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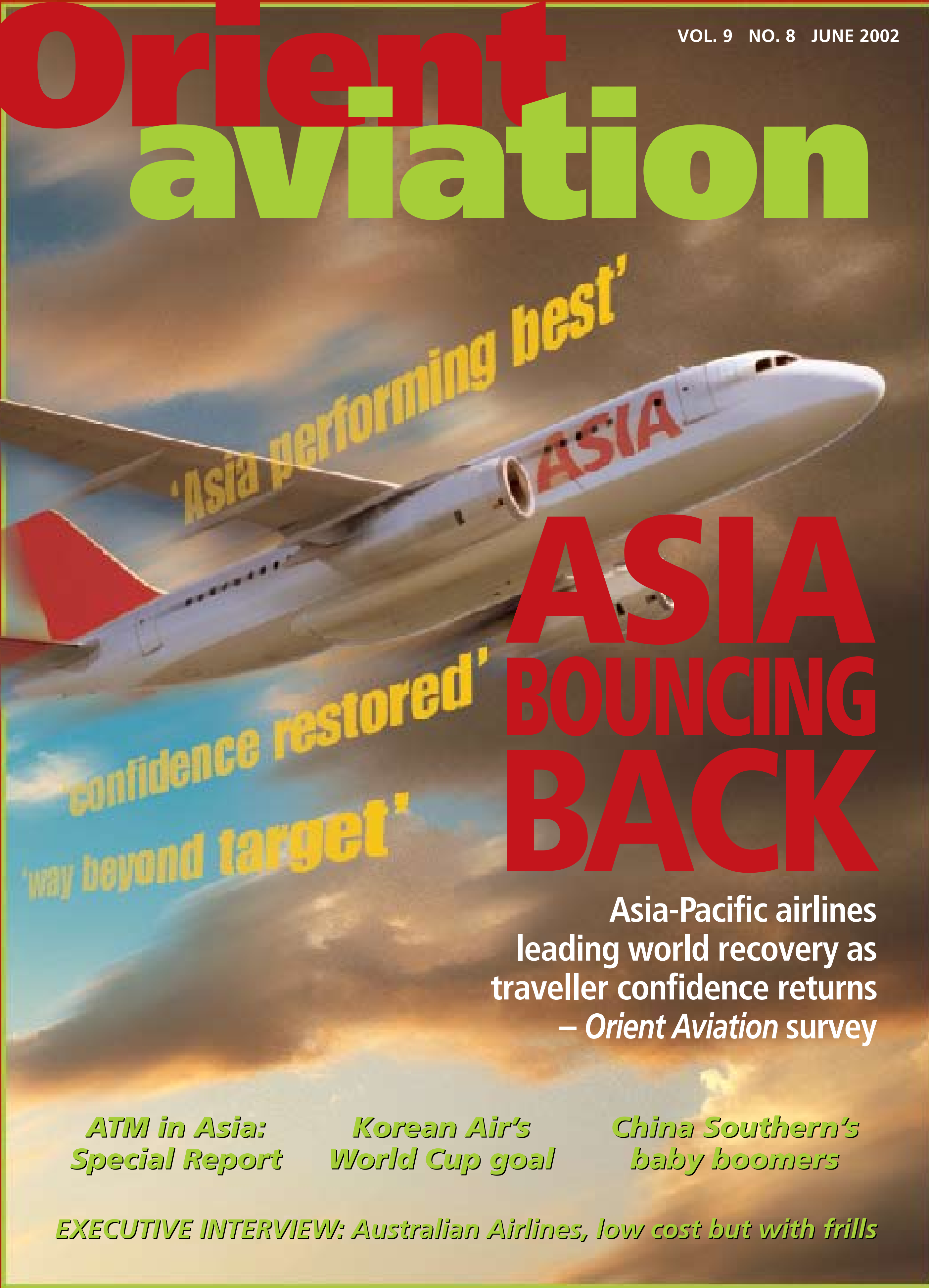

ASIA BOUNCING BACK

Asia-Pacific airlines leading world recovery as traveller confidence returns – *Orient Aviation* survey

ATM in Asia: Special Report

Korean Air's World Cup goal

China Southern's baby boomers

EXECUTIVE INTERVIEW: Australian Airlines, low cost but with frills

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Cathay Pacific leads way with plane orders, new jobs as airline traffic climbs

BPA INTERNATIONAL ®

NEWS

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EXECUTIVE INTERVIEW

SPECIAL REPORT ... AIR TRAFFIC MANAGEMENT

REGULAR FEATURES

POLITICS TO THE FORE

Politics is once again to the fore at two of Asia's most political airlines. And with mixed results.

For a start, let's look at Indonesia. When Abdulgani, the president of national carrier, Garuda Indonesia, decided to step down he recommended his executive vice-president finance, Emirsyah Satar, to his government masters as his successor. Alas, others had ideas of their own, among them the elder brother of the Minister for State Enterprises, Laksamana Sukardi. And for some weeks Samudera Sukardi was touted as favourite for the post. It brought back memories for many, particularly within Garuda, of the corrupt and nepotistic Suharto regime, which had almost bankrupted the airline.

Fortunately, the minister was made of sterner stuff. He overlooked his sibling and said, rightly so, that he had to give a good example and avoid a conflict of interest when he appointed Garuda's new boss. He decided on a man of long airline experience, Indra Setiawan, and was duly publicly praised for his judgement.

However, the decision did not go down well with his big brother. He has now issued a libel writ against Garuda's former president for defamation following comments Abdulgani made in a local newspaper about Samudera when the Garuda appointment was being debated.

Meanwhile, in Bangkok, where Thai Airways International (THAI) and its government are no strange bedfellows, there is yet more intrigue.

The day before the new president, Kanok Abhiradee, took office, THAI chairman Virabongsa Ramangkura resigned abruptly, apparently at the behest of a group of pilots unhappy about a board approved promotion of an executive pilot four months ago. They threatened to strike.

Bangkok media speculated that the pilots' demands and strike threat were smokescreens. They alleged there were factions within Thailand's Finance and Communications and Transport Ministries who wanted to control the carrier and the chairman was in their way.

It is true Thai Prime Minister Thaksin Shinawatra likes to keep a close eye on THAI. Last October, he sacked Kanok's predecessor, Bhisit Kuslasayanon, a respected 30-year veteran of the airline. Recently, he promoted a former classmate to the rank of air chief marshal and made him a THAI senior executive.

Thaksin and his lieutenants are all powerful. The big question is: does it make for a better airline? Let's hope so. THAI, once one of Asia's finest pioneering airlines, needs all the help it can get if it is to proceed to its much delayed part-privatisation and implement an upgrade of its inflight product.

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PERSPECTIVE

Edited by
Christine McGee

Thai Airways International president, Kanok Abhiradee: shaky start

THAI TANGLES

The recent appointment of an outsider as the new **Thai Airways International (THAI)** president was intended to restore morale at the carrier and set it on course for restoration to the world airline super league. However, the resignation of the airline's chairman of eight months, **Virabongsa Ramangkura**, and media allegations of political nepotism at the carrier marred the first few days of **Kanok Abhiradee's** THAI reign (see page 5). However, Kanok told staff, analysts and gatherings of reporters he would patch up disunity at the carrier, introduce and sustain growth of 10% per year for the next five years and streamline management. THAI has received good news on the financial front in recent weeks. Foreign exchange gains helped push the carrier's second quarter net profit up to 4.72 billion baht (US$110.1 million), a five-fold increase on the same period in 2001. Revenue has returned to pre-September 11 levels. In its first quarter, THAI posted a profit of 1.05 billion baht compared to a loss of 1.73 billion baht a year earlier.

CLOSER

Cathay Pacific Airways and **Dragonair** from Hong Kong and **China Airlines (CAL)** and **EVA Air** from Taiwan are inching their way towards a new Air Services Agreement although talks between the **Taiwan Airlines Association** and the **Hong Kong Government** finished in mid-May without resolution. Cathay Pacific chief executive, **David Turnbull**, hoped the deal could be signed by June 30, paving the way for Dragonair to begin flying the lucrative Taipei-Hong Kong route for the first time, as well as increasing the number of daily flights for the other three carriers. CAL and Cathay Pacific have the largest number of daily flights on the city pair. EVA wants its four times daily allocation increased while Dragonair has long coveted Taipei as these passengers would feed seam-lessly into its comprehensive Mainland China network.

GONE

Another Asian airline chief executive, **Pengiran Ali Ahmad**, 52, until recently in charge at **Royal Brunei Airlines (RBA)**, has been "retired" as the state-owned airline attempts, yet again, to become profitable. RBA's chairman, **Pehin Yahya**, said the 32-year veteran of the airline had "opted for early retirement" and that the RBA board "had accepted his decision". The flag carrier of the tiny Sultanate of Brunei does not make public its financial results, but the *Singapore Business Times* recently reported it had never made a profit in its 27-year operating history. Under Pengiran, who took over as boss of the airline three years ago, RBA has shaved millions off its costs, including a recent dramatic restructuring in which a large group of RBA management "disappeared" in one fell swoop. The excluded Pengiran will, however, continue to assist airline executives in their search for a new CEO, who will be asked to make RBA "achieve official profitability" by next March.

COMEBACK

According to various reports, **James Hogan**, the short-lived chief executive of a very briefly revived Ansett, was on the airplane out of Melbourne for his interview for the job of **Gulf Air** chief executive very soon after talks to salvage the Australian airline collapsed three months ago. Hogan, who also has been a chief operating officer at **bmi British Midland**, is the acting chief executive of the Middle East carrier. In the chair since May 12, Hogan will take charge of a restructuring of the airline, based on the strategy of a U.S. aviation consultancy, said Gulf Air's chairman, **HE Sheikh Hamdan bin Myubarak Al Nahyan**.

RECOVERING

Former **Qantas Airways** chief executive, **James Strong**, a serious motorbike rider, mountain climber and all round sportsman, is recovering from open heart surgery in Sydney. Wiry Strong, 56, who decided against accepting the director general's job at the **International Air Transport Association** when he retired from Qantas, was out jogging when he experienced chest discomfort. His doctor ordered him to hospital and decided surgery was necessary. Strong, who has always striven for supreme fitness, said his family had a history of heart disease. He is now chairman of both an Australian consumer motoring association and the supermarket chain, Woolworths.

Former Qantas Airways chief James Strong: recovering

ANGRY

Australia's **Board of Airline Representatives** is bitterly opposed to the decision by the country's national government to ease regulation of airport charges, including the removal of caps on price increases. Airlines believe airports, particularly **Sydney International Airport's** new owners, will exploit the decision and very quickly hike airport fees and charges, despite a near 200% increase in such payments last year. Government ministers said the airports' financial operations will be monitored over five years. Price controls will be re-imposed if the airport operators abuse their powers and set unreasonably high fees for their airline and ground handling users. Sydney International Airport is now expected to attract a purchase price of US$2.7 billion when the government sells it – tenders for offers are due on June 12 – later this year.

WORLD CUP BOOST

Armed with their mint condition diplomas, 42 young South Korean graduates joined the cabin crew of Shanghai based **China Eastern Airlines (CEA)** in May and a month of training. The recruits are the second group of Korean female flight attendants to be hired and trained by CEA and are intended to man flights to South Korea during the soccer **World Cup** as well as crew the increasing number of flights between China and South Korea.

LETTERS to the Editor

Equitime 'viable short-term option' for war risk insurance

Sir,

Regarding Tom Ballantyne's excellent article in the April edition of *Orient Aviation* outlining the travails of aviation war risk insurance, I would like to take issue with [director general of the Association of Asia Pacific Airlines] Mr. Richard Stirland's comments that the U.S. efforts of "Equitime" would leave the global ICAO war risk insurance initiative "dead in the water".

The U.S. efforts to start a Risk Retention Group (RRG) to address the war risk crisis is a direct result of the need to address the exorbitant costs and lack of availability of viable war risk insurance in 2002 and 2003, while leaving U.S. options open to participate, to the extent viable, in any worldwide solution that is offered, including the ICAO proposal.

An RRG is a very flexible corporate mechanism in which the owners, U.S. carriers, could chose to participate as a block of insureds using the RRG's flexible reinsurance structure, when and if the ICAO proposal is developed and implemented.

The ICAO proposal as it currently stands has several shortcomings, which the U.S. RRG will partially address. First, the ICAO proposal assumes airlines continue to pay the underlying commercial insurance premiums of US$1.25 per passenger enplaned. On 700 million passengers, that is US$875 million incremental cost on a struggling industry that we are not able to pass along to passengers in surcharges that the ICAO proposal ignores.

Why not modify the ICAO proposal to be a complete replacement of the current AVN52D coverage versus continuing to pay the catch up premiums for past underwriting losses? In addition, a US$0.50 additional charge on top of the commercial underlying insurance simply adds US$350 million on an already intolerable cost problem, driving U.S. costs well in excess of US$1.2 billion.

Insurance premium increases are already affecting our recovery; the ICAO proposal would just increase our losses. Second, given the UK and German governments' lack of support for the ICAO initiative, when combined with the fact that the U.S. Government will require a legislative change to be passed into law in order to participate, its likely that any ICAO start-up will not occur until well into 2003, if at all. From a financial and coverage availability standpoint, no carrier should be expected to wait that long.

As one of the U.S. major carriers involved in the development of the Equitime alternative, I can assure you we consider Equitime a viable option short term to the crisis, and a potential flexible vehicle to participate longer term in any cost effective, worldwide solution that is available.

Chris Duncan
Chief Risk Officer
Delta Air Lines

Merpati 'still flirting with bankruptcy'

Sir,

I attach a copy of an article from your April issue [Merpati back on track] and also a copy of an article published recently in an Indonesian newspaper that rather queries whether Merpati is back on track.

I believe there are a number of industry observers, both inside and outside of Indonesia, that consider Merpati still teeters on [the edge of] bankruptcy and is far from recovered. While understanding that a decision from the government is required in order to privatise Merpati, this assumes that the airline is, in fact, capable of being privatised. The airline, in my opinion, is still affected by diverse problems that in the main are very similar to those of the past – whilst the players have changed, the game is being played on the same pitch.

I make a further point that I believe Garuda Indonesia is revived, but far from recovered and again a lot of their on-going problems are as a result of the past. There have been a number of changes for the better, changes that were difficult to make and hopefully things will continue to improve with reduced external interference.

Also, for the record, Garuda's Citilink utilises F28s and the population of Indonesia is a touch in excess of 200 million.

Industry observers question Merpati's claim that it is on the road to recovery

D. S. B. Lawrence
Jakarta

REGIONAL ROUND-UP

CRASHES SPARK SAFETY CRACKDOWN IN CHINA

Government aviation officials in China have ordered a widespread safety crackdown after crashes of two of its commercial jets within a four week period cost the lives of 241 passengers and crew.

The crashes; an **Air China** B767-200 in South Korea in April and a **China Northern Airlines** aircraft in Dalian in May, has resulted in upgraded safety checks.

All aircraft will undergo extra maintenance assessments to check for defects. Pilots' flight skills will be re-examined, cabin and ground crews and pilots' knowledge of regulations will be tested.

The decision was made during an emergency meeting of aviation chiefs in mid-May, presided over by the head of the **Civil Aviation Adminstration of China (CAAC).**

The Air China B767 crashed into a mountain in South Korea, near the southern city of Busan, killing 129 people. On May 6, a China Northern Airlines MD-82 plunged into Dalian Bay in northeastern China. All 112 passengers and crew died.

"Any violation of the rules must be punished and corrected immediately," said Liu. He stressed the need to pay particular attention to staff flying overtime and the oversight of charter flights. **STOP PRESS:** Liu has been replaced as head of the CAAC by Yang Yuanyuan.

Meanwhile, the **South Korean Government** has formed a special safety inspection team to check the safety standards of foreign airlines that use the country's airports.

Ten aircraft safety inspectors and 28 regional examiners will make up the team. Korea's *Chosun Ilbo* newspaper said the safety checks would be done at Korea's six international airports as well as domestic airports. The **Construction and Transportation Ministry** said the authorities plan to examine boarding procedures and the condition of aircraft seats as priorities of the safety task force.

Asiana Airlines: opted for Star Alliance membership rather than oneworld

Asiana, LOT set to join Star Alliance

South Korean carrier, **Asiana Airlines**, and **Polish airline**, **LOT**, are expected to become members of the **Star Alliance** before the end of the year, according to Lufthansa chief executive, **Jurgen Weber**. He also repeated his prediction that **Air China** may be considered for Star membership in the medium term.

Speaking in Frankfurt at an event to mark the alliance's fifth anniversary, Weber said there was no limit to the number of carriers that could join Star, but said the alliance had no ambitions "to become the United Nations of the sky".

China represents the biggest gap in Star's network, according to Weber, but, realistically, with standards well behind other alliance members, it could be some time before Air China becomes a full member of 'the club'.

Meanwhile, the 14 existing members of Star have agreed to forge closer economic ties, particularly in e-business and technology. With the addition of Asiana and LOT, Star will have 16 members, which will strengthen its global advantage over the other alliances, **oneworld**, **SkyTeam** and **Wings**. Asiana had previously been a contender to join the oneworld grouping, but no agreement was reached.

FIVE-YEAR FEE WAIVER FOR NEW FLIGHTS TO KLIA

Major carriers are reported to be showing interest in either establishing services out of **Kuala Lumpur International Airport** or adding to flights following a decision to waive landing and parking fees for five years on new flights.

The move comes as the under-utilised airport attempts to challenge other major hubs in the region, like Singapore's **Changi Airport** and Bangkok's **Don Muang**, for a share of business in a resurgent regional aviation market.

Malaysia's Transport Minister, **Ling Liong Sik**, said the new initiative would replace the previous 50% discount offered to carriers which added more flights to Kuala Lumpur. Carriers had to have a minimum load factor of 25% per flight to qualify, he said.

The minister said **Cathay Pacific Airways** and **Qantas Airways** had shown interest in either adding to or introducing flights to the airport. KLIA projects the airport will process 18 million passengers this year, up from 14.6 million in 2001. It can handle 25 million passengers.

Changi handled 28.1 million passengers last year, but landing and parking fees are much higher than at KLIA. Landing a B747 at Changi costs around US$1,888. The same aircraft is charged US$1,083 at KLIA.

SIA TO PUMP MORE FUNDS INTO VIRGIN

Singapore Airlines (SIA), which holds a 49% stake in **Virgin Atlantic Airways**, and **Sir Richard Bran-son**, the airline's majority shareholder, will each inject £12.25 million (US$17.76 million) into the UK-based carrier to fund capital expenditure initiatives. The £25 million investment will be through a subscription for additional shares in Virgin.

The funds will be partly used to expand the Virgin airline route network as the market recovers in the next 12 months. The investment also will support research and development for new products.

Virgin, which relies heavily on its trans-atlantic routes for its cash flow, was one of the carriers worst hit in the aftermath of the September 11 U.S. terrorist attacks.

Said Sir Richard: "This [investment] will boost the efforts being made by the company to set aside funds for key projects and accelerate the return to growth and profitability."

PRESSURE ON TAN TO BUY PAL SHARES

The **Philippines Government** and four government financial institutions (GFIs) will issue demand letters to **Philippine Airlines (PAL)** to exercise their "put option" that would require PAL chairman and majority owner, **Lucio Tan**, to come up with two billion pesos (US$40.8 million) to buy shares in the airline held by the government, writes **Rene Mallari**.

The put option agreement, signed in April 1996, requires beer and tobacco magnate Tan to buy the government's remaining equity in PAL within six years, ending May 6, 2002, at five pesos (US$10 cents) per share. In exchange, the government and the GFIs waived their pre-emptive rights to a capital call, which was aimed at raising 3.4 billion ($69.4 million) pesos for a re-fleeting programme.

A put option refers to the option to sell stocks of a particular company at an agreed price within a specified period of time. This is normally made in expectation of falling prices.

The government owns 4.26% in PAL, Tan holds 88.94% via a network of several companies he controls. PAL employees have 2.61% of the company while other individuals hold the remaining 4.19%.

The put option covers the 0.96% of PAL held by the national government, the 1.37% of the Government Service Insurance System (GSIS), 0.69% by the Land Bank of the Philippines, 0.31% by the Development Bank of the Philippines, and 0.31% by the Armed Forces of the Philippines' Retirement Service Benefits System.

The Philippine National Bank, partly owned by the government but controlled by Tan, owns 46% of PAL. It has decided to put on hold any action related to its holdings.

Finance Secretary, **Jose Isidro Camacho**, said. "It is reasonable for us to exercise the put option particularly now that PAL's share price is less than five pesos. The GFIs have to protect their respective financial interests."

BANGKOK AIRPORT 'ON TARGET'

Although Thailand's Prime Minister, **Thaksin Shi-nawatra**, has admitted that the construction of some parts of Bangkok's new **Suwan-nabhumi Airport** are proceeding slowly, the committee overseeing its construction promises the airport will be completed "on target" by 2004 and open for service in the third quarter of 2005.

Construction of the airport has been on and off the drawing board for years as Thai governments have come and gone. When the project was eventually given the green light some industry insiders said it would never be completed.

But in May the president of the **New Bangkok Airport Company**, **General Nopporn Chan-thawanich**, said construction was 15% complete.

Another 10 contracts, worth 26 billion baht (US$624 million), including those for the building of the runways and airplane parking areas, would be signed before the end of the year, he said.

He said the company had a policy of supporting Thai contractors and of signing a large range of small-scale contracts rather than a few large ones. He denied the policy would compromise the quality of work on the project.

Bangkok's current international airport, **Don Muang**, will be used for charter and cargo services once the new international airport is operating, said Gen. Nopporn. Additionally, it will serve as a maintenance centre for **Thai Airways International** and for aircraft of smaller carriers. It could also operate as a spill-over airport if Suwannab-humi could not cope with the demand.

ANSETT TERMINAL SOLD

The former **Ansett Australia** domestic airport terminal in Sydney has been sold to **Sydney Airports Corporation** for around US$100 million. The airport body, currently in the process of being privatised, is expected to lease space in the terminal to several carriers.

This will almost certainly include **Qantas Airways**, which despite having expanded its own domestic terminal is facing congestion problems following a huge lift in its market share caused by the demise of Ansett Australia. Rival low-cost operator **Virgin Blue** also may move into the facility.

The administrators have said they have agreed to sell Ansett's interests in the Melbourne domestic terminal for an undisclosed sum. The administrators expect to raise A$1.7 billion (US$918 million) from the sale of Ansett's assets of which A$720 million would be used to pay the entitlements of the 11,000 staff who lost their jobs.

Meanwhile, former Ansett Australia regional airline subsidiaries, **Kendell** and **Hazelton Airlines**, are to be merged under a new agreement and sold to business consortium Australiawide Airlines. The deal is expected to be finalised by July.

FUNDING HITCH AT NEW TERMINAL

Airport developer, **Philippine International Air Terminal Co., Inc. (Piatco)**, has said the soft opening of the trouble plagued US$600-million **Ninoy Aquino International Airport (NAIA)** international passenger Terminal 3 has been set for November 25, writes **Rene Mallari**.

According to **Moises Tolentino Jr.**, Piatco, vice-president for public affairs, there will be no delay in the project's completion despite the fact that primary partner, German firm **Fraport**, has decided to withhold further funding for the terminal.

Tolentino confirmed Fraport's recent statement that it will stop funding the airport construction project. Fraport believes it has kept its agreement on the airport contract and it is now the turn of local companies to produce funding for the completion of the new terminal, he said.

Piatco is awaiting the release of a US$440-million loan from a consortium of banks led by the **Asian Development Bank**.

In the meantime, Tolentino said the company would advance the required funding to finish the terminal.

Piatco is a consortium of Filipino, German, Singaporean and Japanese companies.

Philippine Airlines has threatened to boycott the terminal unless the operator allowed it to operate both international and domestic services from the new facility. There also have been disputes over user charges.

Air New Zealand: expects to break even in 2002

Starting over again

Air New Zealand (Air NZ) has apologised for the events leading to the collapse of its former wholly-owned subsidiary **Ansett Australia**, a debacle many Australians blame on poor management by the Auckland-based flag carrier.

Addressing travel industry executives in Melbourne, Air NZ's vice-president Australian sales and distribution, **Paul Donovan**, said: "We regret that our Ansett-Air NZ strategy did not work and that it has had very significant consequences for air travellers throughout Australia."

The apology is seen as an attempt by the airline to rebuild its position in the Australian market. Donovan said last year's events, which saw the demise of Ansett and Air NZ record the biggest loss in New Zealand corporate history, made the airline "smaller, poorer and wiser", but determined to survive and succeed.

"While we have 62 years experience, we are for all intents and purposes a brand new airline, just seven months old. We have, effectively, had to start again."

Since last December, when the airline was re-capitalised by the New Zealand Government – now the majority shareholder – Air NZ has repaid NZ$600 million (US$266 million) in unsecured debt, reduced the workforce by 800 jobs, cut executive management from 17 to seven, trimmed executive's salaries by up to 15 %, reduced the board of directors from 13 to six and cut directors' fees by up to 50%.

Air NZ has sold its **Jetset** corporate and retail travel businesses and also its ski resorts on New Zealand's South Island.

In May, the airline adjusted its financial forecast for 2002. It now expects to break even, an improvement on its previous forecast of a loss of NZ$63.4 million (US$28 million) for the 2002 fiscal year (see cover story page 14).

AIR ANDAMAN ON A HIGH

Fledgling low-cost Thai carrier, **Air Andaman**, is expecting to become a listed company in the next three years. The airline started business four months ago with two BAe Jetstream 31 aircraft. It has recently added three Fokker 50s to its fleet and plans to take delivery of another two Fokker planes before the end of the year. It is already showing a profit.

IN BRIEF:

South Korea's **Asiana Airlines** started a three-times-a-week service to London in May. The service, along with its four weekly flights to Frankfurt, means the carrier now flies daily to Europe.

In May, **Malaysia Airlines (MAS)** resumed services to Buenos Aires with twice-weekly flights via Johannesburg and Cape Town. MAS is the only carrier in the ASEAN region to have a direct air link to South America.

Philippine Airlines began a weekly B737-300 charter service between the southern Chinese city of Guang-zhou and Subic Bay in the Philippines in May, in a route development aimed at the Chinese leisure market. The charter flights are operated by Subic Legend Resorts and Casinos, which also has a charter deal with **Air Philippines**. Weekly flights between Manila-Subic Bay-Hong Kong were resumed in May after a two-year break.

An **All Nippon Airways (ANA)** fleet list, published in the May issue of *Orient Aviation*, should have read that 11 B767-200s would be withdrawn from the fleet between 2002-2004, not B767-300s. Also, Air Nippon does not have a B747-200 in its fleet. ANA wishes to point out the eight B767-300s that make up the fleet of its subsidiary, **Air Japan**, are its planes. No widebody aircraft have been transferred between ANA and Air Nippon. Air Nippon serves Taiwan, not Air Japan.

A detailed survey of Asia-Pacific carriers conducted by *Orient Aviation* has revealed that after the economic traumas of 2001 a sustained recovery is underway. Indeed the region is ...

LEADING THE WORLD

Reports compiled by TOM BALLANTYNE and BARRY GRINDROD

Asia-Pacific airlines are bouncing back faster from the worst ever slump to hit the aviation industry than any other part of the world. Traffic is expected to reach pre-September 11 levels region wide by August and carriers are near unanimous in reporting improved loads and strong forward bookings.

No one is talking about a boom – some capacity remains grounded, yields are low and cargo is a concern – but nearly all report better-than-expected financial results that are far from the massive losses predicted late last year.

A comprehensive survey of Asia-Pacific airlines by *Orient Aviation* showed nearly all flights suspended by Asian carriers in the post-9/11 period are back on line. Many airlines have added new routes, with much of the emphasis on new services into China.

With big U.S. majors mired in multi-billion dollar losses and Europe still struggling, Asia is leading the world in aviation's return to fiscal health. The evidence is not only local.

"Of all our international regions, Asia is performing the best," said Graham Atkinson, senior vice-president international for U.S. major operator United Airlines, which is adding services to the region. "Revenue is improving in the Pacific, unlike everywhere else."

American Airlines and Northwest Airlines also are adding flights to Asia, including Japan, and are reporting high load factors.

Prompt responses to the downturn by Asian operators, which included capacity adjustment, curtailed spending and cost-cutting, blunted the impact of the slump and yielded substantial

Cathay Pacific: six new planes, 1,300 more jobs

Cathay Pacific Airways' decision to order six new widebody jets, worth US$1.1 billion, and to announce it will hire 1,300 extra staff in the next two years is spearheading the economic comeback by carriers in the region.

In May, the airline ordered three B777-300s and three A330-300s, to be delivered in 2003 and 2004, to service short and medium-haul routes. Later this year, Cathay also will take delivery of the first of three long-range A340-600 aircraft.

Cathay has five passenger aircraft and two freighters from its 75 aircraft fleet on long-term parking as a result of the downturn. But as the market rebounds four passenger planes and one freighter will re-enter service later this year.

"Because Cathay managed itself carefully during the downturn we are now able to plan for a better future," said deputy chairman and chief executive, David Turnbull.

The airline will take on 235 new pilots up to December 2003. It will recruit 200 cabin crew this year and another 800 in 2003-2004. About 60 new jobs for airport and office staff also will be created in coming months.

Cathay put a freeze on recruitment after September 11. Analysts said the return to hiring came quicker than most in the industry had expected and reflected the recovery in passenger demand in the region.

Meanwhile, Airbus and Boeing are locked in negotiations with Taiwan's China Airlines (CAL). The carrier is expected to order up to 20 new aircraft – 14 firm with six options – by the end of 2002 for delivery in 2005. The planes, either A330-300s or B777-200/300s, will replace CAL's fleet of 12 A300-600Rs.

SIA deputy chairman and chief executive, Dr Cheong Choong Kong: confidence restored

ANA president, Yoji Ohashi: international traffic back to pre-September 11 levels

savings. Pre-September traffic levels should return by around August and next year will bring full recovery and a return to fast track growth and better profitability.

Thai Airways International (THAI) president, Kanok Abhiradee, said the carrier had emerged from the crisis "almost unscathed". All Nippon Airways (ANA) president, Yoji Ohashi, said international traffic is already back to pre-September levels and counterpart, Isao Kaneko, at Japan Airlines (JAL), said it was "95% there".

Philippine Airlines (PAL) president, Avelino Zapanta, said PAL's performance "is shooting up way beyond targets" and EVA Air senior vice-president, K.W. Nieh, said the carrier has now "detected a rebound in passenger numbers, especially on our U.S.-bound flights, which have been booming".

Singapore Airlines (SIA) deputy chairman and chief executive, Dr Cheong Choong Kong, said SIA expected "a better year in 2002-03 than the one just ended" with passenger and cargo traffic to grow 5% and 10% respectively, but the airline recorded a profit level much higher than expected and one that took analysts by surprise.

The message across Asia is largely the same, with signs other factors will underpin re-growth:

- The Japanese economy, critical to airlines, appears to have reached the end of a long recession.
- China reports foreign investment soared between January and April, encouraged by the country's entry into the World Trade Organisation (WTO).
- Many Asian currencies are strengthening against the U.S. dollar, cutting airline purchasing costs and relieving foreign exchange pressure.

Asian airline chiefs remain cautious, aware sustained recovery requires ongoing economic confidence and no further terrorist attacks in the industry. They are still nervous about the situation in the Middle East.

Latest official statistics from the Association of Asia Pacific Airlines (AAPA) show international revenue passenger kilometres (RPKs) of its members rose only marginally in February, by 0.2% year-on-year. The number of passengers carried was up 3.9%. It is understood March revealed a sustained trend, with travellers and passenger and freight load factors all up significantly.

Available capacity remains lower than last year.

Cargo is a worry, but there are optimistic signs. Hong Kong Air Cargo Terminals Ltd (HACTL) handled 20% more tonnage in April, compared with the same month last year, as exports to the United States, Europe and Asia recovered.

Airlines, including Korean Air (KAL), Cathay Pacific Airways and SIA, have seen freight load factors increase significantly.

THAI, KAL, Asiana Airlines, China Airlines, China Eastern Airlines, EVA and SIA have all announced better than expected profitability. Others, such as PAL and JAL, have moved into the red, but expect to return to profit this year.

Considering the battering airlines took in 2001, some results are surprising. THAI reported a first half net profit of $134.9 million, ably assisted by favourable foreign exchange rates. It was a huge increase on the previous year. As South Korea's economy continues to strengthen, KAL moved back into profit in its first quarter with net income of US$22.7 million, compared to a massive $180 million loss in the same period in 2001. Taiwan's CAL had record sales in the three months to March and even

THE FIGURES THAT TELL THE STORY

(Recent financial reports)

SINGAPORE AIRLINES

Singapore Airlines took analysts by surprise when it announced a net profit of S$632 million (US$347.6 million) to March 31, down 61% on the previous year, but much better than expected. The results topped the highest forecast by 60%. SIA's net profit fell by 88% in mid-year. The airline immediately re-instated staff salary cuts of between 2.5% and 15% made last October. Revenue dropped 5.1% to S$9.44 billion.

SIA attributed the profit collapse to the global economic slowdown and the aftermath of the September 11 U.S. terror attacks. Losses of S$66 million from associated companies, mainly Air New Zealand (Air NZ) and Virgin Atlantic, a NZ$350 million loss arising from the closure of Air NZ subsidiary, Ansett Australia, and a lower surplus on disposal of aircraft, spare engines and spares, also contributed to the overall loss. SIA had made earlier provisions of S$267 million for the collapse in the value of its investment in Air NZ.

Senior executive vice-president (commercial), Michael Tan, said passenger and cargo load factors had recovered sharply since the beginning of the year and at the end of March were 74% and 68% respectively.

JAPAN AIRLINES

Japan's largest international carrier, Japan Airlines (JAL), is predicting a solid return to profitability in 2002 after posting a group net loss of 36.7 billion yen (US$287 million) in the year to March 31. The loss was the second largest in its history. Revenue declined 5.6% to 1.61 trillion yen compared to 2000, in a year shattered by the events of September 11.

The carrier had made a profit of 41 billion yen in the year to March 31, 2001.

JAL expects a 23 billion yen profit with revenue up 6% to 1.71 trillion yen in financial year 2002. International traffic, down 11.7% last year, is predicted to fully recover this (northern) summer with 3%-4% growth, mainly earned from increased flights to China and Southeast Asia. Domestic traffic is forecast to rise 1.5%.

JAL said its international and

China Eastern Airlines: three billion yuan credit line paves the way for purchase of 20 Airbus aircrafts

troubled Air New Zealand, which had projected a full year loss of $28 million, now says it will break even.

Qantas Airways is expected to be one of the region's most profitable operators this year and perennial money-maker Singapore Airlines – at one stage reportedly heading for its first ever loss – had an after-tax profit of US$350.9 million in the year to March 31. While 61.1% down on the previous year the result still represented a healthy income in the circumstances.

With a return to historic growth patterns for the region now forecast for 2003, expansion plans are being fine-tuned.

'OF ALL OUR INTERNATIONAL REGIONS, ASIA IS PERFORMING THE BEST,'

— GRAHAM ATKINSON, UNITED AIRLINES

SENIOR VICE-PRESIDENT INTERNATIONAL

Cathay Pacific will hire more than 1,300 pilots and cabin crew over the next two years as it takes delivery of nine new aircraft.

Cathay Pacific chairman, James Hughes-Hallett, said growth since the start of the year in passenger and cargo traffic demonstrated the downturn had bottomed out. "We have seen an increase in loads, which is reflected in the monthly figures, so we are coming out of the bottom," he said. He cautioned long-term recovery is less certain when compared with the turnaround after the 1997 Asian financial crisis.

Qantas will hire more staff for its new low-cost regional carrier, Australian Airlines, and to man 30 new jets it will have delivered in the next 16 months. Chief executive, Geoff Dixon, plans to spend US$6.5 billion over the next decade on new planes, refurbishment and service improvements. After a US$210 million net profit last year, income close to $200 million is expected in 2002 with estimates of a $260 million profit in 2003 and $320 million in 2004.

KAL and South Korean rival, Asiana, expect traffic will continue to rise this year, helped by the country's economic recovery and the World Cup soccer tournament, co-hosted by Korea and Japan, in June. KAL expects to post a full-year 2002 profit. Asiana turned an $80 million loss in last year's first quarter into an $18 million profit this year. "The turnaround results from our steady efforts to adjust flight routes and reduce costs, which have been helped by oil prices and interest rates falling. Our earnings prospects for this year are quite bright," said a spokesman.

Japan remains pivotal to regional recovery. JAL president Kaneko said the biggest negative impact was on the transpacific routes and some, such as Hawaii and the U.S. West Coast, are still under-performing. "Domestic traffic is steady and we predict it will grow steadily by 1.6%. The main cause for concern is the poor international cargo performance, which bottomed out early last year and has been flat since," he told *Orient Aviation*.

JAL forecasts international traffic growth of 15% this year, but stressed that after an 11.6% decline last year, much of this is recovery rather than new growth.

Kaneko believes Japan's economy will start to recover from the second

THE FIGURES THAT TELL THE STORY (Continued)

domestic traffic was in good shape before September 11, although cargo was suffering from the IT slump. Cargo volume collapsed by 11.2% in 2001. Year end figures, however, were better than the November mid-term forecast, which predicted the annual net loss would be about 40 billion yen.

Analysts said JAL's forecast for 2002 is not only strong, but better than they had expected.

KOREAN AIR

In Korean Air's (KAL) first quarter net income reached almost 29.1 billion won (US$22.8 million). This result contrasted with a loss of 230.8 billion won in the same period last year. Operating profit for the carrier was 70 billion won compared to a 105.9 billion won loss in 2001.

KAL is boosting services between South Korea and China, a strategy with which it expects to generate an extra 18 billion won in annual sales. Last year sales were 5.67 trillion won and the airline is expecting an increase to around six trillion won this year.

KAL forecast a 14% growth in travellers between South Korea and China this year. It boosted its number of weekly China flights by 12 to 82 to coincide with the World Soccer Cup, which kicked off in Seoul on May 31 and will be co-hosted by Japan.

ASIANA AIRLINES

South Korea's second largest carrier, Asiana Airlines, posted a net profit of 23.13 billion won (US$17.9 million) in the first quarter of this year compared to a 102.5 billion won loss in 2001.

Revenue rose 11% to 570.7 billion won and operating profit more than doubled to 27.3 billion won, from 10.2 billion won in 2001.

Revenue from international flights climbed 11% to 249.7 billion won and increased on the domestic network by 16% to 91.7 billion won. Cargo revenue was up by 4.3%.

The turnaround in Asiana's fortunes was attributed to adjustments in its route network and a fall in both oil prices and interest rates.

Its future looks even brighter for the coming months with the World Soccer Cup (co-hosted by South Korea and Japan) in June and the Asian Games in Busan in September expected to bring a passenger boom for the airlines. Asiana said it was expanding its international flights from 248 to 315 a week for the World Cup.

A strong South Korean economy is expected to contribute to the carrier's

half of the current fiscal year, but he is convinced the country needs a new tax structure to encourage people to invest. "Right now such an incentive is lacking. Prime Minister Koizumi's administration is trying hard to restructure the economy, but the pace is too slow. We need to speed up reform," said Kaneko.

JAL expects synergy savings from its merger with Japan Air System, recently approved by the country's Fair Trade Commission.

ANA has seen international traffic rebound in recent months. It reached pre-September levels in March. "As far as international traffic goes we are very happy because it has come back a lot faster than expected," said the airline's president, Yoji Ohashi. He also has cut expected losses from a projected $83.3 million to $64.4 million.

In May, Ohashi released a new two-year corporate plan. It is designed to cope with changed conditions following "9/11" and the JAL-JAS merger, which threatens its traditional domestic dominance. He said the transformation was an opportunity, not a challenge. ANA's primary strategy will be to expand within Asia, particularly China.

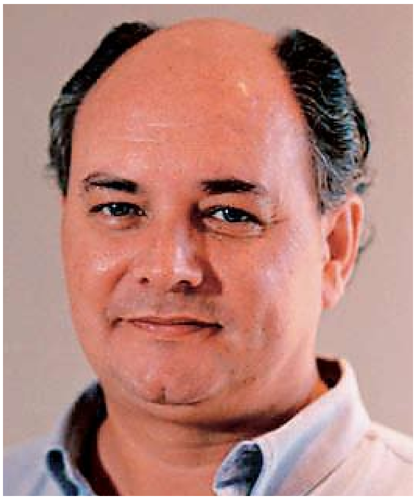
SIA's Dr Cheong said there had been a general restoration of confidence in air travel over recent months and most of SIA's suspended services had been re-instated. Those not yet restored will be re-introduced during June. "While the passenger market, particularly the leisure segment, is expected to improve further, passenger yields could come under pressure as capacity injection may outstrip demand," he warned.

Malaysia Airlines (MAS) said its international RPKs are now close to pre-September levels and business traffic has shown a "robust recovery trend". It has restored all suspended flights and is adding capacity into Europe, Australia, and within Asia.

"In our opinion this recovery will be cautious but sustained. The Asia-Pacific region will have a very positive influence on the overall rebound of the global airline industry. With developments in China and other parts of Asia, especially Southeast Asia as examples, this region is set to be a much needed catalyst to both business and tourist traffic that will be beneficial for the airlines' bottom line," said a senior MAS official.

Hong Kong-based Dragonair's traffic to China declined 3% after September 11, but it has been on the rise since November. In the first quarter of 2002, passenger numbers rose 12%. "With China entering the WTO at the end of last year and the new business opportunities that presented, as well as signs of an economic recovery, the number of business travellers on board also has been rising," said the carrier.

PAL president, Avelino Zapanta: PAL way beyond target



Vice-president marketing for lessor Ansett Worldwide, Harry Forsythe: a 'work in progress' view of the recovery

Dragonair's fleet plans remain on track, passenger yields have stabilised and the airline said it "should end the year in reasonable shape".

Air New Zealand has experienced significant improvements in traffic since last year. It reduced capacity in late 2001, but dropped no routes. Fleet and staff numbers were also lowered following the demise of its one-time subsidiary, Ansett Australia, but capacity will be added again from October.

"Air New Zealand's cost reduction initiatives have resulted in our trading performance over the past two months being considerably better than the previous outlook," said a spokesman.

PAL has re-launched all suspended services and added additional flights. It experienced a 17.9% leap in executive travel in March, indicating traffic has normalised. "The good performance of PAL during March further improved the

THE FIGURES THAT TELL THE STORY (Continued)

goal of 350 billion won net profit for the year.

PHILIPPINE AIRLINES

Philippine Airlines (PAL) posted an unaudited net loss of 1.5 billion pesos (US$30 million) for the year to March 31, compared with a net profit of 419 million pesos a year earlier. The loss, however, was lower than the forecast 1.6-1.8 billion pesos due to improved revenue from December to March.

PAL president, Avelino Zapanta, said PAL expected to make a profit in 2002.

Last year was a see-saw year for PAL when the three months following the September 11 U.S. terrorist attacks more than wiped out a 600 million peso net profit PAL had built up during the first five months.

Revenue rose 10%, way above the 3.4% target, to around 43 billion pesos. Expenditure declined 2%.

PAL had initially revised its earnings forecast from a one billion peso net profit to a net loss of 2.5 billion pesos following the events of September 11. It further revised the forecast early this year.

Zapanta said revenue started to pick up in December when more than expected Filipino contract workers returned home from abroad for Christmas.

CHINA AIRLINES

Taiwan's national carrier, China Airlines (CAL), started 2002 with record returns. In its first quarter it reported a pre-tax profit of NT$800 million (US$24 million). Operating income was up 5.9% to NT$18.24 billion.

Passenger revenue rose NT$11.16 billion and cargo revenue was up NT$6.15 billion, increases of 4.2% and 9.5% respectively. Both results were record figures for the carrier.

CAL's net profit in 2001 was down 40% on the previous year (NT$1.79 billion), but this result was still 19.8% above its forecast thanks to a late resurgence in the cargo market in the year, lower fuel prices and fuel and currency hedging at the airline.

EVA AIR

Taiwan's second largest international carrier, EVA Air, forecast a full year net profit of NT$1.2 billion (US$34.8 million) for 2002 after recording a loss of NT$3.14 billion last year. The 2001 result was EVA's first loss in seven years.

In its first quarter, EVA experienced 4% revenue growth and expects 12% growth for the year. First quarter fiscal year's bottom line, which was forecast to be a loss of P2.56 billion (US$51 million), said President Zapanta. "Instead, PAL ended the year with a loss of P1.58 billion (US$31.5 million) much less than earlier anticipated. PAL is confident the current fiscal year will be, at the very least, a breakeven."

EVA Air senior vice-president, K.W. Nieh, said first quarter results were "better than expected". Accumulated revenue was US$393 million, reaching 23% of the annual target and 4% above the previous year. Lower fuel prices, reduced labour costs and successful cost controls shrank expenses by 6% year-on-year," according to Nieh.

EVA has resumed suspended flights and increased capacity to Hong Kong, Vienna, Fukuoka, Kansai, Tokyo, Saigon and London. It is also re-hiring up to 80 cabin crew who were laid off last year and has re-instated staff salary cuts made after September 11 of between 10% and 30%. "We have assumed the most difficult time for the airline industry has past, but the rebound pace probably will be step by step. The Asia-Pacific will play a very important part," said Nieh.

China Airlines said a global economic recovery and greater operational efficiency pushed its revenue to a record high in the three months to March. Sales in the first quarter were up 5.9% and pre-tax profit rose 11.1% to $23 million. Earnings uncertainty remained due to competition on key routes, particularly Japan and Hong Kong, said vice-president James Chang. CAL plans to expand its own services linking Hong Kong to the U.S., Canada, Japan and other major destinations pending the outcome of bilateral air rights talks between Taiwan and Hong Kong.

Royal Brunei Airlines, which has been suffering severe financial problems and began to restructure in March, also is reportedly seeing some improvement in its business. According to sources – financial results are not publicly released – losses have been reduced to $20 million, down from around $60 million two years ago, as a result of cost cutting and tighter management.

There is little disagreement the next few months will see traffic back to where it was last year. Boeing predicts normal levels by August. Airbus Industrie, which saw business improve in April with 22 new orders – after selling only 15 in the first three months of the year – also is confident of recovery. "We're absolutely convinced the long-term growth rate of air traffic, of about 6%, will resume," said a bullish Noel Forgeard, president of Airbus. The company had last year planned to boost annual production to 400 jets, but now has trimmed staff and frozen output at 300 until full recovery gets underway.

Airports are optimistic, too. Alexander Strahl, secretary-general of Geneva-based Airports Council International (ACI) said shock waves from September have not subsided, but there are signs travellers are returning to flying.

Aircraft leasing companies have weathered the downturn well, particularly those dealing in new aircraft which offer good operating economics. Parked jets tend to be older planes and a high number of those may never return to the skies.

Harry Forsythe, vice-president marketing for Ansett Worldwide, said any current view of the commercial aviation industry is a "work in progress", but that both the global economy and the aviation industry are slowly showing signs of recovery following the events of last September and the business downturn through 2001.

He believes traffic levels will return to normal by the end of this year and that long-term forecasts continue to point towards 5% plus growth rates over the next 20 years. ■

China Airlines: record revenue in first quarter

THE FIGURES THAT TELL THE STORY (Continued)

revenue was NT$13.6 billion.

In April, as its markets continued to recover, EVA started to re-hire 80 flight attendants. It also increased staff salaries, which had been cut between 10% and 30% in the weeks following September 11.

THAI AIRWAYS INTERNATIONAL

Massive foreign exchange gains pushed Thai Airways International's (THAI) second quarter net profit up to 4.72 billion baht (US$110.1 million), a five-fold increase on the same period in 2001.

THAI gained 1.85 billion baht in foreign exchange for the quarter compared to a loss of 2.67 billion baht a year earlier.

Revenue has returned to pre-September 11 levels. Operating revenue was 32.88 billion baht, up from 32.83 billion baht in 2001.

In its first quarter to December 31, 2001, Thai Airways International (THAI) posted a profit of 1.05 billion baht (US$25.2 million) compared to a loss of 1.73 billion baht a year earlier.

Another reason for the turnaround was lower fuel costs.

AIR NEW ZEALAND

After earlier forecasting a NZ$63.4 million (US$28 million) loss for fiscal 2002, in May Air New Zealand estimated it would break even for the year. This was as a result of improvements in tourist traffic, a general rise in passenger numbers and cost reductions.

CHINA EASTERN AIRLINES

Shanghai-based China Eastern Airlines (CEA), made a first quarter net profit of 73.2 million yuan (US$8.8 million) compared to 270.3 million yuan loss a year earlier.

The carrier also expects a second quarter profit, largely due to significant adjustments to its accounting practices. During the first three months of the new fiscal year the number of passengers carried increased 19%, to 2.6 million.

In April, passenger traffic rose 15.5% on last year to reach more than one million. Passenger load factor increased 6.7% to 64.9%. Revenue passenger kilometres climbed 14.7%.

In May, CEA secured a three billion yuan credit line from the Pudong Development Bank. Although the short-term financing will be used mainly to pay off debts, it also paves the way for the purchase of 20 Airbus planes announced in April. ■

Minister overlooks brother for Garuda's top job

By Tom Ballantyne

Indonesia's two state-owned airlines, flag carrier Garuda Indonesia and Merpati Nusantara, have appointed new men to lead their carriers after weeks of controversy and fears amongst analysts that the airlines might become pawns in a game of political patronage.

However, the country's Minister for State Enterprises, Laksamana Sukardi, avoided suggestions of nepotism when he overlooked his brother, Samudera Sukardi, who was one of the candidates for the jobs, and appointed experienced airline executives to the top posts.

The new president of Garuda is 51-year-old Indra Setiawan, an adviser to the airline's board for the past two years. He joined Garuda in 1977 and served as vice-president finance from 1993 to 1994 and vice-president marketing until 1995. He then moved to Merpati as executive vice-president commercial, a position he left in 1999.

Merpati's new president is Hotasi Nababan, previously president of locomotive manufacturer, GE Lokomotif Indonesia. He replaces Wahyu Hidayat. Nababan is no stranger to the airline business. He worked with Garuda in the early 1990s, filling several strategic posts, including vice-chairman of the airline's restructuring team.

The decision to appoint Setiawan to lead Garuda Indonesia through its next phase of recovery was well received. He is currently director of PT Abacus, Garuda's reservation system subsidiary.

The state enterprises minister said: "I had to give a good example and avoid a conflict of interest in this appointment. The decision was tough as Samudera is also capable of filling the post."

Setiawan is seen as a neutral appointment. He does not represent any political party, unlike Samudera, who is a member of vice-president Hamzah Haz's United Development Party (PPP). It is understood leading officials of President Megawati Soekarnoputri's Indonesian Democratic Party of Struggle (PDI Perjuangan) strongly opposed the appointment of Samudera mainly because of his status as a PPP member.

An editorial in one local newspaper described it as "a strange twist of fate for Samudera that he was to be the first public official to find that close connections, and in this case, family ties, to those in power can turn out to be a liability instead of an asset for career advancement".

It was reported that the minister had taken a brave decision which represented an example of good governance.

Setiawan takes over an airline far healthier than it was when his predecessor, Abdulgani, took charge in late 1998.

Garuda Indonesia: new president, Indra Setiawan, must maintain carrier's profitability

Abdulgani, a banker, resigned in January after reviving Garuda's fortunes. He stopped the bleeding, restructured its massive US$1.8 billion debt, reorganised management and returned the company to profitability in 1999. However, the government did not opt for Abdulgani's choice as successor, the airline's current vice-president finance, Emirsyah Satar.

The new president's task remains challenging. While its recovery has been significant it continues to operate in a difficult global environment. Setiawan will be trying to fine tune business strategy and focus on reliability and service, implementing information technology and maintaining profitability.

At Merpati, 93.5% owned by the government and 6.5% by Garuda, Nababan has an even tougher task. The domestic carrier has US$170 million of debt and has been losing money for the past decade, except in 1999 when its gross profit was about US$758,000.

Nababan is likely to bring a different approach to Merpati, which faces strong competition from many carriers in the domestic market. After the Indonesian Government deregulated its airline industry, local skies have become crowded. There are now 16 airlines operating scheduled flights in the country. Many more small, one or two aircraft charter operators are vying for a market of around eight million domestic passengers, down from 17 million before the Asian recession of 1997 and 1998.

Outgoing Merpati president Hidayat said the carrier needed to shed some 1,500 employees, but he was unable to achieve the cuts because of union opposition. Merpati needed a person who dared to take risks and make unpopular decisions when times were tough, he added.

However, Nababan said, before his appointment was announced, he saw no need to lay off workers.

Unlike Garuda, Merpati has been unable to reschedule its debt and doing so will be a priority job for the new president.

Defamation alleged

The Jakarta Post reported that Samudera Sukardi, unhappy at being overlooked for the top Garuda job, filed a defamation complaint against Garuda's former boss, Abdulgani, in May.

Sukardi's lawyer said banker Abdulgani had accused his client in a local newspaper of misusing billions of rupiah. The remarks were made when the position of a successor to Abdul-gani at Garuda was being decided.

SQ006 accident report:

Peers support sieged pilots

Taipei accused of glossing over airport deficiencies

By Tom Ballantyne

By the end of May, three Singapore Airlines (SIA) pilots will either be at home in Singapore or possibly facing manslaughter charges in Taipei in connection with the deaths of 83 people who died on board SQ006 when it crashed on take-off at Chiang Kai-shek International Airport in October, 2000. If the latter applies Taiwan could find itself facing retaliatory action from pilots worldwide.

Anger has mounted over Taipei's official accident report which laid almost all blame on the cockpit crew of the ill-fated B747-400.

The International Federation of Airline Pilots Associations (IFALPA) has issued a warning that said if the crew is charged Taiwan could face industrial action by its union members.

Executive vice-president technical of IFALPA, Captain Paul McCarthy, expressed "dismay" at the accident findings. He stopped short of saying pilots may refuse to fly to Taiwan, but the message was clear: if there is legal action "IFALPA will be forced not only to condemn the prosecution, but also to convey to the pilots of the world, in the strongest possible terms, the difficulties of operating flights into Taiwan".

However, IFALPA's president, Ted Murphy, went further saying the body may organise a pilot boycott of Taiwan if charges are filed.

Singapore's Transport Ministry conducted its own investigation into the crash of the Los Angeles bound B747-400, which smashed into construction equipment as it tried to take off on a closed runway in bad weather, and reached varying conclusions to Taiwan investigators. It accused Taipei of focus-sing too much on pilot errors and glossing over problems at the airport.

The Singapore analysis – its team included two safety experts appointed by the International Civil Aviation Organisation (ICAO) – found the accident was the result of a combination of many factors and that airport deficiencies played a sizeable role in the crash.

ICAO, which made no public pronouncements on the furore, has a delicate diplomatic conundrum on its hands. It must decide how to handle the situation and bring Taiwan – not an ICAO member because of mainland China political issues – more firmly under the wing of international safety conventions.

Singapore Airlines: believes CKS airport deficiencies misled the pilots into taking off from the wrong runway

Privately, safety experts feel the Taiwanese findings were heavily influenced by political pressure to deflect criticism from the country's poor aviation safety record. This view is refuted by Dr Yong Kay, managing director of the country's Aviation Safety Council (ASC), which produced the accident report.

One senior aviation safety official, who has closely followed the accident investigations, said "seven of the eight ASC findings related to probable causes" refer to the SQ006 flight crew while the many CKS Airport deficiencies are downgraded. "This is most unfortunate, as the accident was the product of many contributory factors, only one of which was the mistake by the crew. To blame 'pilot error' does not help the cause of contemporary air safety investigation," the official said.

Orient Aviation has learned the ASC has asked, for the first time, to be granted official observer status at ICAO, a move Dr Yong said was being made in an effort to enhance aviation safety on the island.

"It's quite reasonable for us to make such a request to the ICAO as it's about the safety of 23 million people here and millions of travellers in and out of Taiwan. I would like to emphasise that this is about safety and it should not involve politics. I think it's very strange that Taiwan has two international airports and two major international airlines, but it is not part of ICAO," he said.

Most safety professionals agree Taiwan has to be granted official ICAO status, and argue air safety must supersede cross-Straits politics.

SQ006, a Los Angeles-bound Boeing B747-400 with 179 passengers and crew aboard, crashed as it attempted to take off from a closed runway at CKS during a late night typhoon. After the accident, the three pilots – Captain Foong Chee Kong, 43, and first officers Latiff Cyrano, 38, and Ng Kheng Leng, 40 – were detained for two months in Taiwan before they were allowed to return to Singapore.

They went back to Taipei on May 8, testified before prosecutors and were allowed to leave after the hearing. They face possible manslaughter charges, which carry a jail term of up to five

years.

Captain Dilip Padbidri, president of the Air Line Pilots Association – Singapore (ALPA-S) said if the pilots were charged it would discourage others from cooperating in future accident investigations. "The aim should be to improve the safety of airports. To achieve that, you cannot go around jailing people. It would create a blame culture," he said.

Safety experts claim Taiwan failed to follow the ICAO approach to accident investigation, which is that all accidents are failures of the aviation system rather than the fault of individuals.

"The ASC report effectively concludes 'pilot error' was the cause of the accident, whereas the many deficiencies at CKS Airport are downgraded to 'findings related to risk'," said one expert.

"The ASC report also does not address the most critical systems safety issue: how to prevent human error. In the case of SQ006, the presence of physical barriers, along with the required lights and markings would have alerted the crew to their mistake and prevented them from entering the wrong runway."

ALPA-S described the investigation as "excellent", but considered the analysis and conclusions flawed.

IFALPA's Captain McCarthy said blaming pilots worked against safety. "If the three pilots have to stand in the dock, we will support them till the end of our resources as a federation. If they use the facts in this ASC report, the pilots will be acquitted," he told *Orient Aviation*.

Singapore went ahead with its own review because the Taiwanese excluded it from the analysis phase of the official

'IF THE THREE PILOTS HAVE TO STAND IN THE DOCK, WE WILL SUPPORT THEM TILL THE END OF OUR RESOURCES AS A FEDERATION'

– EXECUTIVE VICE-PRESIDENT TECHNICAL OF IFALPA, CAPTAIN PAUL MCCARTHY

investigation by alleging participation was in contravention of ICAO's Annex 13. Led by Chief Inspector of Accidents, Tan Lye Teck, it included specialist safety consultants appointed by ICAO, Captain Richard McKinlay, until recently deputy chief inspector of accidents at the UK Air Accident Investigation Board and Dr Rob Lee, former head of Australia's Bureau of Air Safety Investigation. They are unable to speak publicly.

But the Singapore team concluded the ASC report "is deficient in many critical aspects". It said while the pilots mistakenly turned onto the wrong runway, they took off firm in their belief that they were on the correct runway. "Contributing factors and major deficiencies at CKS airport that either led to, and reinforced, their wrong belief, are not included in this probable cause category."

The ASC's Dr Yong said it was regrettable Singapore had put out its own report, because "if this became a trend, it would be dangerous. The entire international order would become messy". He argued the ASC complied with ICAO guidelines and stressed Singapore was given ample opportunity to participate in the investigation, and had the largest number of investigators – 32 out of 89.

Dr Yong said: "If the airport facilities led the pilot on to the wrong runway, then the flight that took off 16 minutes before should have done the same thing, because the conditions were the same, the visibility, weather, taxi route were all identical."

Ho See Hai, Singapore's representative to the ASC investigation, said the Transport Ministry checked with ICAO and confirmed accredited representatives have a right to take part in all aspects of the investigations, including the analysis. ASC did not allow the Singapore team to participate in this phase.

Ironically, while the conclusions are different, many of the more than 80 recommendations in both reports overlap. They cover the need for safety improvements in all areas, at the airport, within the airline and throughout other aviation safety systems.

Taiwan has already moved to correct deficiencies. Runway 05R is de-commissioned and converted into a taxiway. Taxiway markings and lighting have replaced runway markings. Emergency and rescue procedures have been revised at CKS.

Plans to install ground radar have been accelerated and low-visibility procedures have been implemented for planes on the ground. All practices and procedures, airport design and operations are being reviewed to ensure they meet international standards.

ICAO had not responded to *Orient Aviation* questions at press time.■

SIA: accepts facts, disputes conclusions

Singapore Airlines said when read together, the two crash reports by Taiwan's Aviation Safety Council (ASC) and Singapore's MoT team provide a comprehensive analysis of the accident, concluding it could have been the result of several contributing factors involving the flight crew, the air traffic controllers, the airport and weather conditions.

But while it generally accepted the findings of fact in both reports, SIA disagrees with some of the conclusions drawn by the ASC report. "It has always been clear the aircraft took off from the wrong runway, but it appears the ASC report does not give due weight to the deficiencies found at Chiang Kai-shek (CKS) Airport. We believe these deficiencies misled the pilots into taking off from the wrong runway," said a statement from the airline.

SIA highlighted several of these deficiencies:

- Runway 05R, which was being converted into a taxiway, had not been properly marked or closed and had no barriers, markings or other visual warnings. If barriers had been erected, or a white cross painted on the runway as required by ICAO, the accident may not have happened.
- Instead, runway 05R was prominently lit and marked as if it were an operational runway. Lights leading from the taxiway onto Runway 05R were also prominently lit. In contrast, the taxiway lights leading to Runway 05L were, contrary to ICAO standards, spaced further apart and not all were working.

The air traffic controllers cleared the flight for take-off at the critical moment it was taxi-ing towards Runway 05R, reinforcing the crew's belief they were entering the correct runway. In low visibility conditions, ATC at CKS is required to determine the position of aircraft before issuing take-off clearance and this procedure was not followed, said SIA.

Since the action, SIA has enhanced its take-off procedures and requires all cockpit crews to visually confirm the correct runway designation before commencing take-off. It has introduced a module as part of Crew Resource Management training to focus specifically on situational awareness.

SIA also has pressed manufacturers to develop new safety systems to prevent misidentification of runways and taxiways and has become the first carrier to place an order for a newly-designed Boeing system to warn pilots if they are on the wrong runway.■

World Cup goals

Airlines looking to reap a cash bonanza from soccer's great event

By Daniel Baron in Tokyo

As *Orient Aviation* went to press, the FIFA World Cup, jointly hosted by Korea and Japan, was about to kick-off. Spanning the whole of June, the soccer competition will present airlines with both opportunities for extra revenue and security challenges.

The opportunities may have special meaning for Korean Air (KAL), which is eager to move beyond the commercial and safety setbacks and associated negative press of the past two years. Public relations spokesman, Crimson Lee, said KAL "views this World Cup as a real opportunity and stepping stone for additional profitability and for creating a better image".

Lee reported KAL expects to carry 90,000 of the 210,000 international passengers it forecasts will arrive in Seoul for the event during June. It anticipates taking in 100 billion won (US$80 million) in direct revenue as a result of the games, of which 40 billion is expected to come from European routes. The carrier will resume Incheon-Amsterdam services as well as increase frequencies to Frankfurt and Zurich.

Naturally, Japan also will see increased frequencies from Korea. Thirty five weekly flights will be added, including a daily charter flight between Seoul's Gimpo (formerly known as Kimpo) Airport and Tokyo's Haneda Airport, both of which are now used principally for domestic services. KAL will boost domestic Korean flights by 200 per week.

KAL's Lee said that through marketing synergies created with its SkyTeam alliance partners, mainly Delta Air Lines and Air France, and especially with newly restored code-share operations, the overall benefit to the company could reach 250 billion won.

KAL has a task force of 47 people charged with World Cup-related sales, marketing and security functions. The carrier also has added a special soccer livery to five of its aircraft and has been employing both its website and inflight magazine to raise awareness of the matches.

Japan Airlines (JAL) will add several scheduled flights on key domestic routes to carry fans to and from matches, as well as a few charter flights to ferry teams to and from training camps. The carrier will not, however, increase international services.

JAL, which is an official supporter of the Japan national team, has plastered a domestic B747 with a massive flying football player.

As an extra incentive to make the trip to Japan, both JAL and All Nippon Airways (ANA) are offering inbound travellers domestic fares discounted by 50%.

U.S. carrier, United Airlines, is taking advantage of the World Cup to promote its Japan and Korea services. The airline has become the first official airline sponsor of FIFAworldcup.com, the official website of the games. Through the website United is promoting an auction for members of its frequent flyer programme to bid for trips to the World Cup, with a minimum bid of 300,000 miles.

Hideki Isayama, manager of public relations in the marketing department of United's Tokyo office, said the carrier expects to see a 20-25% increase in passengers in the region during June, with most originating in other Asian cities.

The World Cup has brought with it some unique security challenges with the most obvious being the threat of a terrorist attack. In May, Japan's Ministry of Land, Infrastructure and Transport (MLIT) sent a formal request for tightened security measures to more than 40 countries with flights serving the country. The ministry has also closed airspace over the 10 stadiums being used for the games in the country.

Prevention of inflight hooliganism presents another challenge for the airlines of Korea and Japan.

For the first time ever, Japan's carriers will carry armed air marshals. During the month-long World Cup, teams of two or more marshals will be aboard selected domestic and international flights. Japan's MLIT has instituted a ban on passengers carrying potentially lethal objects, with a fine for violators.

ANA is taking extra precautions. The carrier has employed unarmed, plain-clothed "Sky Guards" to work as inflight security guards. ANA said it chose European-based personnel due to their prior experience in dealing with inflight hooliganism during earlier World Cups.

Korean Air: a task force of 47 people working on World Cup-related sales, marketing and security initiatives

JAL, on the other hand, has not contracted air marshals for its flights, relying instead on existing European cabin attendants who, JAL's director of public relations, Geoffrey Tudor, said, are "well tuned in to the needs and psychology of European passengers".

He added the decision was made after conducting a "comprehensive study of the issue including marketing methods, reservations, allocation of group seating, airport passenger handling, cabin services, security and flight operations".

On domestic flights, JAL will suspend sales of alcohol for the duration of the World Cup and has published security-related leaflets for placement at check-in counters.

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Australian: low-cost, but with the frills

Qantas Airways' new international subsidiary, Australian Airlines, will be carving out a new market niche when it takes off in October. The man tasked with making the carrier succeed claims it is setting a new trend. He tells TOM BALLANTYNE

When Denis Adams was appointed chief executive of Australian Airlines late last year, he had a congratulatory phone call from a friend in Canada, a professor of economics at Toronto's York University with more than a passing interest in aviation.

"He said this had never been done before and we had a chance to be trailblazers, to set a new model for international aviation," recalled Adams. "I just went cold. I had sweating palms. But he is right and it is very stimulating."

What makes Australian Airlines unique is the nature of its operations, which will be based in Cairns, the gateway to the popular tourist destinations of the Great Barrier Reef and northern Australia.

"Prior examples of so-called low-cost carriers have all been short-haul and they have a number of in-built advantages. They can offer a fairly tight seat pitch. They can go for very high aircraft utilisation with short turnaround times. They don't have to feed people," said Adams.

"We are not a short-haul carrier. We are a medium-haul international operator and, in a sense, there is no precedent for this low-cost model on scheduled medium-haul international routes. We are effectively creating something new: a lower cost operation without the advantages the short-haul, low-cost carriers have."

Australian Airlines is a contradiction. Because it is flying significant distances it has to give its customers legroom, meals and inflight entertainment. It has to be a full service operator, but it has to function at costs 25% below those of Qantas' mainline routes. Adams, who joined Qantas in 1996 as group general manager commercial business and has more than 30 years experience in aviation and travel, said the figure would be between 25% and 30%.

Australian Airlines chief executive, Denis Adams: people should expect value but not bargain basement fares

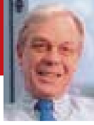
Qantas decided to launch the new airline to reclaim lost markets. In the past three years, the flag carrier has pulled out of destinations like Malaysia, Vietnam, China, Korea, Taiwan and secondary Japanese ports because low ticket prices and Qantas' high operating costs made the routes unprofitable, despite a steady market demand from passengers.

Australian Airlines will launch services with four Boeing B767-300ER (Extended Range) jets – all Qantas aircraft – on October 27, with daily flights from Cairns, North Queensland to Osaka and Nagoya in Japan. Within a month Taipei, Hong Kong, Fukuoka and Singapore will be added to the network, each with three services a week.

The B767s, currently configured with 229 business and economy seats, will be repainted in Australian Airlines' striking new ochre livery and be converted to all-economy airplanes with 269 seats. The target market for phase one of development is inbound travellers – expected to make up 90% of traffic – from the rich tourism markets of Japan and elsewhere in Asia.

The operating bywords are "lean, productive and profitable". The headquarters in Sydney will have no more than 20 staff, with an operations group of no more than 10 employees at Cairns. There will be 60 pilots and 180 cabin crew. Everything else – from ground handling to maintenance, airport services to sales – will be contracted out. Qantas can bid, but tendering will be competitive and the carrier's owner will only win the work if it comes up with the best offer.

Adams said his biggest challenge is to keep it simple. "There are lots of reasons and pressures, because it's an international operation, to make it com-



Australian Airlines: hoping to cash in on Qantas' former loss-making routes

plex. We have been as resolute as we possibly can. For example, we looked at being members of oneworld (alliance). We received a list of requirements for membership and quickly decided it was not for us."

Australian Airlines will not have to worry about special baggage allowances or special treatment for frequent flyers because "every customer will be treated the same". Menus don't have to be rotated because the carrier's passengers are leisure travellers, normally flying only once a year.

"If you don't rotate menus you can imagine the cost savings that flow through in terms of menu design, provisioning and goodness knows what else. You have a simple inflight service, although we are going to offer Asian, Japanese and Chinese dishes as appropriate on the flights. We have a great opportunity to provide a culturally sensitive service which will make our customers feel comfortable.

"Inflight entertainment will be [a screen in the] main cabin. At $15 million to $20 million an aeroplane, we can't afford in-seat videos. And we don't have to have a different inflight magazine every month. We will produce, perhaps, a Japanese, Chinese and English version which will last for an extended period rather than publish 12 issues a year.

"There are 160 different service items loaded aboard a Qantas B767 two class international aircraft. We are loading less than 60 different items," said Adams.

Even before the first jet heads for Japan, he has a long list of potential markets targeted around Asia and beyond. He promises significant expansion in the next few years. The fleet will grow to 12 B767 aircraft within two years. In 2003, he expects to be operating from Sydney and Melbourne, with Adelaide, Perth and Darwin all earmarked as future ports.

"We have always said Seoul, Shanghai and Sapporo are on our list as complementary inbound markets. From around March next year we will be looking at outbound markets," said Adams.

The airline boss said he had up to 30 potential destinations to consider. Bali, a popular Indonesian destination for Australian tourists, is high on the list and the airline could take over Bali services from Qantas. Also highly likely are flights to Kuala Lumpur and Penang in Malaysia, Phuket in Thailand, Vietnam, China and India.

The unbreakable rule is that Australian Airlines will not compete directly with Qantas. While it will fly from Cairns to Singapore, a route not served by Qantas, it will not operate Sydney or Melbourne to Singapore because it is heavily plied by its parent carrier.

Further afield, Adams sees possibilities in flights to Honolulu and to Eastern Europe, Turkey or Greece, where Australian could tap into traffic involving Australians of ethnic descent visiting their homelands, or their relatives flying to Australia.

"There are a lot of prospects, but we have to be satisfied there is a sufficient number of passengers to make us profitable," said Adams.

He insisted that Australian Airlines has done its homework and is confident the traffic exists to make early services successful. "Cairns-Singapore is the best example. Qantas used to fly the route daily and Singapore Airlines had five weekly flights. The flights were full but everyone was losing a fortune because the revenue was below cost and they pulled out.

"We are starting off with three services a week. We are confident we can fill them. The traffic is still there. It's just getting from A to B by a different route," said Adams.

Passengers should not expect bargain basement air tickets. Adams is adamant about this. He said Australian Airlines is low-cost, but not no-frills. "Other airlines no longer fly to these markets. This is not because there was not the demand, but because their costs were higher than their earnings. Yields were already low so our job was to push costs down to a point where we can have profitable margins.

"Why would we go back into the market and discount? All we would finish up doing is re-inventing what took place in the first place. People should expect value for money, but not bargain basement airfares."

Adams is well aware major rivals are keeping a close watch on the development of his new airline. If he succeeds, a number of "clones" could emerge.

He takes a philosophical view of the prospect. "If you establish a business and operate in a market you can expect competition so you have to make sure your product is good, your customer service is good and your costs are right. Then you take the competition as it comes. You can't do anything else."

ATM sophistication an economic necessity

And China, with one of the world's fastest growing regional airspaces, has got the message

By Kitty McKinsey

If Asian countries want their economies to grow in the next decades, they need to invest heavily in sophisticated space-based air traffic management, industry experts say.

Boeing Air Traffic Management, a new global unit of the U.S.-based plane maker, predicts air traffic in Asia will triple by the year 2020 to equal the level of traffic over North America.

"Aviation is now an integral part of economic growth," said Elizabeth Keck, vice-president for strategy and new business in Asia for Boeing ATM, heading the company's Asia-Pacific operations from Hong Kong.

"If you don't invest in your air traffic control systems, then your economic development and economic growth are going to suffer. They really go hand-in-hand."

One of the countries that has got that message is China, one of the world's fastest growing regional airspaces. With an eye on the 2008 Beijing Summer Olympic Games, China has embarked on an ambitious air traffic modernisation programme.

Until now, the growth of general aviation activity - business, helicopter and small aircraft operations - has been limited in China because the country's military made all the airspace decisions about traffic in its 1,122 civil airways.

Keck, who was a Federal Aviation Administration (FAA) senior representative with oversight of FAA interests in China, Mongolia, North and South Korea and Macau before joining Boeing, and has written about China's changing skies, describes China's cumbersome system this way: "The military, which had ultimate authority over any changes in routings, flight clearances and other routine activities, relayed those decisions to China's civil air traffic authority - the Air Traffic Management Bureau (ATMB) who, in turn, passed the messages to the civil aircraft."

Boeing ATM vice-president for strategy and new business in Asia, Elizabeth Keck: fail to invest in air traffic control systems and your economic development and growth will suffer

This complicated, time-consuming process for flight clearances prevented airlines from changing routes to take advantage of favourable winds. This lack of flexibility has hindered fuel efficiency and increased ticket costs.

Fortunately, this is changing as China has shifted its airspace usage policy to give priority to civil aviation and has begun to modernise the airspace management system.

Boeing ATM has signed a contract with the Civil Aviation Administration of China (CAAC) to study the airport systems, terminal manoeuvring area and ground operations at the Beijing Capital International Airport, where air traffic levels are expected to double over the next eight years.

"China is moving very fast," said Bruno Serey, managing director of Thales ATM Australia. Whereas the global market for air traffic control is growing at 4% a year, the growth rate in China is about double that, Serey said.

Thales ATM, a French company, is a world leader in air traffic management, providing solutions based on the revolutionary CNS/ATM (Communications, Navigation, Surveillance/Air Traffic Management) technology that is now being phased in worldwide.

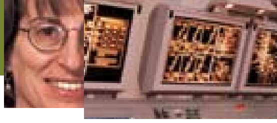
Thales ATM recently reached the final phase of modernising the air traffic control system at Shuangliu International Airport in Chengdu, in China's Sichuan province. Thales ATM supplied a Eurocat 2000 Air Traffic Management system and a STAR 2000 primary surveillance radar, co-mounted with a RSM 970S Monopulse Secondary Surveillance radar. The system is designed for both terminal approach control and en-route control areas.

Thales said in a statement that the new air traffic management system would enhance safety in China's southwest region. It should also facilitate efficient international and domestic aviation operations, said the company. Chengdu is on the air route from Bangkok to London over the north of the Himalayas. Improving Chengdu air traffic management should make international aviation more efficient and safe.

The Chengdu project is part of China's expansion of its airspace, opening its skies to a growing number of international overflights. In June 2000, a Qantas Airways flight on this route from London to Bangkok inaugurated the world's first CNS/ATM air route.

After China put its CNS/ATM system in place (well ahead of implementation by the FAA in the United States), it became possible for airlines to fly new polar routes, trimming up to five hours off flights from Asia to North America.

Lockheed Martin has also won a US$10.7-million contract to provide seven air traffic control automation systems to China. The Bethesda, Maryland company will tailor SkyLine, its air traffic control system, for Chinese airspace. The systems are to be installed



and become operational in summer 2003. The contract is the fourth SkyLine sale in China; last year Lockheed Martin installed systems in Shanghai, Nanchang and Hangzhou.

In addition to China, Thales sees high growth in the ATC markets in Korea, Indonesia, Singapore and Australia. The spaced-based technology of CNS/ATM - integrating advanced, global communication, navigation and surveillance functions with a modern, efficient air traffic management system - is being adopted in all major Asian markets.

"Some of them are very advanced and others are just starting," said Serey.

Japan - whose ATC market is closed to non-Japanese companies - has been the leader since the early 1990s in using satellite for plane navigation. And in Singapore, Serey added, more than half of the en-route traffic is now being tracked by satellite.

Space-based navigation and space-based communication offer potentially seamless operation of aircraft throughout the world. Unlike land-based radar systems that tell controllers where a plane has been, a space-based system indicates where a plane is going.

In addition, space-based data systems hold the potential to link pilots, flight planners, air traffic managers and airspace administrators with real-time high-quality information - a vast improvement over today's limited voice links between pilots and air traffic managers. The space-based system also cuts down on handovers from one terrestrial air traffic control centre to another as a plane progresses - a process that needs to be repeated as often as every 10 minutes for pilots flying over Europe.

Lockheed Martin ATM also said most Asia-Pacific countries are "in the midst of modernising their ATM to take advantage of CNS/ATM capabilities, because of the importance to their economies," in the words of Julie Vass, spokeswoman for the company in the U.S.

"There are a number of countries that have world-class air traffic management that meet the growing ATM automation needs of the Asia-Pacific region," Vass added.

Lockheed Martin said all Asia-Pacific countries are in varying stages of the evolutionary process of introducing CNS/ATM capability, having made the commitment to develop or implement CNS/ATM by 2010.

Lockheed Martin ATM recently installed advanced systems in Korea, Taiwan and New Zealand, in addition to its contracts in China. "We look forward to expanding our services in this region," Vass said. "The Asia-Pacific ATC market is very important because it is a rapidly growing marketplace."

Boeing ATM predicts air traffic in Asia will triple by the year 2020 to equal the level of traffic over North America

Boeing has moved aggressively into air traffic control as part of its corporate strategy to transform the company from a predominately commercial airplane manufacturer to an aerospace company with a full range of expertise.

Boeing Air Traffic Management's vision of next-generation air traffic management is a global satellite-based system that would improve safety and efficiency around crowded hubs. Its precise airplane trajectory data should ensure aircraft separation, automatically detect deviations from approved flight plans and quickly re-plan flights in progress to react to unplanned events.

Keck said Boeing's system, planned to go on-line in 2008 to 2010, will "make flights even safer and more secure, dramatically reduce congestion and delay, and keep aviation affordable and accessible".

So far Asia has been lucky. Its airspace is so vast that the kind of bottlenecks that plague European and North American air travel have not materialised yet.

But Serey advises Asian countries to keep looking ahead. "The ability of a country to provide high-capacity safe, timely and efficient air traffic control is key to the development of the country," he said. "Air traffic is well correlated to Gross Domestic Product (GDP). If a country can't provide these requirements, or they are limited, it hampers its economic development. Modernising the air traffic system is a pre-requisite for the growth of any country."

Vass at Lockheed Martin ATM agreed: "As Asia-Pacific regions continue to modernise their systems, they will be able to handle more traffic, more efficiently. Ultimately, more efficient air traffic in their regions will result in economic expansion more quickly."

That's especially important in Asia, which is expected to be the fastest-growing region in the world travel and tourism industry over the next few years, according to the World Travel and Tourism Council.

Just look at Siem Reap, until recently a sleepy town in northern Cambodia with more bicycles than cars on its unpaved streets. As home to some of the greatest monuments in the world - clustered around the magnificent 12th-century temple of Angkor Wat - it has huge potential to attract enormous numbers of tourists.

In the last few years, a modernised air traffic control system and a new airport have made it possible for more flights to land in Siem Reap every year.

As a result, the town has blossomed with freshly-paved streets as well as new hotels, restaurants and souvenir shops that have created thousands of new jobs. "A good aviation link has made all the difference for that community," said Keck.

Merger deal brings little joy for JAL/JAS rivals

By Daniel Baron
in Tokyo

Have Japan Airlines (JAL) and Japan Air System (JAS) got off too lightly with its merger deal?

Japan's Fair Trade Commission (FTC) gave the green light for JAL to merge with JAS only three days after the carriers had submitted a revised proposal to the FTC, offering to give up nine slots at Haneda airport for new-entrant airlines.

In the deal, JAL/JAS will make parking gates with boarding bridges available to accommodate roughly 50% of a new entrant's flights. It also will make check-in counters available to one new entrant.

Until now, Japan's smaller carriers such as Skymark and Hokkaido International (Air Do) have been relegated to remote gates and less convenient check-in facilities, factors which, say the struggling airlines, hamper their ability to compete.

Also promised is a system-wide 10% discount off normal fares over three years, an action that according to JAL will sacrifice approximately 15 billion yen (US$12 million) of revenue per year.

The merger will see the combined entity (using the Japan Airlines name) holding nearly 50% of the domestic market, which previously had been dominated by All Nippon Airways (ANA).

ANA's response was swift and crisp: "After presenting conclusive evidence that the proposed merger would result in a loss of passenger convenience," said the airline, "ANA considers [the FTC's] decision a disappointing conclusion."

Japan's local press has expressed concern that even after the nine slots are forfeited, capacity limits at Haneda may continue to prevent significant expansion by any of the new entrants, leaving the two majors to dominate all but a few domestic routes to and from Tokyo. This, suggested the influential *Asahi Shimbun*, would in turn make it all the more difficult for carriers like Skymark and Air Do to afford the fleet expansion required to become a formidable competitor after a new runway eventually comes on line.

The fare cut may also become a point of contention. A fare reduction by JAL would likely force major rival, ANA, and the smaller airlines to follow suit, resulting in lower yields for all during what should be a period of recovery.

JAL, for its part, defends the deal as one that will ultimately benefit the flying public more than the status quo. JAL spokesman Geoffrey Tudor said that "in the old [domestic] regime, the two minors [JAL and JAS] could not compete against the dominating carrier. The merger corrects that imperfect market."

He added the consolidation is also vital for protecting JAL against "the more volatile conditions of the international marketplace?"

Currently JAL's revenue ratio is 80% international, 20% domestic, roughly opposite that of the majors in the U.S. and Europe.

As for the issue of discounting, Tudor reported that in spite of the planned fare cuts, JAL is hoping to see a revenue increase of between 20-25 billion yen per year as a result of more effective competition.

Unable to reverse the FTC's decision or win additional concessions, ANA has quickly formulated a battle plan of its own, one that aims to "embrace new challenges?"

ANA will form a holding company responsible for the corporate strategy and operations of ANA, Air Nippon, Air Japan and others in the group. The internal consolidation will see all of the disparate products unified under the ANA brand, a move that is no doubt meant to present the airline as a large, unified force against the JAL/JAS juggernaut.

The group will aim to cut costs by re-assigning some of its aircraft. ANA itself will operate wide bodies only (B767, B777, B747), with the A320s currently in the fleet going to the Air Nippon entity. Also in the works are plans to beef up the international network through additional code-shares and tie-ups with current and potential Star Alliance partners.

This has already begun with the recent announcement of new code-share flights with Mexicana as well as with South Korea's Asiana Airlines. Also, ANA intends to build a larger presence in China on both the passenger and cargo sides.

In a competitive environment that will be characterised by fewer players, each with similar schedules and fares, ANA hopes to win over passengers by billing itself as the more on-time airline. The new corporate strategy plan calls for a "rethink of the definition of punctuality for domestic operations". The airline will use a one-minute standard for judging domestic services, aiming to have 70% of scheduled flights leave within one minute of their scheduled departure time.

As a result of the JAL/JAS merger, ANA will also establish a holding company to incorporate the three travel agencies held by the group: ANA Sky Holiday Tours Co., ANA World Tours Co. and All Nippon Airways Travel Co. ANA will attempt to cut costs by shifting certain sales functions to the new holding company. ■

All Nippon Airways: disappointed with Fair Trading Commission's decision

BABY BOOMERS

China Southern Airlines is providing special services for the thousands of parents seeking to adopt children born in China

By Kitty McKinsey

China Southern Airlines: flight attendants well versed in special needs of infants

Even though nearly four years have passed, Marybeth Asher-Lawson still vividly remembers the China Southern Airlines flight from Guangzhou to Los Angeles that took her new Chinese baby daughter home to Pennsylvania.

"The flight attendants were just wonderful. They were fabulous," gushed Asher-Lawson, an ordained minister and mother of one of the nearly 5,000 Chinese babies who are adopted by Americans every year.

The China Southern onboard crew quickly found a row of four seats where the new parents could make up a bed for their infant daughter, Grace, who mercifully slept for nine hours straight.

The flight attendants cheerfully provided bottled water to make up formula for the nine newly-adopted babies on that flight, said Asher-Lawson, who now lives in Hong Kong with her husband, Scott Lawson, pastor of the Community Church Hong Kong.

The airline's baby-friendly attitude is no accident. China Southern has become the airline of choice for many of the Americans who adopt Chinese babies every year. And China Southern is promoting its special services for new parents on that well-travelled route.

"Thousands of Americans are now travelling to China to conclude the adoption process and it has developed into a substantial piece of business for China Southern Airlines," said Bernhard Clever, director of sales and product development at the carrier.

China is the leading country from which U.S. citizens adopt foreign babies, accounting for 25% of all foreign adoptions in recent years. Last year, U.S. citizens adopted 4,723 Chinese babies – almost all girls – according to The Evan B. Donaldson Adoption Institute, a U.S. not-for-profit organisation.

No matter which Chinese orphanage the babies come from, all the new American parents end up with their children in Guangzhou, in southern China, because the U.S. Consulate there is the only one in China allowed to issue visas for their new children.

China Southern is trying to convince more of the adoptive parents to take its direct flight to Los Angeles, rather than transfer in Hong Kong or Shanghai.

"You could fly another airline out of Hong Kong," conceded China Southern spokesman Jeff Ruffolo, "but do you want to take this little baby you've waited so long to adopt and fly down to Hong Kong or up to Shanghai and transfer? No, you want to get straight back to the States."

On the Guangzhou-Los Angeles route, China Southern flies Boeing 777s, with special hooks in the bulkhead to secure infant baskets – which the airline also has on hand. In addition, "our flight attendants are well versed in handling the special needs of young infants, including warming milk", said Clever.

Business travellers, however, remain the main customers for the airline's premium economy class, which features seats with a 40-inch pitch and wider aisles for a price of US$1,200 return against $799 round-trip in regular economy class.

Ruffolo stressed that China Southern hasn't been transformed into a "baby airline," but he said adoptive parents are becoming "a big piece of business for us".

He attributes a significant surge in loads in premium economy to the airline's co-operation with U.S.-based child adoption agencies. Loads doubled this year on China Southern's trans-Pacific routes in premium economy.

As welcoming as China Southern is to new parents and their Chinese babies, what the new American parents usually remember is their enormous sense of relief and security when they embark on the plane for home.

"I'll never forget the feeling of getting on that plane," said Asher-Lawson, who had pursued years of infertility treatment and ploughed through two years of adoption paperwork prior to reaching China for even more bureaucratic formalities before getting to take infant Grace home.

"I could really breathe for the first time since I arrived in China. For the first time I felt Grace was really ours and no one could take her away. I finally felt really secure," she said as she watched Grace, now a healthy, lively four-year-old skipping around merrily, wearing a red traditional Chinese cheongsam and sparkly red shoes – and living happily in Hong Kong, not very far from where she started life.

In from the cold

Stranded passengers protests lead to new JAL service policy between Japan and China

Japan Airlines (JAL) has unveiled a new service policy for the airline's China-Japan routes – a policy that had its origins in a snowstorm in Japan.

On January 27 last year, flight JL782, bound from Beijing to Tokyo's Narita Airport, was forced to divert to Osaka's Kansai International Airport as Narita was snowbound in a freak storm. On board was a group of 90 Chinese travellers heading for the U.S.

Without transit visas, the diverted Chinese passengers were unable to leave the airport where they spent an uncomfortable night. Other passengers, Japanese and foreigners, as the Chinese later claimed, had been given hotel rooms or assisted to reach Tokyo by surface transport.

Eventually, on their return to China, the travellers made claims for compensation against JAL. After a series of negotiations in July last year the airline reached a settlement with the passengers.

A key element of the new service initiative calls for improved communication with additional use of Chinese language and better preparation in case of future irregularities.

On board JAL flights on China-Japan routes, more Chinese cabin attendants and Chinese speakers will be assigned and more use will be made of information boards in Chinese.

At airports in Japan, notably Kansai and Narita, special measures will include extra Chinese-speaking staff to advise passengers of what is happening.

For example, in future cases, hot drinks and hot food will be guaranteed at airports. Stores of emergency materials, including blankets, will always be in readiness. Information, including maps and guidebooks for travellers involved in disrupted journeys, have been improved and will be supplied in Chinese.

Passengers will be given greatly improved irregularity kits including, among the amenities, telephone cards for international calls. Information on procedures during such irregularities will be printed in Chinese on tickets, which will also carry JAL's conditions of carriage in Chinese.

Misunderstandings played a very significant part in the Kansai incident.

On January 27, JAL had to handle 11 flights, including Flight 782, diverted from Narita Airport because of heavy snow. This involved dealing with almost 3,000 unexpected passengers at Kansai.

Of these passengers some were in transit, due to fly to other destinations via Narita. A large number of the diverted passengers were returning to their homes in Japan.

So JAL tried its best to help those passengers leave the airport and return home in Japan by other means of transport.

Because of the large number of passengers on the diverted aircraft there was no hotel accommodation in the airport vicinity.

Altogether there were about 900 -1000 travellers who had to spend the night at the airport, including the group of Chinese passengers in transit.

"Obviously, we sincerely regret that we were unable to do more for all these travellers, but it seems that the Chinese passengers came to the mistaken and unfortunate conclusion that they were being discriminated against. This misunderstanding probably arose when they noticed that some passengers – mostly Japanese but also some foreign residents of Japan – were able to leave the airport," said a JAL spokesman.

"However, we believe the Chinese passengers did not realise that these travellers were actually returning to their homes. We didn't explain that to them, because of a lack of Chinese speakers."

The spokesman continued: "We make decisions to divert aircraft based on safety and when this happens we try to provide reasonable accommodation and refreshments. We deeply regret that in this case we were not able to provide hotels or a hot, cooked evening meal other than sandwiches to these diverted passengers, who included people of many different nationalities, not only the Chinese travellers.

The diverted flights arrived in the evening and the airport facilities, such as restaurants, were either closed or closing.

JAL sent a personal letter to each Chinese passenger, with an explanation and an apology, and gave an assurance there was no discrimination involved. It also published an explanatory letter in a local Beijing newspaper.

Japan Airlines: firmly denied discrimination against Chinese passengers

Representatives of the passengers warned if the group's claim for compensation was ignored, the case would be taken to the Beijing courts. The Chinese Consumers Association, however, urged JAL to reach a compromise with the group. This advice was taken by JAL.

JAL always strongly denied discrimination. However, following the carrier's own investigation of the incident, it stated: "The fact that the passengers had to stay overnight in Osaka made them feel worried, disappointed, unsatisfied and indignant." The airline concluded that the responsibility rested squarely on its own shoulders.

"Fortunately, we have learned from it and we hope we have demonstrated our sincerity both in making amends and in establishing better systems and standards for treating our valued customers from China," JAL president, Isao Kaneko, told *Orient Aviation*.■

Air Pacific battles back

New boss helps carrier return to profit

By Tom Ballantyne

Last July, former Qantas Airways and Malaysia Airlines executive, John Campbell, was appointed managing director and chief executive of Fiji's national carrier, Air Pacific, with a tough brief – stem the losses.

The carrier had just recorded a US$16.8 million loss in the year to March 31, 2001, after 14 years of unbroken profitability. Campbell knew it was a tall order.

He spent months "counting the cents" and at the beginning of 2002 he still did not know whether the South Pacific carrier would be in the black or the red come March 31.

Today, Campbell can breathe a little easier. While the results had not been officially announced in late May, *Orient Aviation* has learnt the carrier will show a modest profit. For Air Pacific, 47%-owned by Australia's Qantas, that is a major achievement.

The airline has had a rough ride. An attempted coup in May 2000, that involved the kidnapping of Fiji's Prime Minister, hit tourism hard. The carrier's main source of business hit rock bottom.

There was more to come. Just as a recovery was starting, the U.S. was hit by the September 11 terrorist attacks in New York and Washington D.C. and the consequent collapse of the global airline business.

Airlines operating from the palm-fringed islands of the South Pacific were not immune from the disaster. Insurance costs skyrocketed; in Air Pacific's case from US$3.4 million to $7 million a year.

And unlike U.S. airlines the carrier had to pay its own way. A government guarantee was out of the question as it would represent about five years of Fiji's Gross National Product (GNP).

Faced with a heavy cost-cutting programme last year, Campbell said a number of good decisions were made before he arrived, but the carrier faced a dilemma. How could it reduce staff and thereby lose vital skills, when they would be required again as the airline revived?

The solution was to offer staff either leave without pay or immediate take-up of their annual leave. The workforce was trimmed 20% without redundancies.

Air Pacific managing director and chief executive, John Campbell: important to be flexible

Although the workload on the fleet of two Boeing B737s (a -700 and a -800), a B767 and a B747-200, was significantly reduced, all engineers and technical operating crew were retained. Some cabin crew were re-deployed to ground jobs.

By the time Campbell took charge at the carrier traffic was returning, although yields were well down because of heavy discounting in the market.

Air Pacific had been immediately impacted by September 11, with 30% of bookings either cancelled or resulting in no shows. It already had reduced services after Fiji's coup attempt a year earlier.

Five services a week to Los Angeles were trimmed to three. A B737 also operates twice weekly to Honolulu and Vancouver.

Japan, another important market for Fiji, had a delayed passenger reaction to "9-11", but traffic from Japan has recovered more quickly than expected. In April, Air Pacific added a third flight to Tokyo.

The U.S. market is showing a marked improvement, said Campbell, and a fourth B747 service will operate to Los Angeles from June. This will represent a 33% increase in flights and seat capacity to the U.S..

New Zealand traffic also has returned strongly, a benefit for Air Pacific of the collapse of Ansett last September. "In Australia, domestic traffic became pretty much grid-locked for a period. New Zealanders, who normally went to the Gold Coast, could not get seats in Australia so they came to Fiji instead. We experienced a spike in demand and added 54% more seats from Australia," said Campbell.

Surprisingly for a small island carrier, Air Pacific has few expatriates among its staff. Of its 710 employees, 702 are Fijians. It still suffers from a brain drain that started after the 2000 coup, but the airline is trying to lure back staff. Above all, said Campbell, Air Pacific is determined to adjust to conditions in the industry. "It is absolutely critical to be flexible. If we can't respond we die," he said. ■

Air Pacific: has added new services to Los Angeles and Tokyo

Boeing home from home in Asia

By Tom Ballantyne
in Chicago

Boeing president and chief executive, Phil Condit, said the U.S. planemaker is looking for opportunities across the world, including Asia, in its effort to become a global operation.

Japan and Australia are examples of its success so far, he said. Boeing employs nearly 3,000 staff in Australia. It purchased Hawker de Havilland in 2000 and also the Preston Group, an air traffic simulation provider.

"We have solid employment in a number of areas in Australia, with headquarters in Brisbane and operations in Melbourne and Sydney. We are a part of the fabric of business life in Australia and that is what I would like us to be in other countries. You operate as part of that country. That's the model," Condit told an international media group at the company's new headquarters in Chicago recently.

He described Asia as a "pretty exciting market" for potential aircraft sales. "If one assumes that Asia will continue to grow economically, and I do, it means that market will grow rapidly, and more rapidly compared to the more mature markets in the U.S. and Europe," said the 60-year-old Boeing chief.

The potential, however, is not only in aircraft sales. More Asian countries could benefit from building aircraft parts for Boeing, said Condit. "With quality and cost you can make parts, sub assemblies, even major assemblies, as we do in Japan. There is no reason why that can't be expanded to other countries (in Asia)," he said.

When Boeing announced a whopping US$1.25 billion net loss for the first quarter this year, it was hardly surprising the headlines painted a grim picture for the company. With U.S. airlines, the global heavyweights, bleeding billions more from their battered balance sheets, it seemed to add up to a bleak outlook for commercial aircraft sales.

But Condit was far from disappointed with the result. "Overall, almost every business unit did very well. Commercial airplanes, in a tough environment with a decreasing production rate, exceeded its goals. Military aircraft exceeded its goals. Most of space and communications exceeded their goals," he said.

The $1.25 billion loss, however, does not tell the whole story. Boeing booked non-cash charges of $1.8 billion to account for goodwill, or the premiums paid on acquisitions. In recent years these have been substantial, more than $20 billion on McDonnell Douglas, Hughes Electronics and Jeppesen Sanderson alone.

Boeing president and chief executive, Phil Condit: global strategy

Without the one-time charge relating to acquisitions, Boeing earned $602 million on revenue of $13.8 billion. In the same period last year it had income of $761 million on revenues of $13.3 billion. Considering the state of the market after September 11, the outcome was far from discouraging.

"This is a long-term business. It is not a quarterly business. We look upon it as a long-term business and we operate it as a long-term business. I think we did pretty well," said the Boeing boss.

Condit is standing firm on a revenue target of $54 billion this year and around $52 billion in 2003, with rising sales in the space and defence areas offsetting declining jet deliveries. He forecast that commercial jet deliveries would decline to 380 this year from 527 in 2001 and drop again to 275 in 2003.

His message to investors and corporate watchers: Boeing is not only smart, it's lean and mean and is gaining altitude thanks to ongoing restructuring and significant gains in a number of prime areas.

Bottom line aside, the company dramatically improved operating margins to 12.1% in the first quarter, up from 10.2% last year and 5.4% in 1999.

"Our basic strategy is to run healthy core businesses and run them well. Second, it is to leverage strength in new products and services. Finally it is to open new frontiers and use that capability," Condit said.

But some areas take time to develop, he pointed out. Connexion by Boeing, the company's broadband Internet and inflight entertainment product and its new Air Traffic Management (ATM) division, are not yet big contributors to the Boeing group. He said he did not expect Connexion to be a major contributor for three or four years and ATM could take up to 10 years to blossom.

Yet both have immense potential. Boeing's aim is to build a next-generation ATM system throughout the world based on satellite guidance and surveillance rather than ground based radar, using broadband connectivity.

Not that Boeing is doing this out of charity. A safer, more efficient and higher capacity air traffic system will allow more planes to use the world's airways and that means more jet sales for Boeing.

In the midst of implementing this wider vision, Condit and his team are grappling with the vagaries of current market conditions. Some 30,000 workers have been laid off in the commercial aircraft division, a hard target that will be achieved in June. He remained noncommittal on whether the depressed order book would mean more lay-offs.

"The situation is clearly much more stable than it was. If anything, we do see positive indications at the smaller [aircraft] end of the market, [like] the B737, and weakness at the big [aircraft] end, the international sector, because that's what has been hit hardest. Traffic is increasing, not rapidly, but it is coming back," said Condit.

He predicted demand would bottom out in 2003 with a recovery in production the following year. ■

February 2002 Statistics

POSITIVE SIGNS FOR CARGO

Compiled and presented by Kris Lim of the Research and Statistics Department of the Association of Asia Pacific Airlines Secretariat

The passenger traffic, measured in revenue passenger kilometers (RPKs), of the Association of Asia Pacific Airlines (AAPA) members in February was up by 0.2% from a year earlier.

If adjusted for the distortion of the Lunar New Year holiday held in February this year, instead of January in 2001, the results would be in negative territory. On the other hand, passengers carried (PAX) rose 3.9%. Augmented by the Lunar New Year holiday period, the figures nevertheless reflected the continuing recovery of passenger demand, especially on short-haul routes. Although the traffic statistics were closer to the levels recorded one year ago, seat-kilometres (ASKs) were 3.9% lower, enabling the load factor to surge to 76.0%, a gain of 3.1 percentage points.

The traffic slide continued for the Japanese carriers. Both All Nippon Airways (NH) and Japan Airlines (JL) experienced another difficult month with traffic declines of 18.4% and 16.2%, respectively. The remaining 10 carriers managed to register a relatively robust increase in traffic, ranging from Thai Airways International's (TG) 3.7% to 17.9% recorded by resurgent Philippine Airlines (PR).

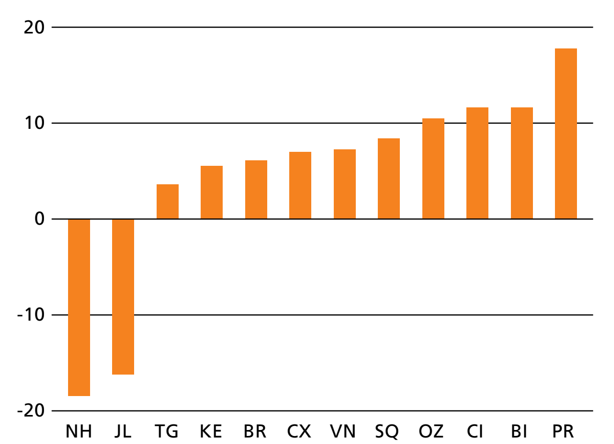
The majority of carriers posted an improved passenger load factor (PLF). The exceptions were Vietnam Airlines (VN) with a 4.0 percentage point decline and Japan Airlines (- 0.1 percentage point). The carriers with significant improvements were Philippine Airlines (14.4 percentage points) and Cathay Pacific Airways (CX) with a rise of 10.8 percentage points. The remaining eight airlines saw PLF improve from 1.2 percentage points (Thai Airways International) to 6.6 percentage points (EVA Air).

All but one carrier, Royal Brunei Airlines, recorded a load factor in the 70s. Thai Airways International emerged top of the list with a PLF of 79.8%, followed by Philippine Airlines (78.9%), Vietnam Airlines (78.7%) and Cathay Pacific Airways (78.4%).

Asiana Airlines: highest freight load factor among AAPA carriers in February

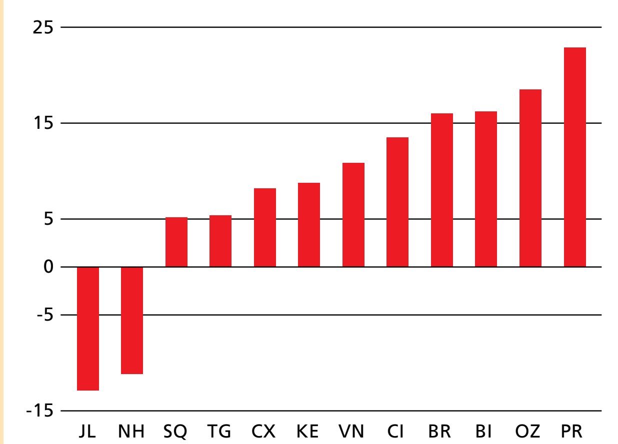
RPK GROWTH BY CARRIER

Percentage (Feb 02 vs Feb 01)



PAX GROWTH BY CARRIER

Percentage (Feb 02 vs Feb 01)



Cathay Pacific Airways: a 10.8 percentage point improvement in passenger load factor in February

CARGO

The freight tonne kilometres (FTK) of AAPA member carriers declined 2.8% year-on-year. This decline was partly due to the Chinese New Year holiday in February. Taking January and February numbers together, however, freight traffic was up 1.7%. Capacity decreased 4.7%, which produced an improved freight load factor (FLF) of 67.0%, up 1.4 percentage points.

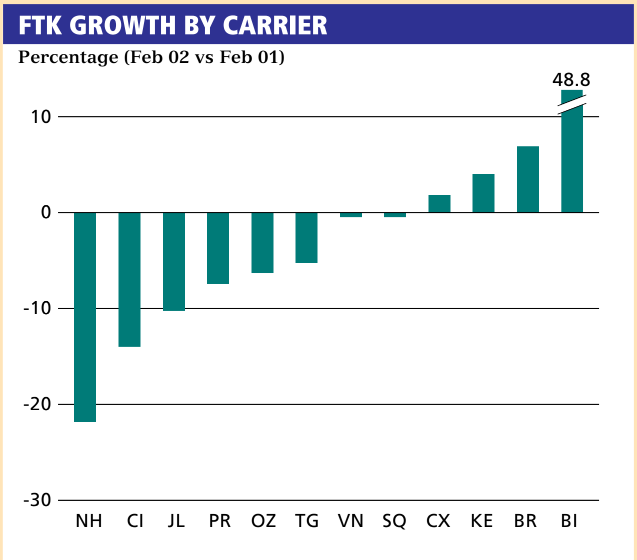
Eight AAPA airlines reported an FTK decline with All Nippon Airways, down 21.7%, China Airlines (CI) a fall of 13.9% and Japan Airlines, dropping 10.0%, posting the highest declines. Four carriers reported positive growth.

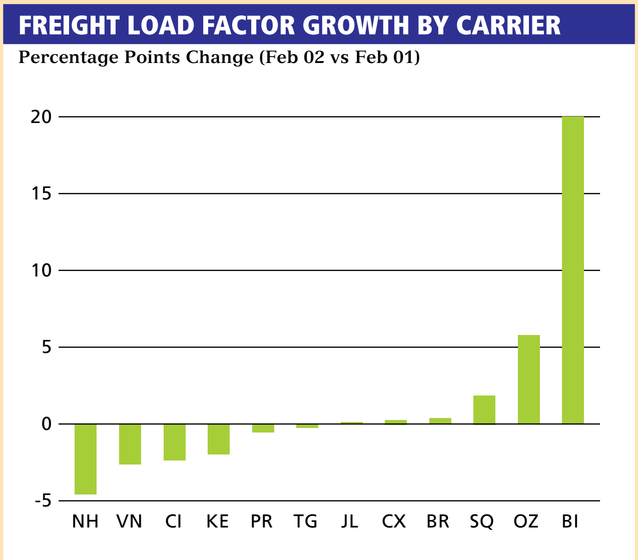
Royal Brunei Airlines recorded the largest improvement in FLF (20.0 percentage points). Six carriers reported a decline in load factor. Asiana Airlines (OZ) again emerged with the highest FLF (80.4%), followed by Korean Air (KE) with 73.9%, China Airlines 73.3% and EVA Air 71.4%.

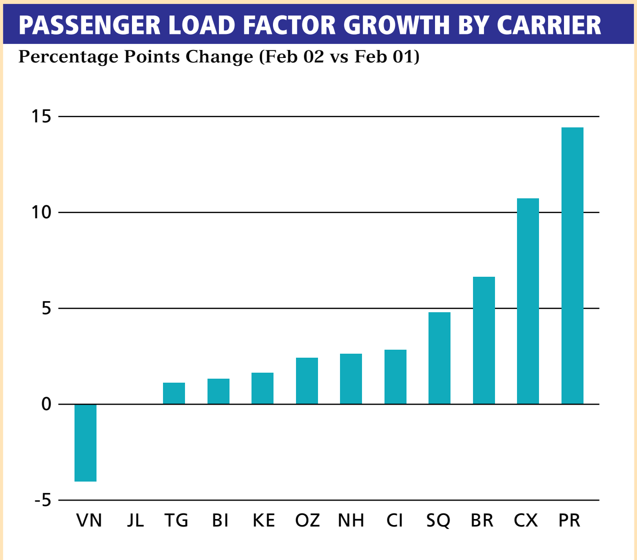
RESULTS OF THE 12 MONTHS TO FEBRUARY 28, 2002

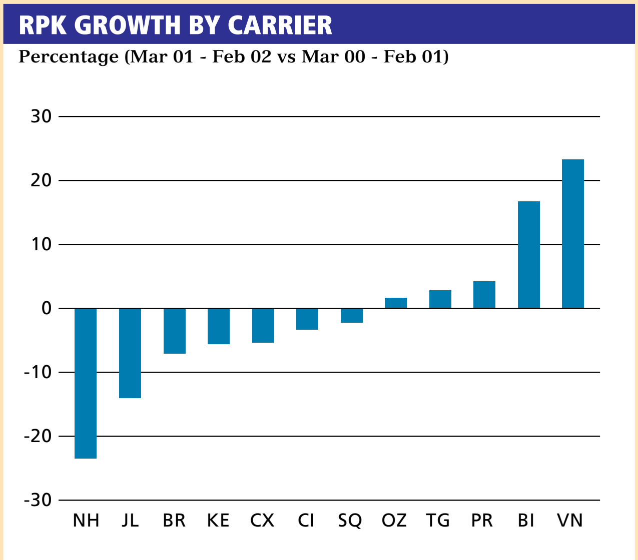
PASSENGERS

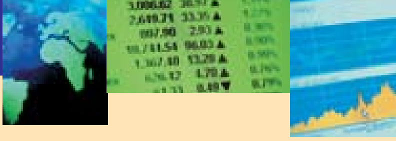
The AAPA member airlines registered a decline in revenue passenger kilometres of 5.3% for the 12-month period to February 28. The number of passengers carried was down 2.0% from a year earlier. Capacity reduction was marginal, only











0.1%, which resulted in a fall in PLF of 3.9 percentage points to 71.3%.

CARGO

The AAPA consolidated freight traffic contracted 7.2% for the 12-month period under review. Capacity was reduced 1.7%, which resulted in a load factor of 64.8%, down 3.9 percentage points.

SUMMARY

The positive growth recorded in freight traffic for the two months to February 2002 suggests a recovery in trade is taking shape. The Asian Development Bank (ADB), in its semi-annual outlook for the region, noted that most economies in Asia are rebounding faster than expected with South Korea, Malaysia, Singapore and Taiwan leading the recovery (*AWSJ April 10*). Singapore was one of the first countries in the region to announce its first quarter results for 2002. Its GDP shrank 2.6% in the period, its best performance for six months "with many sectors showing improvements". With a better-than-expected rise in the industrial production index in February, Malaysia also produced a result that justifies the upbeat sentiments of the ADB.

If the momentum is maintained, freight traffic is expected to lead passenger traffic in recovery this year.

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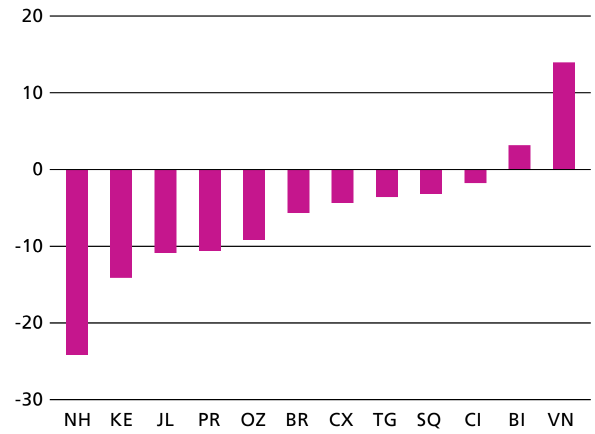
Royal Brunei Airlines: 20 percentage point freight load factor improvement in February

Philippine Airlines: resurgent passenger traffic figures continued in February

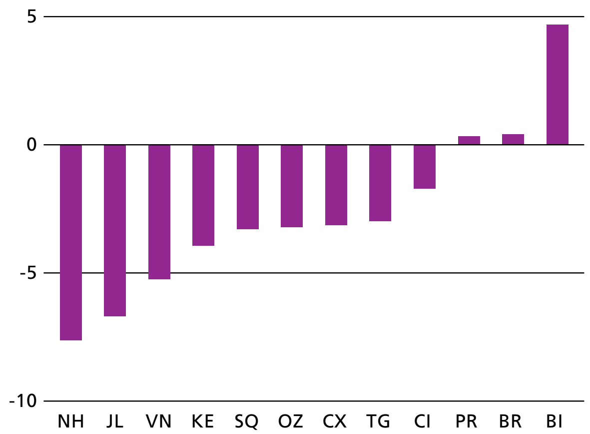
FTK GROWTH BY CARRIER

Percentage (Mar 01 - Feb 02 vs Mar 00 - Feb 01)



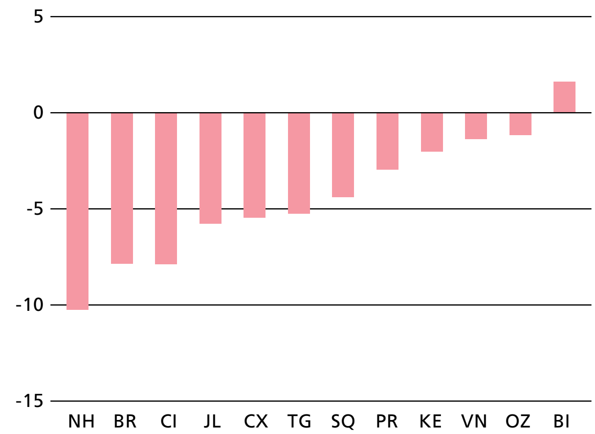
PASSENGER LOAD FACTOR GROWTH BY CARRIER

Percentage Points Change (Mar 01 - Feb 02 vs Mar 00 - Feb 01)

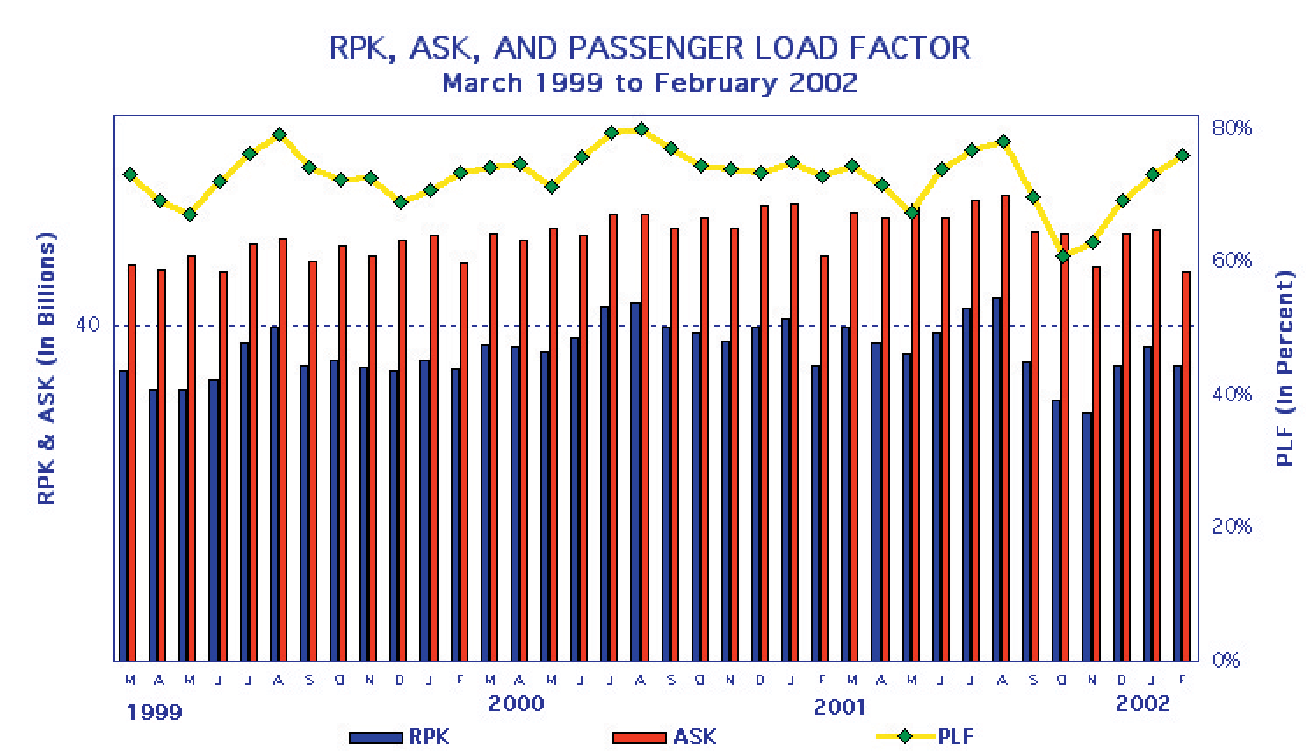


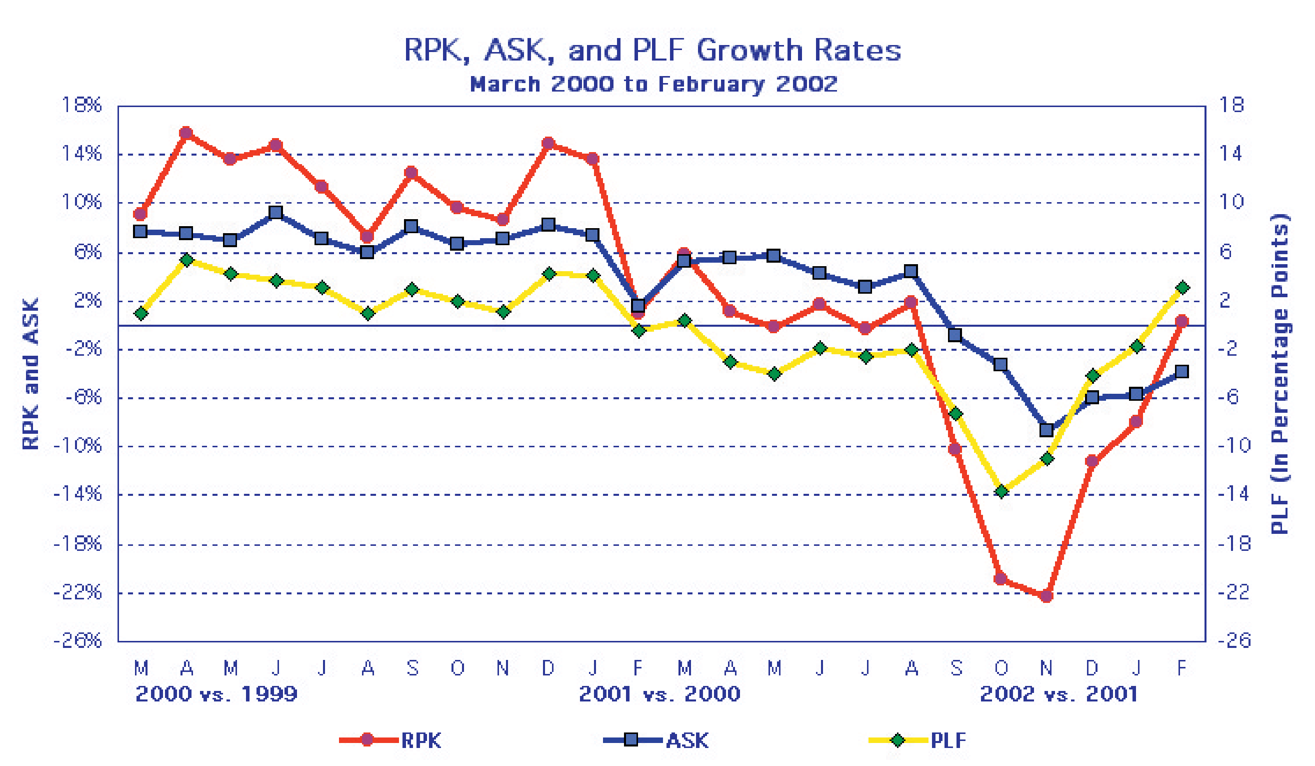
FREIGHT LOAD FACTOR GROWTH BY CARRIER

Percentage Points Change (Mar 01 - Feb 02 vs Mar 00 - Feb 01)

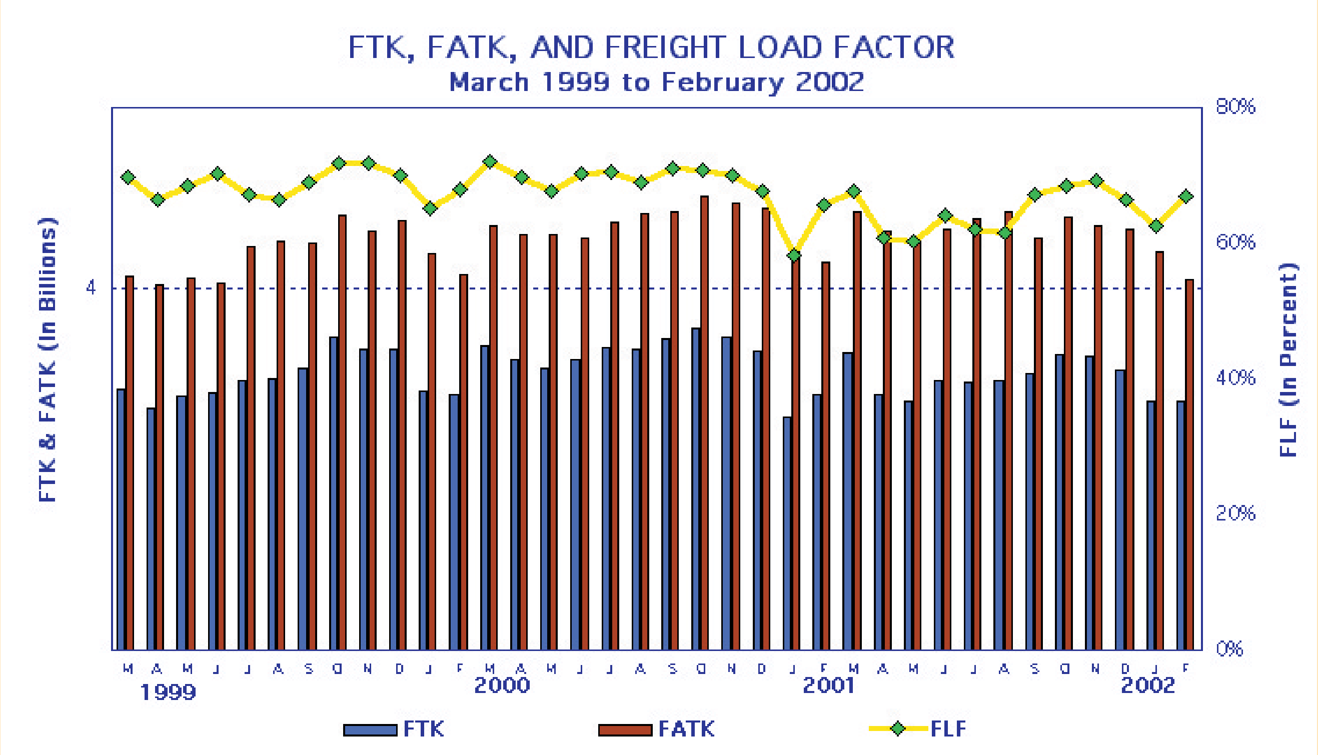


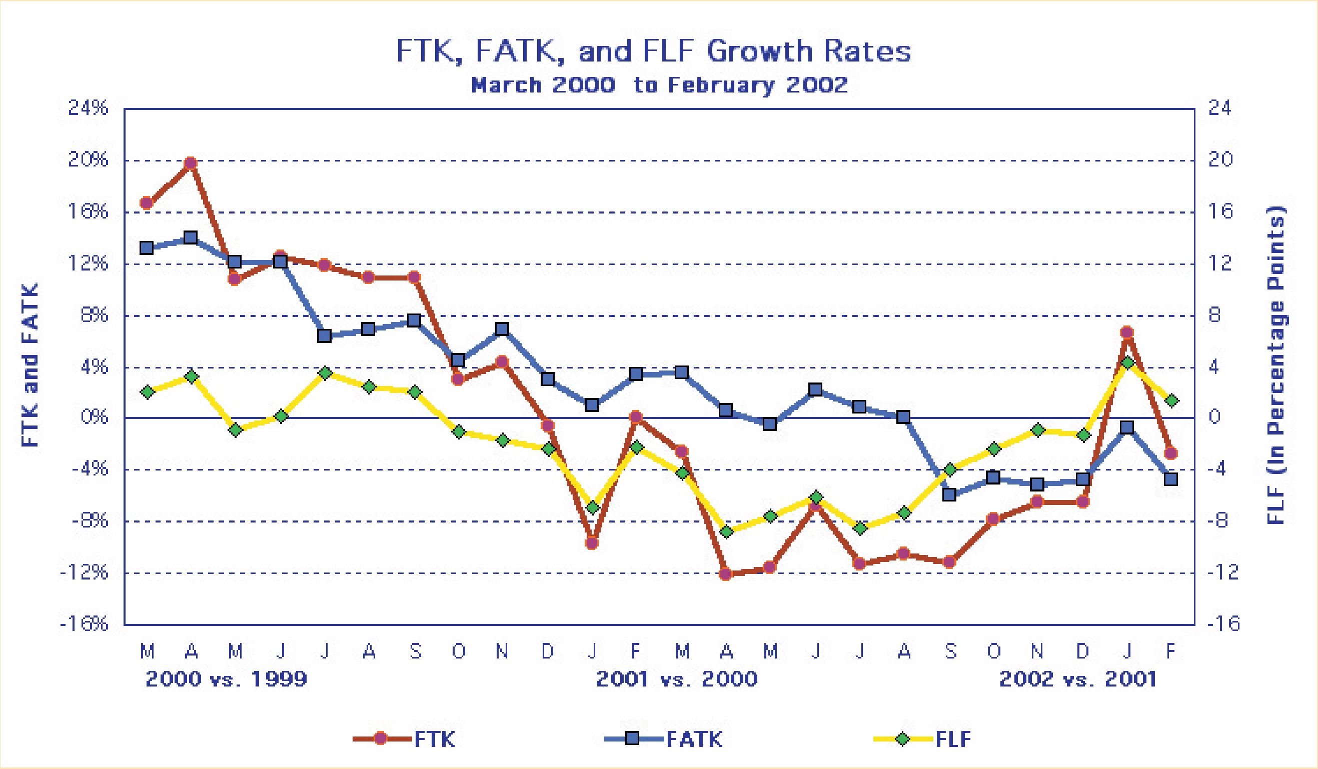
MONTHLY INTERNATIONAL PAX STATISTICS OF AAPA MEMBERS

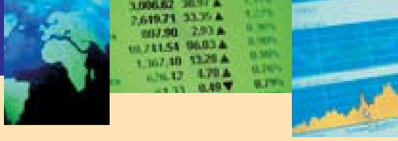




MONTHLY INTERNATIONAL CARGO STATISTICS OF AAPA MEMBERS







AAPA MONTHLY INTERNATIONAL STATISTICS (MIS) *IN THOUSANDS

2001 TO 2002

	RPK (000)	ASK (000)	PLF %	FTK (000)	FATK (000)	FLF %	RTK (000)	ATK (000)	PAX (000)
MAR-01	39,816,317	53,462,196	74.48	3,280,160	4,848,967	67.65	7,024,088	9,725,854	9,078
APR-01	37,878,796	52,884,118	71.63	2,819,388	4,633,547	60.85	6,378,428	9,456,088	8,713
MAY-01	36,703,532	54,498,592	67.35	2,756,534	4,580,406	60.18	6,219,381	9,545,663	8,482
JUN-01	39,106,964	52,868,597	73.97	2,986,123	4,654,401	64.16	6,665,837	9,480,574	8,843
JUL-01	42,107,236	54,907,670	76.69	2,962,142	4,774,183	62.05	6,909,752	9,789,903	9,474
AUG-01	43,315,945	55,559,023	77.96	2,978,443	4,838,280	61.56	7,031,073	9,907,159	9,825
SEP-01	35,601,847	51,038,190	69.76	3,061,243	4,555,532	67.20	6,406,828	9,210,564	8,229
OCT-01	31,006,991	50,974,094	60.83	3,277,370	4,793,876	68.37	6,151,064	9,438,030	7,475
NOV-01	29,565,610	47,049,593	62.84	3,243,992	4,685,510	69.23	5,978,041	8,974,938	7,211
DEC-01	35,267,317	51,023,617	69.12	3,090,062	4,655,223	66.38	6,346,707	9,307,797	8,384
JAN-02	37,520,527	51,284,409	73.16	2,750,898	4,394,421	62.60	6,304,452	9,077,159	8,498
FEB-02	35,209,377	46,331,945	75.99	2,741,196	4,090,116	67.02	6,475,056	7,897,034	8,321
TOTAL	443,100,459	621,882,043	71.25	35,947,550	55,504,464	64.77	77,890,706	111,810,762	102,533

2001 TO 2002

	RPK %	ASK %	PLF	FTK %	FATK %	FLF	RTK %	ATK %	PAX %
MAR-01	5.79	5.17	0.43	-2.63	3.54	-4.28	1.66	4.03	6.96
APR-01	1.13	5.44	-3.05	-12.07	0.60	-8.77	-5.21	2.65	2.12
MAY-01	-0.22	5.69	-3.99	-11.56	-0.49	-7.54	-5.59	2.21	2.40
JUN-01	1.68	4.23	-1.86	-6.74	2.20	-6.15	-2.34	2.82	3.56
JUL-01	-0.24	3.17	-2.62	-11.30	0.89	-8.53	-5.43	3.01	1.24
AUG-01	1.77	4.40	-2.01	-10.53	0.06	-7.29	-4.07	1.80	4.40
SEP-01	-10.31	-0.89	-7.33	-11.22	-6.00	-3.95	-10.86	-3.83	-5.63
OCT-01	-20.93	-3.26	-13.59	-7.84	-4.61	-2.40	-15.20	-4.28	-14.88
NOV-01	-22.28	-8.73	-10.95	-6.44	-5.21	-0.91	-15.13	-7.22	-16.44
DEC-01	-11.27	-5.92	-4.16	-6.55	-4.75	-1.28	-9.93	-5.61	-5.22
JAN-02	-7.92	-5.76	-1.70	6.58	-0.77	4.37	-1.55	-3.69	-6.13
FEB-02	0.19	-3.87	3.08	-2.75	-4.74	1.40	5.74	-9.23	3.87
GROWTH	-5.26	-0.07	-3.90	-7.22	-1.65	-3.88	-5.87	-1.45	-2.02

CALENDAR YEAR[5]

	RPK (000)	ASK (000)	PLF %	FTK (000)	FATK (000)	FLF %	RTK (000)	ATK (000)	PAX (000)
1997	387,763,016	561,392,742	69.07	31,741,381	45,688,853	69.47	67,739,088	96,736,079	88,696
1998	382,106,292	557,130,177	68.58	30,958,021	46,204,321	67.00	66,141,448	97,199,731	86,198
1999	416,820,106	576,253,703	72.33	35,277,459	51,519,550	68.47	74,179,615	104,437,440	94,242
2000	462,466,095	617,787,854	74.86	39,020,611	56,255,588	69.36	82,533,153	112,874,721	103,527
2001	446,262,043	626,881,408	71.19	35,858,596	55,742,084	64.33	77,638,545	112,962,219	102,778
2002	72,729,904	97,616,354	74.51	5,492,093	8,484,538	64.73	12,779,508	16,974,192	16,819

CALENDAR YEAR[5]

	RPK %	ASK %	PLF	FTK %	FATK %	FLF	RTK %	ATK %	PAX %
1998	-1.46	-0.76	-0.49	-2.47	1.13	-2.47	-2.36	0.48	-2.82
1999	9.08	3.43	3.75	13.95	11.50	1.47	12.15	7.45	9.33
2000	10.95	7.21	2.53	10.61	9.19	0.89	11.26	8.08	9.85
2001	-3.50	1.47	-3.67	-8.10	-0.91	-5.03	-5.93	0.08	-0.73
2002[6]	-4.17	-4.87	0.55	1.71	-2.72	2.82	2.01	-6.35	-1.43

Note:

1. The consolidation includes 15 participating airlines. Consolidated results are subject to revision as GA FEB 2002, QF JAN 2002 and FEB 2002 are not available.
2. KA and NZ do not participate in this report.
3. AN data from JUL 1998 to JUN 2001 only. VN data from JAN 1998 onwards.
4. CY denotes Calender Year (January - December): JAN - FEB 2002.
5. YTD comparison: JAN - FEB 2002 v JAN - FEB 2001.