03	3,307	3,111	196	184	5.9%	5.6%	51,552	38,742	75.2%	25,969	69,800
	Jul-Sep 03	3,443	3,524	-81	-164	-2.4%	-4.8%	55,535	42,704	76.9%	27,059	70,100
Northwest	**Year 2001**	**9,905**	**10,773**	**-868**	**-423**	**-8.8%**	**-4.3%**	**158,284**	**117,682**	**74.3%**	**54,056**	**50,309**
	Jul-Sep 02	2,564	2,556	8	-46	0.3%	-1.8%	40,321	31,787	78.8%	14,365	45,466
	Oct-Dec 02	2,339	2,951	-612	-488	-26.2%	-20.9%	37,115	27,611	74.4%	12,779	44,323
	Year 2002	**9,489**	**10,335**	**-846**	**-798**	**-8.9%**	**-8.4%**	**150,355**	**115,913**	**77.1%**	**52,669**	**44,323**
	Jan-Mar 03	2,250	2,576	-326	-396	-14.5%	-17.6%	36,251	26,653	73.5%	12,284	42,781
	Apr-Jun 03	2,297	2,370	-73	227	-3.2%	9.9%	34,434	26,322	76.4%	12,800	39,442
	Jul-Sep 03	2,556	2,410	146	47	5.7%	1.8%	37,476	30,491	81.4%	13,971	38,722
Southwest	**Year 2001**	**5,555**	**4,924**	**631**	**511**	**11.4%**	**9.2%**	**105,079**	**71,604**	**68.1%**	**64,447**	**31,014**
	Jul-Sep 02	1,391	1,300	91	75	6.5%	5.4%	28,342	19,180	67.7%	16,256	33,609
	Oct-Dec 02	1,401	1,313	88	42	6.3%	3.0%	28,296	17,835	63.0%	15,554	33,705
	Year 2002	**5,522**	**5,104**	**417**	**241**	**7.6%**	**4.4%**	**110,859**	**73,049**	**65.9%**	**63,046**	**33,705**
	Jan-Mar 03	1,351	1,305	46	24	3.4%	1.8%	28,000	17,534	62.6%	15,077	33,140
	Apr-Jun 03	1,515	1,375	140	246	9.2%	16.2%	28,796	20,198	70.1%	17,063	32,902
	Jul-Sep 03	1,553	1,368	185	106	11.9%	6.8%	29,296	20,651	70.5%	17,243	32,563
United	**Year 2001**	**16,138**	**18,481**	**-2,343**	**-2,145**	**-14.5%**	**-13.3%**	**265,291**	**187,701**	**70.8%**	**75,457**	**96,142**
	Jul-Sep 02	3,737	4,383	-646	-889	-17.3%	-23.8%	64,147	48,335	75.4%	18,900	79,900
	Oct-Dec 02	3,468	4,462	-994	-1,473	-28.7%	-42.5%	59,988	43,158	71.9%	16,823	77,000
	Year 2002	**14,286**	**17,123**	**-2,837**	**-3,212**	**-19.9%**	**-22.5%**	**238,569**	**176,152**	**73.5%**	**68,585**	**78,700**
	Jan-Mar 03	3,184	3,997	-813	-1,343	-25.5%	-42.2%	55,751	39,980	71.7%	15,688	70,600
	Apr-Jun 03	3,109	3,540	-431	-623	-13.9%	-20.0%	51,692	39,809	77.0%	16,381	60,000
	Jul-Sep 03	3,817	3,798	19	-367	0.5%	-9.6%	56,726	45,500	80.2%	17,635	59,700
US Airways	**Year 2001**	**8,288**	**9,355**	**-1,067**	**-1,969**	**-12.9%**	**-23.8%**	**107,347**	**73,944**	**68.9%**	**56,114**	**43,846**
	Jul-Sep 02	1,752	1,933	-181	-335	-10.3%	-19.1%	24,075	17,276	71.8%	11,994	33,302
	Oct-Dec 02	1,614	2,217	-603	-794	-37.4%	-49.2%	20,631	14,096	68.3%	10,354	30,585
	Year 2002	**6,977**	**8,294**	**-1,317**	**-1,646**	**-18.9%**	**-23.6%**	**90,700**	**64,433**	**71.0%**	**47,155**	**30,585**
	Jan-Mar 03	1,534	1,741	-207	1,635	-13.5%	106.6%	19,579	13,249	67.7%	9,427	27,397
	Apr-Jun 03	1,777	1,710	67	13	3.8%	0.7%	20,929	15,789	75.4%	10,855	26,587
	Jul-Sep 03	1,771	1,808	-37	-90	-2.1%	-5.1%	21,615	16,611	76.9%	10,584	26,300

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

	Group revenue US$m	Group costs US$m	Group op. profit US$m	Group net profit US$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group employees
Air France											
Year 2001/02	**11,234**	**11,017**	**217**	**141**	**1.9%**	**1.3%**	**123,777**	**94,828**	**76.6%**		**70,156**
Jul-Sep 02	3,264	3,122	142	57	4.4%	1.7%	33,806	26,366	78.0%		71,290
Oct-Dec 02	3,396	3,392	4	2	0.1%	0.1%	32,581	24,558	75.4%		
Jan-Mar 03	3,240	3,373	-133	-106	-4.1%	-3.3%	32,070	23,906	74.5%		
Year 2002/03	**13,702**	**13,495**	**207**	**130**	**1.5%**	**0.9%**	**131,247**	**99,960**	**76.2%**		**71,525**
Apr-Jun 03	3,442	3,453	-10	5	-0.3%	0.1%	31,888	23,736	74.4%		71,936
Jul-Sep 03	3,715	3,598	117	56	3.1%	1.5%	35,255	27,544	78.1%		
Alitalia											
Jan-Jun 01	2,348	2,504	-156	-228	-6.6%	-9.7%	26,437	18,953	71.7%	12,565	24,023
Year 2001	**4,745**	**5,007**	**-262**	**-818**	**-5.5%**	-17.2%	**51,392**	**36,391**	**70.8%**	**24,737**	**23,667**
Jan-Jun 02	2,462	2,574	-63	-49	-2.6%	-2.0%			69.7%		21,366
Year 2002	**5,279**	**4,934**	**-89**	**101**	**-1.7%**	**1.9%**	**42,224**	**29,917**	**70.8%**	**22,041**	**22,536**
Jan-Mar 03	1,097	1,226	-187		-17.0%		10,503	6,959	66.3	4,993	21,984
BA											
Year 2001/02	**12,138**	**12,298**	**-160**	**-207**	**-1.3%**	**-1.7%**	**151,046**	**106,270**	**70.4%**	**40,004**	**57,227**
Jul-Sep 02	3,323	2,931	392	240	11.8%	7.2%	35,608	27,301	76.7%	10,607	52,116
Oct-Dec 02	3,025	2,939	86	21	2.8%	0.7%	34,815	24,693	70.9%	9,200	51,171
Jan-Mar 03	2,721	2,988	-213	-216	-7.8%	-7.9%	33,729	23,439	69.5%	8,547	50,309
Year 2002/03	**12,490**	**12,011**	**543**	**117**	**4.3%**	**0.9%**	**139,172**	**100,112**	**71.9%**	**38,019**	**51,630**
Apr-Jun 03	3,023	2,957	59	-104	2.0%	-3.4%	34,962	25,102	71.8%	9,769	49,215
Jul-Sep 03	3,306	2,980	333	163	10.1%	4.9%	35,981	27,540	76.5%	9,739	47,702
Iberia											
Apr-Jun 02	1,245	1,134	98	76	7.9%	6.1%	14,004	10,105	72.2%	6,726	
Jul-Sep 02	1,229	1,103	132	104	10.7%	8.5%	14,535	11,419	78.6%	6,624	
Oct-Dec 02	1,236	1,219	18	-17	1.5%	-1.4%	13,593	9,695	71.3%	5,689	25,544
Year 2002	**5,123**	**4,852**	**272**	**174**	**5.3%**	**3.4%**	**55,633**	**40,647**	**73.0%**	**24,956**	**25,963**
Jan-Mar 03	1,128	1,183	-55	-24	-4.9%	-2.1%	13,200	9,458	71.6%	5,717	
Apr-Jun 03	1,348	1,265	83	60	6.2%	4.5%	13,516	9,982	73.8%	6,472	
Jul-Sep 03	1,434	1,301	133	93	9.3%	6.5%	14,819	11,846	79.9%	7,073	
KLM											
Year 2001/02	**5,933**	**6,018**	**-85**	**-141**	**-1.4%**	**-2.4%**	**72,228**	**56,947**	**78.7%**	**15,949**	**33,265**
Jul-Sep 02	1,844	1,523	140	86	7.6%	4.7%	19,448	16,331	82.7%		34,931
Oct-Dec 02	1,693	1,760	-68	-71	-4.0%	-4.2%	19,063	14,722	77.2%		34,850
Jan-Mar 03	1,487	1,521	-272	-483	-18.3%	-32.5%	20,390	15,444	75.7%		34,497
Year 2002/03	**7,004**	**7,147**	**-144**	**-449**	**-2.1%**	**-6.4%**	**87,647**	**69,016**	**78.7%**	**23,437**	**34,666**
Apr-Jun 03	1,621	1,483	-76	-62	-4.7%	-3.8%	17,261	13,077	75.8%		33,448
Jul-Sep 03	1,878	1,537	152	104	8.1%	5.5%	18,905	15,874	84.0%		32,853
Lufthansa											
Year 2001	**14,966**	**14,948**	**18**	**-530**	**0.1%**	**-3.5%**	**126,400**	**90,389**	**71.5%**	**45,710**	**87,975**
Jul-Sep 02	4,431	4,254	454	369	10.2%	8.3%	32,409	25,189	71.1%	12,067	90,704
Oct-Dec 02							30,282	21,476	70.9%	10,886	
Year 2002	**17,791**	**16,122**	**1,669**	**751**	**9.4%**	**4.2%**	**119,877**	**88,570**	**73.9%**	**43,900**	**94,135**
Jan-Mar 03	4,242	4,588	-346	-411	-8.2%	-9.7%	29,251	20,618	70.5%	10,391	
Apr-Jun 03	4,423	4,214	209	-39	4.7%	-0.9%	30,597	22,315	71.7%	10,758	
Jul-Sep 03	4,923	4,783	140	-20	2.8%	-0.4%	32,895	24,882		12,020	
SAS											
Year 2001	**4,984**	**5,093**	**-109**	**-103**	-2.2%	-2.1%	**35,521**	**22,956**	**64.6%**	**23,060**	**22,656**
Jul-Sep 02	1,821	1,587	233	56	12.8%	3.1%	8,701	6,281	70.2%	5,586	21,896
Oct-Dec 02	1,984	1,826	158	-34	8.0%	-1.7%	8,334	5,463	65.6%	5,155	
Year 2002	**7,430**	**7,024**	**78**	**-15**	**1.0%**	**-0.2%**	**34,626**	**23,621**	**68.2%**	**21,866**	
Jan-Mar 03	1,608	1,654	-224	-188	-13.9%	-11.7%	8,040	4,900	60.9%	4,477	30,373
Apr-Jun 03	1,906	1,705	201	8	10.5%	0.4%	12,258	7,840	64.0%	5,128	
Jul-Sep 03	1,941	1,715	131	91	6.7%	4.7%	12,254	8,668	69.2%	8,301	
Ryanair											
Year 2000/01	**442**	**338**	**104**	**95**	**23.5%**	**21.5%**	**6,657**	**4,656**	**69.9%**	**7,000**	**1,476**
Year 2001/02	**642**	**474**	**168**	**155**	**26.2%**	**24.1%**	**10,295**	**7,251**	**81.0%**	**11,900**	**1,547**
Jul-Sep 02	272	149	123	113	45.2%	41.5%	3,138			4,300	1,676
Oct-Dec 02	201	149	53	47	26.4%	23.4%			86.0%	3,930	1,761
Year 2002/03	**910**	**625**	**285**	**259**	**31.3%**	**28.5%**			**84.0%**	**15,740**	**1,900**
Apr-Jun 03	280	220	57	46	20.4%	16.4%			78.0%	5,100	2,135
Jul-Sep 03	407	237	170	148	41.8%	36.4%				5,571	2,200
easyJet											
Year 2000/01	**513**	**455**	**58**	**54**	**11.3%**	**10.5%**	**7,003**	**5,903**	**83.0%**	**7,115**	**1,632**
Oct-Mar 02	285	279	6	1	2.1%	0.4%	4,266		84.2%	4,300	
Year 2001/02	**864**	**656**	**111**	**77**	**12.8%**	**8.9%**	**10,769**	**9,218**	**84.8%**	**11,350**	**3,100**
Oct-Mar 03	602	676	-74	-76	-12.3%	-12.6%	9,594	7,938	82.2%	9,347	
Year 2002/03	**1,553**	**1,472**	**81**	**54**	**5.2%**	**3.5%**	**21,024**	**17,735**	**84.1%**	**20,300**	**3,372**

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

		Group revenue US$m	Group costs US$m	Group op. profit US$m	Group net profit US$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group employees
ANA												
	Apr-Sep 00	5,228	4,793	495	359	9.5%	6.9%	47,586	31,753	66.7%	24,958	
	Oct 00-Mar 01	5,376	5,186	190	-486	3.5%	-9.0%	46,278	29,168	63.0%	24,471	
	Year 2000/01	**10,914**	**10,629**	**285**	**-137**	**2.6%**	**-1.3%**	**85,994**	**58,710**	**68.3%**	**43,700**	**14,303**
	Apr-Sep 01	5,168	4,811	357	136	6.9%	2.6%	45,756	30,790	67.3%	25,876	
	Year 2001/02	**9,714**	**9,529**	**185**	**-76**	**1.9%**	**-0.8%**	**87,908**	**57,904**	**64.7%**	**49,306**	
	Apr-Sep 02	5,322	5,194	127	-69	2.4%	-1.3%	44,429	29,627	66.7%	25,341	
Cathay Pacific												
	Year 2000	**4,431**	**3,752**	**679**	**642**	**15.3%**	**14.5%**	**61,909**	**47,153**	**76.2%**	**11,860**	**14,293**
	Jan-Jun 01	2,031	1,898	133	170	6.5%	8.4%	32,419	23,309	71.9%	5,936	
	Year 2001	**3,902**	**3,795**	**107**	**84**	**2.7%**	**2.2%**	**62,790**	**44,792**	**71.3%**	**11,270**	**15,391**
	Jan-Jun 02	1,989	1,753	235	181	11.8%	9.1%	29,537		78.1%		14,300
	Year 2002	**4,243**	**3,634**	**609**	**513**	**14.4%**	**12.1%**	**63,050**		**77.8%**		**14,600**
	Jan-Jun 03	1,575	1,672	-97	-159	-6.2%	-10.1%	26,831		64.4%	4,019	14,800
JAL												
	Year 1999/00	**14,442**	**14,039**	**403**	**177**	**2.8%**	**1.2%**	**119,971**	**88,479**	**70.2%**	**37,200**	**18,974**
	Year 2000/01	**13,740**	**13,106**	**634**	**331**	**4.6%**	**2.4%**	**129,435**	**95,264**	**73.6%**	**38,700**	**17,514**
	Year 2001/02	**9,607**	**9,741**	**-135**	**-286**	**-1.4%**	**-3.0%**				**37,183**	
	Year 2002/03	**17,387**	**17,298**	**88**	**97**	**0.5%**	**0.6%**	**145,944**	**99,190**	**68.0%**	**56,022**	
Korean Air												
	Year 2000	**4,916**	**4,896**	**20**	**-409**	**0.4%**	**-8.3%**	**55,824**	**40,606**	**72.7%**	**22,070**	**16,000**
	Year 2001	**4,309**	**4,468**	**-159**	**-448**	**-3.7%**	**-10.4%**	**55,802**	**38,452**		**21638**	
	Jan - Mar 02	1,113	1,060	54	23	4.9%	2.1%	13,409	9,799	73.1%	5,399	
Malaysian												
	Year 1999/00	**2,148**	**2,120**	**28**	**-68**	**1.3%**	**-3.2%**	**48,158**	**34,930**	**71.3%**	**15,370**	**21,687**
	Year 2000/01	**2,357**	**2,178**	**179**	**-351**	**7.6%**	**-14.9%**	**52,329**	**39,142**	**74.8%**	**16,590**	**21,518**
	Year 2001/02	**2,228**	**2,518**	**-204**	**-220**	**-9.2%**	**-9.9%**	**52,595**	**34,709**	**66.0%**	**15,734**	**21,438**
Qantas												
	Year 1999/00	**5,710**	**5,162**	**548**	**324**	**9.6%**	**5.7%**	**85,033**	**64,149**	**75.4%**	**20,490**	**29,217**
	Year 2000/01	**5,473**	**5,099**	**374**	**223**	**6.8%**	**4.1%**	**92,943**	**70,540**	**75.9%**	**22,150**	**31,632**
	Year 2001/02	**6,133**	**5,785**	**348**	**232**	**5.7%**	**3.8%**	**95,944**	**75,134**	**78.3%**	**27,128**	**33,044**
	Year 2002/03	**7,588**	**7,217**	**335**	**231**	**4.4%**	**3.0%**	**99,509**	**77,225**	**77.6%**	**28,884**	**34,872**
Singapore												
	Year 2000/01	**5,729**	**4,954**	**775**	**892**	**13.5%**	**15.6%**	**92,648**	**71,118**	**76.8%**	**15,000**	
	Oct 01-Mar 02	2,807	2,508	299		10.7%		46,501	33,904			
	Year 2001/02	**5,399**	**4,837**	**562**	**395**	**10.4%**	**7.3%**	**94,559**	**69,995**	**74.0%**	**14,765**	**29,422**
	Apr 02-Sep 02	2,278	2,134	144	289	6.3%	12.7%	49,196	37,799	76.8%	7,775	
	Year 2002/03	**5,936**	**5,531**	**405**	**601**	**6.8%**	**10.1%**	**99,566**	**74,183**	**74.5%**	**15,326**	**30,243**

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

AIRCRAFT AVAILABLE FOR SALE OR LEASE

	Old narrowbodies	Old widebodies	Total old	New narrowbodies	New widebodies	Total new	Total
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	368	188	556	291	101	392	948
2002	366	144	510	273	102	375	885
2003 - Oct	305	125	430	315	142	457	887

AIRCRAFT SOLD OR LEASED

	Old narrowbodies	Old widebodies	Total old	New narrowbodies	New widebodies	Total new	Total
1998	482	243	725	795	127	922	1,647
1999	582	230	812	989	170	1,159	1,971
2000	475	205	680	895	223	1,118	1,798
2001	286	142	428	1,055	198	1,253	1,681
2002	439	213	652	1,205	246	1,451	2,103
2003 - Oct	36	5	41	75	21	96	137

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

EUROPEAN SCHEDULED TRAFFIC

	Intra-Europe			North Atlantic			Europe-Far East			Total long-haul			Total Int'l		
	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %
1995	154.8	94.9	61.3	154.1	117.6	76.3	111.1	81.1	73	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
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
Oct 03	18.5	12.7	69.0	19.0	15	79.1	11.8	9.8	83.0	43.2	34.7	80.1	64.8	49.7	76.6
Ann. chng	1.1%	5.2%	2.7	2.0%	3.5%	-1.1	1.4%	2.2%	0.6	2.8%	2.9%	0.1	2.4%	3.7%	1
Jan-Oct 03	177.5	117.0	65.9	182.0	144.8	79.6	108.8	83.1	76.4	415.0	325.6	78.4	621.3	462.3	74.4
Ann. Chng	1.6%	0.9%	-0.4	5.3%	3.6%	-1.3	-2.9%	-8.8%	-5.0	2.1%	0.2%	-1.5	1.9%	0.3%	-1.1

Source: AEA

US MAJORS' SCHEDULED TRAFFIC

	Domestic			North Atlantic			Pacific			Latin America			Total Int'l		
	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %
1995	900.4	591.4	65.7	130.4	98.5	0.8	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
2001	1,025.4	712.2	69.5	173.7	128.8	74.2	120.1	88.0	73.3	83.4	56.9	68.2	377.2	273.7	72.6
2002	990.0	701.6	70.9	159.0	125.7	67.2	103.0	83.0	80.5	84.1	56.8	67.5	346.1	265.5	76.7
Nov - 03	78.3	55.3	70.6	11.7	9.3	79.2	7.9	6.6	82.7	7.1	4.9	69.0	26.8	20.8	77.5
Ann. chng	-0.3%	5.2%	3.7	-4.0%	4.2%	6.2	-7.8%	1.8%	7.8	0.6%	7.7%	4.6	-4.0%	4.2%	6.1
Jan-Oct 03	880.7	646.5	73.4	136.4	107.8	79.1	94.1	76.0	80.7	76.6	51.5	67.2	317.4	243.8	76.8
Ann. chng	-3.0%	0.8%	2.8	-7.0%	-7.3%	-0.2	-8.1%	-11.6%	-3.1	-0.4%	4.1%	3.1	-5.7%	-6.2%	-0.4

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

JET ORDERS

	Date	Buyer	Order	Price	Delivery	Other information/engines
Boeing	16 Dec	Cathay Pacific	1 747-400F		02/05	RB211-524H-T
	22 Dec	Korean Airlines	9 777-200ERs		2005	PW4090
	07 Jan	WestJet	7 737-700s		2005	
Airbus	11 Dec	Malaysia Airlines	6 A380-800s		2007	
	17 Dec	Jetstar	20 A320s		10/2004	plus 40 options - Qantas LCC

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

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 %
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	3,390	70.8	4.9	7.2	5.6	6.0	5.3	6.5
2001							4,698	3,262	69.4					-2.4	-0.6
2002P							4,587	3,243	70.7					-1.9	0.4
***2003**							4,865	3,502	72.0					6.1	8.0
***2004**							5,145	3,730	72.5					5.8	6.5
***2005**							5,415	3,954	73.0					5.3	6.0
***2006**							5,702	4,191	73.5					5.3	6.0

Note: *=Forecast; P=Preliminary; ICAO traffic includes charters. *Source: Airline Monitor,January 2003*