Orient aviation

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The Young Master

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China Southern's youthful new president outlines his airline's greatest challenges

Photo: Patrick Dunne

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SAFETY WINS ALL ROUND

A lot is regularly made of the sometimes strained relation ships between airline management and their pilots. News pages the world over and the experiences of the global flying public testify to this.

There are cockpit crew industrial go-slows, pilot sick-outs or direct withdrawal of labour because of this corporate *frisson*. If you are a passenger stuck in the middle of these disputes and they happen to you once too often, the experience can jaundice your relationship as a customer of the airline.

So it is encouraging knowing that when it comes to innovations to improve air safety, these conflicts are put aside and enlightened thinking comes into automatic play.

Such a happening is taking place at some airlines around the world – Air New Zealand and Cathay Pacific Airways are the lead airlines in the Asia-Pacific in this project – with the application of the innovative U.S developed Line Orientated Safety Audit (LOSA). See story page 16.

LOSA is a crew check programme developed by the University of Texas Human Factors Research Project. It allows pilots authorised by both cockpit crews and the airline's management to sit in the jump seat and monitor the work practices of flight crew on any given journey. The sole aims of a LOSA are to pinpoint the mistakes of airmen and women before an accident happens and to provide a record of what happens in flight operations. Several carriers, including Continental Airlines and Delta Air Lines in the U.S., conduct regular LOSAs.

Said Cathay Pacific Airways LOSA project leader, Captain Greg Markson: "There are lots of ways to say what happened when something goes wrong in the cockpit, but not why it happened. What will come out of our first LOSA (to start in May) is that we are doing well, but we have been told there are three or four things that will surprise us. We can't wait to find out what they are." He has the full support of his cockpit crew for the first LOSA.

Orient Aviation congratulates the Cathay Pacific crews and Air New Zealand flight ops (they have already successfully tested the programme), management and indeed everyone involved in such an exacting programme intended not only to maintain present safety standards in flying, but to improve them.

BARRY GRINDROD
Publisher/Managing Editor

CONSOLIDATE OR DIE: Addressing The Wings Club in Washington D.C. in March, the deputy chairman and chief executive of Singapore Airlines, Dr Cheong Choong Kong, said global aviation industry consolidation is the only way to improve its below average return on investment and continue to upgrade service and safety standards. However, he added consolidation means nations must lift restrictions on foreign ownership – a policy that the U.S. international carriers have not wholeheartedly embraced. There is a 25% limit on foreign investment in American airlines. Dr Cheong called the U.S. rule "archiac". "If investment is needed to re-equip, upgrade services and expand, does it matter where the additional equity is coming from as long as it is of good repute?" he asked. Over to you, President Bush.

PERSPECTIVE

CONFUSION: There is now great doubt the explosion that blew apart a parked Thai Airways International (THAI) B737 at Bangkok Airport, on which prime minister, Thaksin Shinawatra, was scheduled to travel, was caused by a bomb. The Thai authorities were convinced sabotage was to blame for the explosion that killed a flight attendant and offered a reward for information leading to the arrest of the culprit. But now the U.S. National Transportation Safety Board are said to believe the explosion was an accident. The Thais have said they will go by the findings of the Americans because "their equipment is better". As a result of the alleged mishandling of the incident by investigators, the THAI chairman, Mahidol Changtrankurn, and his board agreed to resign after pressure from the new coalition government.

CONFIDENCE: Principals of CITIC Pacific, the Hong Kong arm of the mainland government's largest trust company, China International Trust and Investment Company, announced in March they would invest some of its latest fiscal year US$440.39 million profits in China's aviation companies, with a special interest in cargo. CITIC Pacific holds about 25% of Hong Kong's first carrier, Cathay Pacific Airways and is a 28% shareholder in the Special Administrative Region's second international airline, Dragonair. The airline is itself majority owned by mainland Chinese interests and, significantly, is expanding its cargo operations.

SHOOTING STAR: For those of us around in the early nineties, Kong Dong was the man responsible for running the newly upgraded Shenzhen International Airport, in the Shenzhen Special Economic Zone, the mirror region across the mainland border from Hong Kong. A few years later, he was in charge of the extensions to Beijing Capital Airport and brought the construction project in on time. For his efficient efforts, he has succeeded Wang Guixiang as executive director and president of the China National Aviation Corporation (Group) Lt. in Hong Kong.

THAI chairman Mahidol Changtrankurn: resigned along with his board after pressure from government

TECHIE: Koh Boon Hwee, current chairman of Singapore's Internet Technology Group and a former managing director of Hewlett-Packard Singapore, is a new member of the Singapore Airlines (SIA) board. Harvard University MBA holder Koh also is chairman of Singapore Telecom, Singapore Post, Omni Industries and serves on the Nanyang Technology University Council. Last year SIA announced a multi-million dollar investment programme in Internet technology development and applications, an area of the airline's operations to which Koh, a graduate in mechanical engineering, will no doubt contribute.

DECLINED: First James Strong, until recently the chief executive of Qantas Airways, decided against running for the office of director general at the International Air Transport Association (IATA) because he wanted a complete break from aviation. And now the region's other popular contender, Peter Sutch, a Swire executive director and a former chairman of Cathay Pacific Airways, has also decided not to stand for the office. The voting for a successor to Canadian Pierre Jeanniot will be conducted late in April.

TESTING NUMBERS: At the annual Airbus Industrie technical press briefing in March in Toulouse, one of the A380 gurus explained why they designated the former A3XX, the A380. First to go was the A370 because the "7' was too closely associated with the airliners of its rival, Boeing. The A350 and A360 respectively, also received the corporate and marketing thumbs down before, eh voila, the A380 – "two A340s sat on top of each other" – was chosen. Number eight also is considered very lucky in Asia cultures. The rest is [Airbus] aviation history.

ACTION: Delegates from the 18 member carriers of the Association of Asia Pacific Airlines (AAPA) held the second of two regional meetings in March to develop " a clear picture of the evolving issues" related to Deep Vein Thrombosis (DVT) and "to sift speculation and rumour from fact" and make accurate information widely available to the general public, an AAPA press statement said.

Safety first

Orient Aviation's chief correspondent, Tom Ballantyne, has been appointed to a new International Air Transport Association (IATA) programme, the Air Transport Safety Information Project (ATSIP). Preliminary discussions to set up the global scheme – intended to encourage responsible reporting and educate non-aviation specialist journalists in the issues of the industry – were held in the U.S. in April. The first seminar will be held in June, shortly after the Paris Air Show (June 17-24).

REGIONAL ROUND-UP

New MAS boss outlines two-year recovery plan

Datuk Mohamed Nor Yusof, the new managing director of Malaysia Air lines (MAS), announced his very general two-year plan to revive the struggling national carrier, after it was revealed it lost Malaysian ringgit (RM) 843 million (US$221.84 million) in the nine months to December 2000. The RM8 billion indebted airline must be more efficient, develop an effective network strategy, impose an organised airline operating framework and legal entity for the group and re-structure the balance sheet. He said that other airlines in the same situation as MAS had taken one or two years to return to profitability. "That sounds reasonable to me. We are not unique," he said, and added MAS had a disproportionately large amount of debt and incurred high financial charges against its cash flow. "There is an obvious and urgent need to de-gear the company's funding structure and re-assign the balance to a more manageable level," admitted the former finance ministry adviser.

At press time Airbus Industrie introduced its long range A340-600 to the world with a ceremonial "roll-out" at its Toulouse headquarters. See page 48

Better business, reduced costs at CAL

China Airlines (CAL), Taiwan's largest airline operator, said revenue growth of 14.5% this year for CAL would be underpinned by an increase in passengers and cargo between Taiwan, Hong Kong and China. Said CAL president, Christine Tsung Tsai-yi, in Hong Kong in March: "we expect revenue to reach NT82.38 billion (US$2.52 billion) this year, with net income to rise by 11% to NT$3 billion." The airline will announce a re-financing plan with an aircraft leasor soon, including a re-structuring of its costs for its freighter fleet, that will save CAL US$650 million over 15 years. As well, insurance premiums had shrunk to NT$800 million this year, she said.

Hainan makes money for Soros

In an example of immaculate timing, international financier George Soros is in the process of selling part of a 14.79% equity in Hainan Airlines that is owned by one of his companies, American Aviation LDC. In late March, Chinese regulators approved a request from Soros to transfer his A and B shares (domestic and foreign equities) from the status of "legal person" to tradeable shares. Soros bought into Hainan Airlines, which now has a fleet of 46 airplanes, when its dynamic president, Chen Feng, went to the U.S. to raise funds to reduce debt in his airline after it become a public company in 1993. He won Soros over and now the U.S.-based investor has seen his shares increase in value to U.S.72 cents from U.S. 24.49 cents.

Meanwhile, the airline has received permission to buy 51% of unlisted Xinhua Airlines from the state-owned Shen Hua Group for US$97.6 million. Provincial government-owned Hainan Airlines has said it is against the government plan to consolidate the CAAC's 10 airlines under the banner of the country's top three carriers, Air China, China Southern Airlines and China Eastern Airlines.

World's alliances forge new China links

Juergen Weber, head of Star Alliance lead member, Lufthansa German Airlines, confirmed he had recent discussions with senior managers of his Beijing-based code-share partner, Air China, on strengthening ties and support for service and product at the China carrier. By coincidence, Cathay Pacific Airways' (CX) chief operating officer, Philip Chen, announced CX, a member of the rival oneworld alliance, had signed on Shanghai-based China Eastern Airlines as a partner in its frequent flyer programme, Asia Miles, within days of Weber's discussions.

Boeings to replace Tupolevs at Xinjiang

While China's central civil aviation authorities continue to analyse all aspects of the grand plan to merge the nation's carriers into a streamlined group of three air operating conglomerates, Xinjiang Airlines, likely to join the China Southern camp, has sought permission to replace five Russian aircraft with three Boeing jets, either -737s or -757s. A Xinjiang spokesman, Xu Bin, was reported by the *Asian Wall Street Journal* to have said the company is in negotiations for the aircraft to replace the ageing Tu-154s. Xinjiang – in the remote north west of China – has six B757s, three B737s, five ATR turboprops and two Ilyushin Il-86 airplanes.

Foreign code-shares to resume says KAL

In a rare public appearance before the media, Y. H. Cho, chairman of Korean Air (KAL), said his airline would resume code-shareing with Air France and Delta by the end of 2001. "Through a recent audit, Delta and Air France confirmed we are taking the appropriate safety measures," he said. Following a series of KAL accidents which took scores of lives in the last five years, Delta cancelled its code-share agreement with KAL more than two years ago, a decision which forced the airline to implement a third party multi-million dollar flight safety re-training programme with

FlightSafety Boeing. To ensure objectivity in testing standards, KAL also agreed to hire its first senior ranking foreign flight operations director.

BRIEFLY. . .

AIRPORTS: Despite the nervousness of the rest of the aviation world, Korea opened its new airport at Incheon on March 29, certain that any launch glitches will quickly be resolved, the airport management said at press time. Following the transition of the Portuguese colony of Macau, at the tip of southern China, to a mainland Special Administrative Region in December 1999, the Chinese Government has granted the present airport operators, Sociedade do Aeroporto Internacional de Macau S. A., an extended concession to run the Macau Intenational Airport until 2039. Operators of the proposed new Guangzhou Baiyun (White Cloud) International Airport are pressing ahead with their plans to mount an Initial Public Offering (IPO) for the airport on China's Shanghai Stock Exchange, with the intention to offer 300 million A shares to the market.

LEASES: Shanghai-based China Eastern Airlines Corp., one of the "Big Three" mainland Chinese carriers, is seeking final approval from the nation's State Development and Planning Commission to expand its fleet to 72 aircraft through a leasing deal for 10 Boeing 737-700s, according to mainland media reports in late March. Wuhan Airlines, in the central west of China, took delivery of the first of two Boeing 737-800s leased from New York-based CIT Aerospace, a unit of Capital Finance. The second airplane is scheduled to arrive at the airline in June. Wuhan Airlines operates six Boeing 737-300s and five Xian Y-7s. CIT Aerospace also has concluded a deal to lease three Airbus A319s to China National Aviation Company (CNAC) subsidiary, Zhejiang Airlines, as replacements for three Bombardier DHC-8-300 turboprops, with deliveries to start early next year.

ORDERS: Cathay Pacific Airways placed orders in March for three Airbus A340-600s (leased from the International Lease Finance Corporation with delivery in 2002-03), three A340-300s (bought from Boeing Aircraft Trading and to arrive at the airline from June -September this year) and one A340-300, purchased from Airbus Industrie (flying from next November).

Middle Eastern carrier, Qatar Airways, has ordered two of the super carriers, the Airbus A380, and five A330-200s, with options for three more A330-200s.

Cathay Pacific Airways has bought a Bombardier Learjet 45 pilot trainer, and has an option on another of the aircraft, that will be operated on the carrier's behalf at the BAE SYSTEMS Flight Training School in Parafield, South Australia. Cathay Pacific cadet pilots will be trained on the aircraft as part of their qualifications for promotion to first officers and from first officers to captain's rank. The first trainer jet will arrive at Parafield in the Antipodean Spring.

ROUTES: Air Canada and Japan's All Nippon Airways (ANA) are code-sharing on the non-stop four times weekly service between Nagoya and Vancouver, with an increase to daily flights planned by May. ANA also commenced cargo code-shares with Vietnam Airlines from Tokyo and Osaka to Ho Chi Minh City. Continental Airlines launched its non-stop direct services to New York from Hong Kong in March and is being closely followed by U.S. rival, United Airlines. Home carrier, Cathay Pacific Airways, could start non-stop services to New York later this year according to its management. The carrier has launched four weekly direct flights from Hong Kong to Delhi, a decision followed in early April by United Airlines' resumption of services to the Indian capital. Thai second-tier carrier, Bangkok Airways, will commence daily flights to Thai holiday resort, Hua Hin, from Bangkok in May. China Airlines (CAL) added four round trip Taipei-Bangkok services from March 25, 50 additional services on the Hong Kong-Taipei route and eight more flights to Phuket from the Taiwanese capital in April.

CAL also has won fifth freedom rights out of Abu Dhabi to Rome from March 25. China Southern Airlines (CSA) will code-share flights with Yunnan Airlines, based in Kunming, on flights between Guangzhou and the southwestern Chinese city. Hong Kong-based regional carrier, Dragonair, which is majority owned by mainland Chinese interests, will increase its flights from 173 to 205 in its summer schedule, adding five new flights a week from Hong Kong to Beijing and eight new services between the southern Special Administrative Region of China and Shanghai. It will also add another service to Kaohsiung in southern Taiwan from Hong Kong and increase services by up to two flights a week to all major Chinese cities in its route network. Emirates Airline will increase its four times weekly service to Jakarta to daily flights in December. Star Alliance partners, Singapore Airlines (SIA) and Lufthansa German Airlines, expanded their code-share services from SIA's Lion City base to offer three times weekly services to Munich. SIA will increase its flights to Frankfurt to double daily services from July 1, taking the airline's flights to Frankfurt from Singapore to 11 a week.

In Hong Kong, Lufthansa introduced direct services between the Chinese Special Adminstrative Region and Munich from March 25, initially three times weekly. Philippine Airlines (PAL) and Garuda Indonesia commenced code-share services between Manila and Jakarta at the end of March, with Garuda taking a share of seats on PAL out of Jakarta on the four times weekly service. PAL resumed flying to Jakarta last December as the region recovered from its late nineties economic recession.

Cathay Pacific stuns with record profit

In March, Hong Kong-based international carrier, Cathay Pacific Airways, announced a 130% increase in profit, to HK$5 billion (US$641 million), for the 2000 fiscal year and said it would continue to expand despite the signs of less positive economic times. The airline's chairman, James Hughes-Hallett, said the result more than doubled the year 1999-2000 profit of HK$2.18 billion and also beat analysts' forecasts that had settled around HK$4.68 billion. In 1998, Cathay Pacific recorded its first loss ever, of HK$542 million, in the wake of the Asian economic recession. Turnover from passenger services rose from HK$18.98 billion to HK$22.88 billion year on year. Cargo turnover improved from HK$8.39 billion to $10.13 billion. Total turnover was HK$34.52 billion, a HK$5.82 billion increase over the same period last year.

Hughes-Hallett said at the annual results press conference that 2001 will be a challenging time but that the airline is sufficiently adept to manage the probable difficulties ahead. "People are well aware there are signs of weakness in the U.S. and Japanese economies, but that does not cause us much concern," he said. Cathay Pacific's deputy chairman and chief executive, David Turnbull, said in a letter to all the airline's staff – who will receive up to six weeks profit share from the results – that the outlook for 2001 appears less positive with fuel prices remaining high, the turndown of two leading world economies and the resulting company cutbacks on spending and expansion plans.

Airbus arrives at EVA as profits slow

EVA Airways, Taiwan's second international carrier, revised downwards its expected net profit for 2001 compared to 2000. A company statement said net profit should be about NT$2.15 billion (US$66.3 million) this fiscal year compared to NT$2.51 billion a year ago. However the company said revenue for 2001 will rise 8.7% to NT$59.27 billion from NT$54.53 billion in 2000. In the meantime, Airbus Industrie has added EVA to its client list with the announcement the Taiwanese company has bought two A330-200 261-seat (30 business and 231 economy) aircraft and will lease six more of the same airplanes from GE Capital Aviation Services (GECAS). General Electric's CF6-80E1A3 engines will power the aircraft, with deliveries to start from early 2003.

Briefly . . .

Philippine Airlines (PAL) said in March it expected to announce a net income of 500 million pesos (US$9.03 million) this fiscal year, compared to 46 million pesos on 2000, according to enigmatic PAL chairman, Lucio Tan. Qantas Airways chair, Margaret Jackson, said the international airline would continue to lobby the national government with the goal of increasing investment by a foreign carrier in Qantas from a maximum of 25% to 49%. British Airways (BA) boss, Rod Eddington, said in March the carrier will not increase its 25% equity in Qantas. SIA Engineering Company (SIAEC) has sold almost half of its 9.09% equity in Taikoo Aircraft Engineering Company (TAECO) in Xiamen, China, to TAECO majority owner, Hong Kong Aircraft Engineering Company Ltd (HAECO) for US$3.35 million. SIAEC said it made US$1.5 million on the deal.

Other TAECO shareholders include Cathay Pacific Airways, Japan Airlines and the Boeing group. Ansett Australia and Air New Zealand Engineering Services (ANZES) have won a US$80 million contract to maintain 50 aero-derivation gas turbines, to 2007, for global natural gas company, the El Paso Corporation. Boeing has invited its three Japanese partners, Mitsubishi Heavy Industries Ltd, Kawasaki Heavy Industries Ltd and Fuji Heavy Industries Ltd, to build the wings and other components for its proposed B747stretch jumbo, the 747X.

LETTER TO THE EDITOR

*Mark Turner's ventilation in "New airport opens the way for Metrojet (March 01/*Orient Aviation*) reflects the typical "heads I win, tails you lose" mentality with which some Hong Kongers make use of the "one country, two systems" arrangement put in place for mainland China and the Hong Kong Special Administrative Region (SAR) of China. That is, they cite the "one country" in isolation when it suits them to do so (as Turner does), but they also cite the "two systems" in isolation when it suits them to do so.*

It was at the behest of the non-Chinese interests, not least the aviation interests, that this arrangement was negotiated into the Sino-British Joint Declaration on the future of Hong Kong, now enshrined in the Basic Law of the Hong Kong SAR. This is so that the non-Chinese airlines existing in Hong Kong before July 1997 may continue to operate from that handover date onwards (Basic Law, Section 135). Pursuant to the principle of this "one country, two systems" arrangement, the mainland and the Hong Kong SAR are, in the civil aviation context, treated as two separate air service territories/bilateral contracting parties.

This treatment was re-affirmed in the Memorandum produced in February 2000 pursuant to the Basic Law, Section 132, governing air services operated between the mainland and the Hong Kong SAR. Section 1 of the Memorandum sets out this bilateral status. Therefore, as long as the mainland authorities charge all non-mainland air carriers, for example, Metrojet of the Hong Kong SAR and Jet Aviation of Singapore, at the same rates and fees for services rendered, practice is in keeping with the agreed principle. That is, the playing field is level. It is "cricket". The same applies if the SAR authorities charge Mark Turner's Beijing-based competitor fees at the same rates as they do Jet Aviation, which they do.

Now, there is nothing wrong with the mainland authorities charging this Beijing-based operator fees at lower rates for services rendered over the mainland while flying between the mainland and the Hong Kong SAR. It is the other "system's" prerogative. By the same token, airport taxes are set lower in the mainland in respect of domestic service passengers than in respect of international service passengers (including mainland citizens travelling to the Hong Kong SAR).

Peter Lok
Former Director
Hong Kong Civil Aviation Department

An air safety tool involving independent observers in the cockpit is winning the support of pilots and is set to become standard global industry operating practice within five years. Asia-Pacific carriers are already breaking new ground with the concept.

Cockpit breakthrough

By Tom Ballantyne in Hong Kong

Three Asia-Pacific airlines are preparing to use an evolutionary new safety pro gramme in the cockpit to break fresh ground in the ongoing fight to reduce air accidents.

A host of other airlines in the region and worldwide have begun to collate information and study the use of Line Orientated Safety Audits (LOSA), a breakthrough crew check concept which, for the first time, will give carriers a record of what happens on the flight deck during daily operations.

Designed by the University of Texas (UT) Human Factors Research Project, it is now emerging in an operational form and is potentially the biggest advance in air safety improvement in decades.

Until now flight crews have staunchly rejected anything that resembles "spy in the cab" techniques. However, the key to LOSA is its ability to allow independent, trained observers into the cockpit on a non-jeapordy basis – pilots are not identified, nor is their specific flight – to record exactly what goes on, including cockpit crew errors, threats to flight safety and how crews deal with them.

For the first time, instead of reacting to accidents using material collected from flight data recorders after the event, LOSA pinpoints crew errors and highlights the reasons why crashes might happen in the first place.

LOSA has won the backing of the International Civil Aviation Organisation (ICAO) and its advocates hope it will be employed by all the world's airlines as part of standard operating procedure within about five years. Its development is partially funded by the U.S. Federal Aviation Administration (FAA).

EVA Air: the third Asia-Pacific carrier to decide to implement a LOSA programme

In March, the first regional seminar to discuss LOSA was hosted by Cathay Pacific Airways in Hong Kong. In May, Cathay will become the first Asian airline to conduct a LOSA. It will take two months, with its findings expected later in the year.

In the South Pacific, Air New Zealand (Air NZ) conducted a LOSA in 1998 in conjunction with UT. It plans another safety audit, this time covering all operations of the newly formed Air NZ Ansett Group. Taiwan's EVA Air also has decided to implement a safety audit in the near future.

Air NZ's safety boss, Chris Kriechbaum said the carrier's LOSA had helped remove the "scatter gun" effect of training and led to a re-focus of the airline's error management and command courses as well as bringing about changes to standard operating procedures.

Other Asia-Pacific carriers showing interest in LOSA and whose representatives attended the Hong Kong seminar are Singapore Airlines, Qantas Airways, Malaysia Airlines, China Airlines, Japan Airlines, All Nippon Airways and Chinese operators, China Northern Airlines and Xiamen Airlines.

Representatives of Boeing and Airbus, as well as civil aviation regulatory authorities, also were present.

Brian Greeves, a Cathay Pacific captain and the chairman of the International Federation of Airline Pilots Association's (IFALPA) aircraft design and operations committee, said the LOSA concept was "compelling".

"The ability to be able to observe normal line operations and to find out what is being done well and what is not being done so well and, most importantly, why this is the case is obviously exciting," he said.

The results could be used to drive training, company culture and other systemic changes, he added.

"However, to be effective LOSA must be

accepted by the crew. It can only happen if there is a genuine non-jeapordy exercise that occurs, in turn, by involving the pilots.

"This translates into an agreement with the pilot association, pilot representation on the steering group, selection of the observers and through all stages of the programme.

"Ultimately, LOSA can only succeed if pilots see management making positive changes as a result of this programme," said Greeves.

Malik Ghandour, a Boeing B747-400 check captain and general manager standards at Taiwan's China Airlines said he will make a presentation to the carrier's senior management to "push along the idea" to the rest of the airline. "I am hopeful we will be in a position to conduct a LOSA before the end of this year," he told *Orient Aviation*.

The technical director of the Kuala Lumpur-based Association of Asia Pacific Airlines (AAPA), Leroy Keith, said in Hong Kong information on the programme would be presented to the AAPA's technical working group and possibly the Assembly of Presidents later in the year.

IATA is being kept abreast of developments through its safety advisory committee, which received its latest briefing in late February.

One critical indicator of LOSA's future success is it appears to have the backing of pilot unions. They believe the programme could make a vital contribution to air safety planning without identifying or pinning blame for errors on individual pilots.

Audits conducted as part of UT's research project with U.S. majors Continental Airlines and Delta Air Lines, as well as Air NZ and others, have led to some startling findings. (see breakout story elsewhere on this page).

Captain Dan Maurino, of ICAO's Flight Safety and Human Factors programme, believes LOSAs will eventually replace traditional line checks conducted on pilots by airlines and regulatory authorities, a development which would mark a radical departure from accepted practice. "The objective of the line check is to judge the crew's performance against standards. LOSA does this, but it does it better," he said.

A LOSA takes away the pressure of being in the check spotlight and opens a window to, until now, unseen pilot actions.

Maurino, a former captain with Aerolineas Argentinas, is the driving force behind turning LOSA from a research project – developed under the guidance of aviation psychology guru and UT human factors research project director Professor Robert L. Helmreich – into an operational standard. Both men are convinced it is vitally important for the future of air safety.

Just how important was underscored in March when ICAO announced that last year 755 people died in 18 aircraft accidents involving scheduled passenger services on aircraft with a maximum take-off mass of over 2,250kgs.

That compares with 499 deaths from 21 accidents in 1999. The accident rate, measured in passenger fatalities per 100 million passenger-kilometres, rose from 0.02 in 1999 to 0.025 in 2000.

While the percentage remains very low the air safety community is becoming increasingly worried the raw fatality figures will begin to look bad simply because of the massive growth in air travel over the next few decades.

"Realistically, our system is so overloaded and so geriatric, the real challenge is to keep the present level of safety. If we can manage to do that and prevent deterioration it will be a major accomplishment," said Maurino.

Later this year, LOSA seminars will be held in other regions, including the Middle East and Latin America. ICAO also will publish a LOSA manual in six languages.

LOSA has several advantages, not least of which is its cost-effectiveness. It is also flexible, adaptable for use in an airline with a large fleet (LOSA Heavy) or one with a small number of planes (LOSA Light).

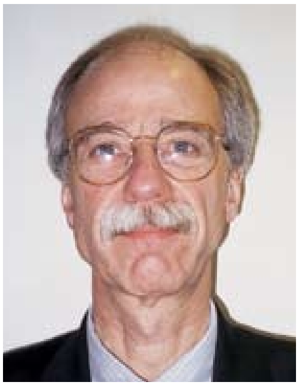
The observer's form is very detailed, covering all aspects of a flight from pre-departure through take-off, cruise, landing and taxi. It is 11 pages long, although airlines can have it tailored to their individual needs or modify it to focus on specific areas of concern.

Observers include a narrative in the report about the crew and other aspects of the flight that would not be available during normal question and answer style research. Crew interviews are conducted, although it is entirely up to the captain to decide if he takes part.

Information can be gathered on:

- violations by the crew which might suggest poor procedures, weak leadership by the captain and/or a culture of non-compliance.
- procedural errors that may indicate poor workload management and/or poor procedures.
- communication errors which may reflect inadequate CRM or complacency.
- proficiency errors, suggesting the need for more training and better monitoring by check airmen.
- decision errors, which may indicate a need for more CRM training on expert decision making and risk assessment.

Helmreich said it would be up to the carriers to conduct the audit or to seek help from UT as a central clearing-house for the data.



Capt. Dan Maurino, head of ICAO's Flight Safety and Human Factors programme: believes LOSAs will eventually replace traditional line checks

Findings from LOSA audits:

- *cockpit crews make errors on 68% of all flights.*
- *there is an average of two errors made by pilots on every flight.*
- *the most errors recorded on a single flight were 14.*
- *most common flight crew errors involve automation (31% of all errors) and checklists (21% of all errors).*
- *most crew errors (40%) and threats to safe flight (39%) occur during the descent, approach and landing phase, the period when, in 1999, 66% of fatal and non-fatal accidents occurred worldwide.*
- *72% of flights face at least one external threat to their safe operation.*
- *adverse weather and air traffic control events or errors each account for 34% of external threats to flights, with aircraft malfunctions the next most common at 15%.*
- *some 85% of crew errors are inconsequential; they don't lead to incidents or accidents. Thus they are never officially reported with the result that airlines do not know what is going on in the cockpit during everyday operations.*

Cathay the first Asian carrier to adopt LOSA

When Cathay Pacific Airways senior Airbus A330/340 captain, Greg Markson, was called to the management offices by one of his bosses for "a chat" last year, his first thought was; what have I done wrong?

However, Markson had not erred at all. Already assistant manager of the airline's cockpit resource management (CRM) programme, he was being asked to take the lead in a new project called Line Orientated Safety Audit, or LOSA.

The project has the potential to tell the airline what it had never known before, what really happens behind the cockpit door on daily flights.

Now Cathay's LOSA project leader, Markson did not have to convince anyone the audit would be a good idea. Management was already sold on the concept. The clincher, about a year ago, had been a visit by a Cathay team to U.S. major Continental Airlines, which conducted several of the audits over a number of years.

The Hong Kong airline's executives were so impressed by what the Houston, Texas-based carrier had told them, that there was never any question of the airline not embracing the LOSA project.

Even then, Markson did not jump at the job immediately. Before he accepted, he laid down seven conditions. Among them were two critical demands; the entire process had to be totally transparent and it had to have the support of the pilots' union. Without union backing, the exercise was pointless, he felt.

The result has been 100% backing from all parties and the green light for a fleet-wide audit, expected to take two months, which will begin in late May.

"There are lots of ways to say what happened when something goes wrong in the cockpit, but not why it happened," Markson told *Orient Aviation* during the region's first LOSA week, held at Cathay Pacific's headquarters, Cathay City, in March.

Finding out why things go wrong is not the entire story. "What will come out of this first is that we are doing well," said Markson.

"However, we have been told there are always three or four things which surprise everyone. We can't wait to find out what they are."

Over the past few months Cathay has been selecting observers who will sit in the cockpit jump seat and gather the detailed information on crew performance.

The selection process was critical because it required both the company and the pilots' union to be satisfied with each observer. Both sides submitted their own list of candidates and each was able to strike out names they did not want, with no questions asked. The final group of observers will complete a two-day training course in May.

Captain Greg Markson: 100% backing for Line Orientated Safety Audit project

Markson said the observers would operate on 140 flight sectors across the entire fleet of Boeing B747-400s, B777s, Airbus A330 and A340, and B747-400 freighters. The only aircraft not involved would be two B747-200 freighters.

Cathay also has picked out four "spikes", routes on which cockpit flight recorder data has identified the highest incidence of "events". These are flights to San Francisco, Anchorage in Alaska, Seoul and Denpasar in Indonesia.

There are two aspects to Cathay's LOSA programme that will be significant for researchers at the University of Texas Human Factors Research Project, who developed the concept. It will be the first that involves an airline that flies ultra-long haul routes and the first LOSA programme for an Asian airline, which will likely raise cross-cultural issues.

Cathay, however, is no stranger to cultural issues. Markson said when he first joined the airline 11 years ago there were seven nationalities in the cockpit. "I think we now have 29 nationalities," he said.

The airline has had its CRM programme in place for a long time and today CRM is a joint cockpit/cabin crew exercise. "One of the big issues we concentrate on is communication. When you combine pilots and cabin crew of over 60 nationalities communication is something that needs serious attention," he said.

Markson said Cathay expected to have a LOSA report on the table for review by the end of 2001. This will be followed by the task of implementing changes arising from the findings.

Cathay Pacific Airways: first Asian airline to adopt the LOSA programme

Mr Safety

TOM BALLANTYNE *meets Robert L. Helmreich*
the man whose name is synonymous with air safety

When it comes to human factors and safety aboard the big jets of the world's airlines it is fair to say there are not too many people who know more than Professor Robert L. (Bob) Helmreich.

That is hardly surprising. He has spent decades studying the psychology of human performance from the ocean floor to the far reaches of outer space and pretty much everywhere in between.

The director of the Human Factors Research Project at the University of Texas in Austin is almost a legend among aviation safety professionals, the author of many oft quoted papers on the subject and a much sought after speaker at major conferences and seminars the world over.

Helmreich's team of full-time doctoral students and researchers has blazed new trails in helping the aviation industry understand how cockpit and cabin crews cope – or fail to cope – with the complex world surrounding them.

In essence, the Texan university project investigates issues involved in crew selection, training, and performance in both aviation and space environments. A former U.S. Navy officer, Helmreich himself has conducted research on high performance groups such as submariners, aquanauts, astronauts and pilots on behalf of NASA, the Office of Naval Research, the Federal Aviation Administration (FAA) and, of course, airlines.

In aviation, he and his team have redefined and refined processes in the critical area of cockpit resource management (CRM), helped highlight cultural issues, brought new insight to the human/technology interface and thrown authoritative light on how pilots deal with the computer-heavy cockpit.

But above all, Helmreich has developed a genuine love for aviation. "It is the commitment of the industry to do the right research and then take it and make it run. With airlines, I can take research data from Texas and turn it into something that is real," said the professor.

"Most psychological research ends in obscure journals only your mother reads and she does not really read it, she just looks at the title and says my son wrote it. That is nice, but it does not give you a sense that you are really achieving something. Aviation has a willingness to change and its openness to ideas is just phenomenal."

Robert L. Helmreich: Alertness management is going to be one of the big areas for study

No one can accuse Helmreich of being under-qualified. He obtained his BS degree in psychology, sociology, anthropology and biology at Yale University before spending four years with the Navy.

He returned to Yale, earning his M.S. and Ph.D. in personality and social psychology. Now a fellow of the American Psychological Association, the American Psychological Society and a former editor of the Journal of Personality and Social Psychology, he also is a visiting professor at the University of Basel/ Kantonsspital in Switzerland.

He was chair of an FAA working group to develop the U.S. National Plan for Aviation Human Factors. A member of the National Academy of Sciences Committee on Human Factors, he received the Flight Safety Foundation Distinguished Contribution to Aviation Safety Award in 1994. He also has been honoured for his work in the development of CRM.

While there is no mistaking his deep commitment to promoting the cause of aviation safety, Helmreich is convinced concepts developed for airlines can be extended to other domains. He is currently working on ways to apply threat and error management training to medical teams.

"As the pilot force gets older they should be very happy that people are thinking about keeping them safe. They are not going to die in a plane crash. They are going to die in hospital.

"I sense medicine kills a lot more people than the aviation industry. The estimate is 90,000 people a year die in the United States [as a result of medical mistakes], so if we can do in medicine what we have done in aviation over 20 years it would be tremendous."

Whatever avenues the University of Texas project team explores, aviation will always be at the core of its work. Helmreich said the surface had hardly been scratched by past and ongoing research projects. "We don't even know the precise link between threats and errors. We know there is one, but there are some very complex issues."

The Line Oriented Safety Audit (LOSA) project, which many believe may become a historically crucial tool in preventing air accidents, began as a research tool to try and discover if CRM worked. It is fast developing into an airline operational standard. But providing an operational safety tool does not deflect Helmreich from the fact that his project team is a research group. Tons of data on a host of issues still has to be collected and analysed.

As long as there are questions requiring answers, the airline industry can be certain Bob Helmreich will be there leading his team to resolve the issues that will make the world of aviation a safer place to fly.

Toller defends Australia's safety record

By Tom Ballantyne

Mick Toller, director of Australia's Civil Aviation Safety Authority (CASA) is fighting mad. He wants everyone to know the country's air safety record is still as good as it has ever been, despite a seemingly endless stream of media stories apparently suggesting the opposite is true.

What has made him angry are comments like those recently made by a Sydney radio show host who suggested that CASA was "scandalously incompetent".

There is more. "We have been described as being in meltdown, as a basket case. Certainly CASA has historically come under criticism for over a decade in its present guise, or as the Civil Aviation Authority, which preceded it until 1995. The criticism continues today," he said.

The truth, said Toller, is that it is twice as safe to fly on a scheduled flight in Australasia than it is in the two next safest regions; North America and Europe. "Forget the rest of the world. These statistics come from the Flight Safety Foundation, a world-renowned independent body whose aim is the improvement of safety in aviation," he said.

A recent overseas study, using a system developed and adopted by the Association of Oil and Gas producers in conjunction with Shell and the European Bank of Reconstruction and Development, placed Ansett as the second safest and Qantas Airways as the third safest of all major airlines in the world, he added.Australian Transportation Safety Bureau statistics show total aviation accident rates in Australia declined by 42% from 1990 to 1999. "Improvements were seen in every sector except flying training during the last decade," said Toller.

The regulator has come under intense scrutiny following a series of fatal crashes at small commuter airlines as well as incidents involving Ansett and Qantas.

While the two big carriers have suffered no fatalities, they have attracted undue attention. A Qantas Boeing B747 ran off the end of a runway at Bangkok's Don Muang airport. The landing gear on another collapsed while taxiing at Rome airport. Other minor incidents – most would normally not have made the pages of the newspapers – added to the deluge. Then Ansett had to ground six Boeing B767s after failing to conduct necessary safety checks. Another was grounded after a wrong part was installed.

Coupled with the fatal accidents involving smaller local turboprop operators over the past twenty-four months, CASA has become the focus of criticism, among them claims it is not adequately overseeing safety regulations and that airlines are being allowed too much self-regulation. "Let me make it very clear. There is no self-regulation by any sector of aviation, and particularly not by any airline, large or small," said Toller. "There can only ever be one set of regulations and therefore by definition one regulator."

CASA director, Mick Toller: it is twice as safe to fly in Australasia as it is in North America and Europe

The misconception and confusion arose because CASA, of necessity, delegates various regulatory powers to industry, he said. "This is not self-regulation however. The delegates become representatives of CASA and are required to act as though they were CASA employees. These people are periodically examined on their performance for us and the ultimate regulatory control over these delegated activities is retained by CASA.

"Delegations can be, and are, revoked. This is standard practice in many, if not most countries, and particularly the more mature aviation nations."

Toller said he had been reflecting on the reaction in Europe to the Air France Concorde crash last year. "The French authority immediately grounded the Concorde, the UK CAA did not. Neither was criticised for their actions. Evidence was produced about a number of previous incidents of tyre failure causing wing puncture. The aircraft had not been grounded, nor was it suggested that it should have been.

"What would have happened if that had been a Qantas Concorde in similar circumstances, or the Concorde had been certified in Australia? I have a suspicion that we would have lost a director of aviation safety, a CASA board, and possibly even a minister," said Toller.

He believed there was a problem confronting regulators worldwide. If a problem existed because someone in industry makes an error, the regulator and not the regulated tend to get the blame. "Yet clearly this is wrong. It dilutes the sanctions on the regulatee, someone else is getting the blame, and it reduces the pressure on them to lift their game. Why should they if the spotlight falls on the regulator for their transgressions?" asked Toller.

He defended CASA against accusations that it is unfair, treating big airlines differently from small airlines. "The categorical answer is we treat everyone the same, although the circumstances can appear different. Yes, we take action that means each year one or two small airlines are forced to close. No, we have not to date closed down any of the major airlines, although if their continuing operation is considered an immediate threat to safety, then I assure you we would."

Toller said CASA was a young organisation in a turbulent environment. It has recruited a large number of staff with recent industry experience: 89 new technical specialists in the past 24 months, with an average of nearly 39 working in the industry.

"This, when combined with those with many years of regulatory experience, allows us to put together strong teams for audits and inquiries. We have set about a significant internal review of our working practices, with the intent of focusing our resources where they do the most good and doing what we do as efficiently and simply as possible.

"There are improvements under way and more are planned. We have been in a state of change and change cannot be rushed. But they are sensible, measured improvements which add to our ability to fulfil our difficult role," he said.

New look bmi eyes Hong Kong

By Tom Ballantyne in London

Newly re-branded European regional British Midland – now bmi – has its sights set on operating scheduled services to Hong Kong as part of a Star Alliance strategy aimed at plugging a glaring gap in the global airline grouping's joint world-wide network.

Senior management officials at bmi, which became an official member of the Star Alliance in late March, disclosed to *Orient Aviation* the carrier has applied for capacity rights to the Far East and is prepared to move quickly if it wins clearance.

Taking delivery of twin-engine Airbus A330s for its first long-haul services, across the Atlantic from Manchester to Washington and Chicago from April, they said bmi has the ability to access longer range four-engine A340s "very quickly" if Hong Kong rights are granted.

Working closely with Star partners such as U.S. major United Airlines, the UK-Hong Kong plan is designed to counter the rival oneworld alliance's strength at the North Asian hub. Although Star has links from Europe to Hong Kong through flights by Lufthansa from Germany and elsewhere in continental Europe by other members, it has no direct services from a key passenger source in Britain.

Local operator Cathay Pacific Airways is a oneworld member tied in with British Airways. The other British operator flying to Hong Kong, Virgin Atlantic, is not a member of any alliance.

If bmi succeeds it will be able to link with United's long-haul trans-Pacific services as well as short and medium-haul flights of other Star operators, such as Japan's All Nippon Airways, Singapore Airlines, Thai Airways International and Australasia's Air New Zealand and Ansett.

The airline's ambitions are not limited to Asia. It is also looking at flights to the Middle East and Africa.

The plan differs from previous bmi comments that services to other regions of the world were unlikely to be launched until two or three years after the start of trans-Atlantic services.

On the back of a US$30 million revamp of the airline's livery, branding and inflight service, bmi is determined to wipe out perceptions the carrier is little more than a regional British operator based in the English Midlands.

bmi chief executive officer, Austin Reid, described the re-branding as one of the most important strategic announcements ever made by the company.

Chief operating officer, James Hogan: dramatic evolution

"We are launching the new British Midland and with it we are signalling our entry into the global airline market." he said.

"There was some scepticism about us flying trans-Atlantic. But let me make it very clear. We are very, very serious about our global, and not just our trans-Atlantic, expansion plans. We are ready to make the changes we need to meet this challenge, which is why we have chosen to create a new brand and a new look at this time."

Chief operating officer, James Hogan, said the re-branding is the tip of the iceberg. "Underneath the surface there has been a dramatic evolution going on at bmi. We have been working through a major business re-engineering exercise, a programme completely focused on one core aim; developing a new global airline, the airline of choice for the new millennium.

"We led the way in (British) domestic airline competition. We led the way in European competition and now we are ready to lead the way again in a new arena. We are ready to go global."

Despite that, global expansion is likely to be a rocky road. bmi's biggest problem will be availability of slots at London's Heathrow Airport, critical to any long-haul plans. Its U.S. flights will be operating from Manchester because the carrier has not yet been able to get trans-Atlantic rights from London.

An angry bmi chairman, Sir Michael Bishop, has gone on the offensive, complaining about unfair competition. He is especially incensed at a refusal by U.S. authorities to grant a bmi application to code-share with United from Heathrow to America, particularly because rival Virgin is code-sharing in the same market with Continental Airlines.

Sir Michael has demanded the British Government immediately terminate the Continental/Virgin code-share service. "A situation which allows additional U.S. airlines access to Heathrow routes in this way, whilst at the same time refusing a British carrier the same access, is profoundly unfair and damaging to Britain," he said in a letter to the government.

He also has asked the European Commission to conduct a review into the lack of competition on trans-Atlantic routes from Heathrow.

Gaining access to a hotly competitive Hong Kong market may also be a complex process.

British Airways and Virgin will fight tooth and nail against any suggestion bmi should be given some of their capacity.

bmi: ambitions to become a global player

EXECUTIVE INTERVIEW

EXCLUSIVE:
By Jonathan Sharp
in Guangzhou

Photographs: Patrick Dunne

China Southern's young master

At 44, Wang Changshun is preparing the mainland's largest carrier for its greatest challenges

In his first interview with a non-Chinese publication since taking over as president of China Southern Airlines, Wang Changshun spelled out a daunting agenda for the mainland's biggest carrier that ranges from an ambitious expansion blueprint down to introducing a new uniform for flight attendants.

But 44-year-old Wang, who was plucked last November from Urumqi-based Xinjiang Airlines in China's Xinjiang province, seems anything but overawed by the challenges of his new job in the humming southern city of Guangzhou – even though he has yet to get to grips with the local Cantonese dialect.

Speaking in Mandarin in China Southern's headquarters overlooking Guangzhou's soon-to-be-replaced Baiyun (White Cloud) airport, Wang described his transfer as a "normal" management reshuffle and an infusion of fresh blood as senior executives become due for retirement.

He also listed the carrier's fleet plans, its prospects when China finally enters the World Trade Organisation (WTO) and how it sees coping with the long-awaited consolidation of China's haphazard and inefficient airline scene.

Claiming to be "not very familiar" with China Southern's operations due to his recent arrival, Wang nonetheless reeled off statistics for the airline's performance last year. He also offered ideas on what the carrier has to do to raise its standards to international levels in a business destined to be ever more competitive as China opens to the world.

Unsurprisingly in view of Chinese aviation's safety record, Wang was quick to note with satisfaction that China Southern planes had flown 325,772 hours last year with "no accident due to human error".

China Southern, whose fleet now numbers 109 aircraft that fly 350 routes to 85 destinations at home and abroad, recorded increases of 11% in passenger traffic in 2000 over 1999 and 13.4% in cargo.

But the hottest topic in Chinese aviation for the past year has been moves for 10 airlines under the direct control of Beijing's Civil

Aviation Administration of China (CAAC) to regroup under three backbone carriers: China Southern, Shanghai-based China Eastern Airlines and Air China in Beijing.

Under a draft share-out plan that has yet to be finalised by China's cabinet, the State Council, China Southern is due to team up with China Northern, based in the rust-belt industrial centre of Shenyang and with Wang's former airline, Xinjiang Airlines.

Wang said China Southern had already made a successful start in the consolidation process by taking over last August a small regional carrier, Zhongyuan Airlines in Henan province, although this was not part of the restructuring ordered by the government. "The merger with Zhongyuan is successful," he said.

Wang said China Southern had also signed Letters of Intent with China Northern and Xinjiang Airlines as part of the merger process and these letters had been forwarded to the CAAC.

Analysts have said China Northern looks a less than ideal partner for China Southern, despite the obvious complementary geographical aspects. Its fleet is dissimilar and therefore incompatible with that of China Southern.

China Northern's advantage, on the other hand, is it is based in China's industrial heartland and therefore has strong ties with the political establishment.

Wang himself noted the differences in fleet make-up at both China Northern and Xinjiang Airlines, which has a number of Russian-built aircraft, but it is now expanding its Boeing fleet.

"In the course of the restructuring we have taken the cost factor into careful consideration," he said, acknowledging that during the integration of the airlines it would be difficult to lower costs in the short-term.

He said the idea was to form the head office step by step in a big triangular structure anchored in Guangzhou, Shenyang and Xinjiang, but with human resources and other assets centralised in Guangzhou.

Another airline which was possibly tipped as a parter for China Southern was Yunnan Airlines, based in Kunming in southwest China. The idea of a marriage appeared to strengthen when China Southern and Yunnan signed a code-share deal involving flights between Guangzhou and Kunming, a route the two airlines dominate.

But China Eastern is also in the running to join with Yunnan Airlines. Wang said that China Southern had held in-depth discussions with Yunnan that had been reported orally, not in written form, to the CAAC. He did not elaborate and recent reports have said that draft plans already approved by the CAAC link China Eastern with the Yunnan carrier.

Wang believes the cap on foreign investment in Chinese airlines could be lifted as the economy opens further

Asked when the mergers will be finalised, Wang said: "I believe the restructuring on the basis of the three current major air groups will achieve substantive results within this year," adding with a laugh: "I think this will be like a mother finally giving birth after a ten-month pregnancy."

Wang also sees dark and light aspects for mainland aviation when China accedes to the WTO. On the one hand WTO will strengthen passenger and cargo traffic, plus benefit the local aviation industry as a result of reduced taxes and therefore prices for imported aircraft and other equipment.

But the prospect of heightened competition by larger and better-run carriers poses obvious difficulties for Chinese airlines, whose hallmarks have too often been inefficiency, indebtedness and standards of customer service that owe more to communist cussedness than capitalist cosseting.

Wang summed up: "From a management point of view as well as a service point of view, we are still lagging well behind the world's airlines. We need to improve to fall in line with international practices."

The legal environment for Chinese aviation was also somewhat wanting, Wang said. "At present the aviation laws and regulations of China still don't cover all aspects of air transportation."

With such shortcomings in mind, China Southern is launching a number of customer service products including "Warm Heart 9000" which promises, among many benefits, to provide "timely, same-day personal advice from a real airline representative – not a machine – to smooth your journey."

"We feel confident we will make greater efforts in the 21st century to make China Southern not only big, but also strong and actively participating in world competition," said Wang.

China Southern's presence outside China and its immediate Asian neighbours has been modest to date, although last December it launched a thrice-weekly service to Melbourne and Sydney.

This is a second assault on the Australian market after a service to Brisbane, started in 1997, was dropped six months later because of what the airline calls a "poor performance".

According to diplomatic sources, not only were passengers in short supply, some of those who did board the flights from China did not possess the necessary documents to travel to Australia, for which the airline was

China Southern president Wang Changshun: his office overlooks a mist-shrouded Baiyun Airport in Guangzhou held responsible.

Wang said the new service, launched partly because Australia had been named as one of the 25 tourist destinations for Chinese citizens, had proved to be satisfactory and he expected the route to break even in about six months from the launch date.

He also expressed satisfaction with a freighter service launched last April from Shenzhen, the hard-driving Special Economic Zone adjoining Hong Kong, to Chicago operating a Boeing 747-400 freighter leased from Atlas Air.

Like other trans-Pacific cargo operators, China Southern has found loads on eastward flights to America exceed those on return flights. Wang said for the rest of this year space on eastbound flights had basically been accounted for while loads on inbound flights were insufficient. To try to counter the imbalance China Southern has added a stop in Shanghai for flights returning from Chicago.

Fresh competition looms on Pacific routes, Wang said, picking out for special mention the arrival on the scene of United Parcel Service (UPS) that last November won U.S. Department of Transportation permission to become the fourth American carrier to have China flying rights. Wang said the arrival of UPS presented a "huge challenge" to China-American cargo carriers.

'I believe the [merger] restructuring... will achieve substantive results within this year'

But China Southern's enthusiasm for cargo remains undimmed and next year it takes delivery of two Boeing 747-400 freighters, which Wang indicated would be used on trans-Pacific routes, but also could be used on services to Japan, South Korea or Europe.

On the passenger side the focus is on buying a fleet of regional jets to improve domestic services in markets with a small passenger base. Wang said China Southern had negotiated with Embraer on a deal for 20 50-seat ERJ145s.

Can an announcement be expected in the near future? "I think so," he laughed. "We would like to have this announcement tomorrow." But the deal is still subject to approval from state authorities.

The Chinese Government also has the final decision in reported moves to raise the limit on foreign investment in Chinese airlines from 35% to 49%.

As Wang said, China Southern is expanding and therefore crying out for the capital and advanced management skills that foreign investment could provide. Wang said he believed that the cap on investment would be lifted as the Chinese economy opens further. But, like so much else in the Middle Kingdom, it was impossible to forecast when this would happen. But the develop needs some time to proceed.

To help deal with last year's sky-high jet fuel prices, which Wang said had added nearly RMB 800 million (US$94.5 million) to costs last year, China Southern had introduced a number of fuel-saving measures.

These included pilots flying at the most economically favourable altitude and reducing use of airplanes' on-ground auxiliary power units (APU).

But China Southern's man from Xinjiang and his colleagues are considering what they say is an innovatory move for Chinese aviation: entering the international jet fuel futures trading market.

Despite cost pressures, Wang said China Southern will stay profitable, although as head of a listed company he can give no further details of financial performance until the next earnings report, due in mid-April.

NEW LOOK FOR CHINA SOUTHERN CABIN CREW

The first few months of 2001 have not only seen the arrival of new young boss at mainland China's largest airline. The new millennium also ushered in a new look for the China Southern Airlines' cabin crew. The new uniforms, the seventh change of cabin crew costume since CSA began operations from its Guangzhou headquarters base in 1980, were launched on CSA flights during Chinese New Year in January. The 2001 red and blue uniforms take their inspiration from the native Chinese red Kapok, which is incorporated into the CSA livery, and the symbolic wide blue skies of global aviation.

JONATHAN SHARP *in Hong Kong meets Continental's outspoken boss*

BETHUNE: shooting from the hip

In the sometimes earthy language of Gordon Bethune, the crop-duster's son who rose to be chairman and chief executive officer of Continental Airlines, the decision to launch a non-stop service between New York and Hong Kong was a "no-brainer".

"Hong Kong is a major, major route for us," Bethune said while in Hong Kong to preside over the March launch of Houston-based Continental's flight between the former British capitalist enclave and the carrier's hub in Newark, which Bethune and his colleagues unfailingly reiterate is closer to mid-town Manhattan than John F. Kennedy airport.

What's the attraction? "Money," he replied in an interview with *Orient Aviation*. He cited Hong Kong in the same league as Tokyo, New York and London as a financial centre – although places like Frankfurt might opine that they should be up there on the same list.

Bethune's enthusiasm begs the question why Continental, which has long had services linking the U.S. with Japan and also has a hub in Guam, did not focus on the New York-Hong Kong route earlier.

He explained that Continental was held up until it had the right aircraft for the job, the Boeing 777-200, and also needed permission from Russia for the Polar route that makes the service viable.

Moreover he is not slow to acknowledge the constraints imposed on Continental in the past by its dire financial straits. "We were the longest-running non-profit organisation in America," joked Bethune, who was lured from a plum job at Boeing to help rescue Continental from bankruptcy and is given major credit for its Lazarus-like comeback.

Continental's promotional literature touts the New York service as the longest scheduled non-stop flight operated by a U.S. airline and the longest non-stop flight ever flown out of New York.

But not for long. Soon after Continental announced its Hong Kong service, United Airlines jumped in with the announcement of its own flight from JFK to Hong Kong scheduled to start in April and, at 7,339 nautical miles, just two miles longer than Continental's route.

And Hong Kong-based Cathay Pacific Airways, while reporting stellar net profit figures of HK$5 billion for 2000, said it would launch its long-awaited Hong Kong-New York service at an undisclosed date this year.

Some industry observers have questioned whether so much additional capacity can be profitable for the airlines concerned, but Bethune professes not to be worried.

"Hong Kong is the largest under-served market out of New York," he said. Other Asian centres such as Taipei "pale by comparison".

Bethune said bookings for the first two months of the Continental service were good and he predicted reaching a breakeven point for the Hong Kong route in about 18 months time.

He does not expect to make a fortune out of the route, "but we will hold our own. Connecting New York and Hong Kong is a good economic decision. I can't believe that any of our competitors will make money and we can't."

Bethune is particularly dismissive of the competition posed by United Airlines – "decidedly mediocre" – which is to operate a Boeing 747-400 on its Hong Kong service. He sees the United service almost as a macho reaction to Continental: "It's a lot of testosterone, quite frankly."

He also thinks that United, which already has services to Hong Kong from Los Angeles, San Francisco and Chicago, has not done proper economic analysis of the New York route.

Continental has far better connections than United for destinations beyond New York. Passengers can connect to as many as 367 daily flights to 115 destinations worldwide, he said. "The places we go beyond New York, they don't go. United is kind of a nobody in New York."

Continental also makes much of the awards it routinely garners for its service, particularly for its BusinessFirst front-end cabin. The airline's Boeing 777-200 is configured with two classes for 283 passengers, 48 in BusinessFirst and 235 in economy.

Continental has not followed other airlines in introducing fully reclining seats for its premium class. Bethune thinks that extra width of seat is more important. "Everybody has a bigger butt than they did 20 years ago," said the no-nonsense boss.

Bethune on seats:
'Extra width is important. Everybody has a bigger butt than they did 20 years ago'

He also hammers home the need for immaculate service. "You can't have crap for pizza and be a pizza king."

The advent of Polar routes has raised the question about potential dangers posed by stronger levels of cosmic radiation in Arctic regions. Bethune played down the problem, describing radiation as a well-known and a well-understood issue. Besides, he said, people get more radiation by sitting under a tanning lamp.

The *Asian Wall Street Journal* recently quoted a Continental spokeswoman as taking the "surprising" stand that passengers and crew can seek out their own information about potential health risks from radiation.

The newspaper said the airline took the same stance towards Deep-Vein Thrombosis (DVT), whereas some carriers have been spurred into issuing information on seat-back cards, in inflight magazines or on tickets.

Bethune denied that Continental was taking the issue lightly, saying passengers were encouraged to move around and stretch. He also said the Continental flight of about 15-1/2 hours was lopping a minimum of two hours off flight times to New York. "How can that be bad for DVT?"

Rumours circulated in Hong Kong before the launch of the Continental service that the airline had encountered problems gaining approval from Russia to overfly the country. To passengers on board the first Hong Kong-New York leg of the service, the rumours appeared to gain some credence when the aircraft avoided Russian airspace, flying a standard North Pacific route.

Continental Airlines: to remain all-Boeing carrier

"Sure we had problems," said Bethune of negotiations with Russian authorities. He did not elaborate. "But we got it done and we are very happy." Russian officials involved in granting overflight approval were on the inaugural flight.

Explaining the unexpected route, a Continental pilot said headwinds dictated that not all flights flew over the Arctic.

Although Bethune and his colleagues were predictably upbeat about the prospects of the Hong Kong service, this does not mean Continental is about to make a headlong charge into other Asian destinations.

Some Continental executives have said the airline might consider opening one new Asian route per year, but Bethune was more circumspect, saying expansion depended on gaining access to new routes and obtaining appropriate aircraft.

"I think we will increase our presence in Asia, but slowly because of the cost involved," he said.

Continental wanted to fly from New York to Osaka, but access had been blocked, said Bethune. New York-Seoul was another possibility and the airline hoped to resume flights between Honolulu and Tokyo.

But he pointed out the airline was in the throes of a large-scale fleet renewal, which might inhibit rapid expansion. "We are in the process of maybe not adding so many markets as making the markets that we do have more efficient."

The ex-Boeing man said Continental, an all-Boeing airline, was not about to turn to Airbus Industrie as part of its fleet renewal. And he says he has little time for ultra-large aircraft such as the Airbus A380 or the proposed 747X.

"I know for sure on those 600 seats somebody's going to smell real bad," he said to laughter during a speech to the American Chamber of Commerce in Hong Kong, adding in a more serious tone that from a consumer's perspective he did not relish the prospect of being one of the 600 passengers trying to pass simultaneously through airport formalities.

Bethune indicated Continental did not have concrete plans for opening up operations

Bethune on service:
'You can't have crap for pizza and be a pizza king'

in mainland China, unlike other American carriers that competed hard for 10 new U.S.-China slots granted last November by the U.S. Department of Transportation.

He noted that Continental's partnership with Northwest Airlines gave it access to China through code-sharing.

Asked about load factors as the U.S. economy slows down, Bethune said Continental was seeing mixed signals. There had been some decline in yields, but on the other hand overall traffic was increasing.

"People are still flying, but businesses are being more conservative and looking for cheaper ways or not flying as much as they used to."

But he also noted that some U.S. carriers were reducing capacity, either because of reduced capacity or, in the case of American Airlines, taking out seats to give more passengers more room. "Capacity has dropped further than the economy."

Ort's legacy

Asia has a stronger voice worldwide in inflight catering

Cathay Pacific Airways catering boss and the region's first International Flight Catering Association (IFCA) president, Adrian Ort, has opted for a new challenge outside the airline industry, but he has made his mark on inflight catering. CHRISTINE MCGEE *reports.*

When the news broke that Adrian Ort, until recently the manager catering services for Cathay Pacific Airways and a director of the company's airline caterers, was leaving the airline business, most heads nodded sagely.

They all collectively seemed to believe Ort, who also was the first IFCA president from the Asia-Pacific, was bound to go somewhere else, and that it was just a question of when.

Hotel-trained, Ort, a Swiss turned internationalist, has always been a straight talker and he agreed. "I have always said I want new challenges, whether it was at Cathay, in another section of the aviation industry or outside of it."

Now, at 41, he is in his first month as head of food and beverages for the SAS Radisson Hotel and Resorts Group Worldwide, a job with plenty of challenges.

Speaking in Inflight Asia in March he said: "The job offer was sheer coincidence. I know the people well at SAS [Radisson] and we had a casual dinner together before Christmas. They asked me for a few names of people they could approach for a certain position. I sent them a short short list. The boss called, thanked me for the recommendations and said: 'would you be interested in working for us?'

"Until then the idea had not crossed my mind and I had to think very carefully about it because if I accepted I would have to leave Hong Kong for Europe. I decided I wanted it, although the timing was not perfect as it came in the middle of my IFCA (International Flight Catering Association) term as president."

Ort is particularly pleased that the Asia-Pacific has an IFCA president at last, and was very proud to have been elected president by his peers from the industry in 2000.

Adrian Ort: opted for a new challenge

His successor is from the Middle East, Samer Majali, from Royal Jordanian Airlines. Majali was an IFCA vice-president. He will be one of the contenders for a full IFCA term at the elections in Cologne in February 2002. "We have managed to move away from always having Europe-based presidents, which is encouraging for our members in the Middle East and the Asia-Pacific. We hope they feel they have a [stronger] voice in IFCA now," he said.

"I have been on the IFCA board for five years and we have tried very hard to modernise the organisation and give value-added new services to the membership. We think we might be doing the right thing as we had record numbers of attendees for this year's IFCA conference – including delegates from all the major airlines and many of the regional carriers.

We are trying to broaden our base. That is why I was glad to accept the presidency. It wrenched the position away from being UK-based. The election of Royal Jordanian's Samer Majali, as my successor, hopefully will help people see IFCA is not just about Europe. We also have made progress in our efforts to interest Mainland Chinese membership. We have made good contacts now," said Ort.

Ort told Inflight Asia he would leave Hong Kong "with a laughing eye and a crying eye". "I love Hong Kong and I am leaving a lot of good things behind. I could have stayed, but I feel I am too young to have done that. I'll get used to the Brussels winters.'"

"I wanted this new challenge. SAS Radisson has 140 properties around the world and is going through a huge expansionary phase, including developments in Asia. I will be in the region frequently."

Looking back over the years since he joined Cathay Pacific in 1989, Ort said the teams in his division have forged great changes in menus, flight service and the amenities and equipment offered on board.

"We introduced the full Japanese meal concept on Hong Kong-Japan routes in 1992 – the first to do it – and we always strive to produce authentic regional cuisine in all classes of the cabin. We have never let some overseas caterers servicing our flights put some *bak choi* (Chinese vegetable) into a dish and then labelling it an "Asian meal". Charles [Grossrieder],

What a difference a decade makes...

When Adrian Ort joined Cathay Pacific Airways 12 years ago, the passengers, the cabin and the menus came from a different place than now.

"By far the two largest groups were British and Japanese. The menus were mostly western, with only a few Asian dishes served widely across all services. Route specific catering and cabin services did not exist.

"But then the Japanese economic bubble burst and the Asian recession hit us.

"Today, the demographics are radically changed and about 80% of Cathay Pacific's passengers are ethnic Chinese – and the menus have followed the demographics. Now the menus are really designed for sector by sector, route by route and class by class," said Ort.

who has taken over from me at Cathay Pacific, feels exactly the same way about presenting only authentic cooking to our passengers.

Ort admitted he has arrived in his new job with a few pre-conceived ideas for change based on his years of being a working traveller.

"Mini-bars! He exclaimed down the line. "They are absolute rip-offs. I am going to look at how much revenue they actually make charging the prices they do. Maybe lower prices will increase our volume and produce better results and happier guests."

Other improvements on the list for his hotels – and all others for that matter – are universal data port access ("you have no idea how many hours I have spent trying to find a telephone line to connect with my laptop"), efficient and comfortable bathroom layouts and effective lighting.

Also on his (and the SAS hotels' chain) agenda are development of more and existing properties in Asia and mainland China in particular. "I'll probably be back for a visit before you realise I have left," he laughed.

Samer Majali, from Royal Jordanian Airlines: new IFCA president

Asia-Pacific and IFCA . . .

"It was unfortunate that I had to step down as IFCA president halfway through my term ([two years] but I was only eligible for and voted into the presidency as a representative of Cathay Pacific Airways.

This region is critical to the future growth of the industry but I still can't see IFCA, at this stage, bringing the annual conference to the region, in say a city like Singapore.

"I have thought long and hard about this, especially as I have been treasurer of IFCA, and know the association's figures inside out.

"IFCA can't risk staging the annual conference and exhibition in a place like Singapore because it could be looking at losing a million pounds (US$1.428 million) in revenue."

IFE trial passes with flying colours

In the dogged technical battle for dominance in IFE hardware, Matsushita Avionics Systems Corp (MASC) scored a victory in March with a successful inflight trial of its System 3000 on Singapore Airlines (SIA).

The Singapore flag carrier, which is a lead customer in the Asia Pacific for the US-based manufacturer and the 3000's launch customer worldwide, conducted the trial out of Changi International Airport on March 9.

In a MASC statement, the company said the initial inflight test on the system aboard an SIA 747-400 was successful. The retrofitted airplane had gone into service with the system operating onboard "in fully operation mode", MASC said.

Installation of the first SIA 3000 on board was completed in five days, with power-up on March 4. After a series of compulsory checks and inspections, the system took the test flight.

System 3000 was a retrofit for the 747-400 and replaced the MASC 2000E IFE PTV system, at present installed aboard most long-haul SIA aircraft. It is planned to retrofit the system, by replacing the 2000E with the 3000 over a period of several months if SIA continues to be satisfied with the performance, reliability and deliverability of the 3000.

Said MASC president, Takashi Mizuma, in a press statement: "We are delighted to report that all the IFE system functions worked perfectly." He said 17 airlines had ordered the MASC 3000 either for retrofits or for online installation on new airplanes.

Singapore Airlines: putting the Matsushita 3000 IFE system onboard

"We believe this level of customer confidence prior to the launch of a new system is absolutely unprecedented in the history of IFE and we are committed to keeping that trust," Takashi said.

"With this successful flight test under our belts and the upcoming launch of revenue services, we believe this System 3000 is already well on its way to becoming the new IFE market standard."

The MASC 3000 features MPEG2 DVD quality movies on demand and has the potential to provide Audio-Video-On-Demand (AVOD) through all classes of aircraft, including large commercial passenger airliners.

It has the capacity to carry Gameboy with 25 games, including Pokemon. It offers multiple player network PC games that allow passengers aboard an aircraft to play the games with each other no matter where they are seated in the aircraft.

The 3000 also has smart load technology, which facilitates the rapid loading of software entertainment content to the airplane. A significant improvement is the technology's ability to leave repeat content in place in the aircraft's CPU when new entertainment is loaded into the system. MASC said the "smart" loading time is "typically" 30 minutes.

ABAA close to take-off

By Jonathan Sharp

The formal launch of the Asian Business Aviation Association (ABAA) designed to promote the interests of the region's embryonic business aviation industry came a step closer at a meeting of interested parties in Beijing on February 28. A further gathering was scheduled for Shenzhen, in southern China, on May 8 to set up by-laws, ratify a mission statement and elect officials.

Hong Kong is a leading contender to be the new group's base, although Macau and Malaysia have also been suggested.

"I think we are on a roll," said Mark Turner, managing director of Hong Kong-based Metrojet Ltd and spearheading the formation of the ABAA. He described the one-day Beijing meeting as a resounding success. "We had roughly about 45 people attending from the whole spectrum of aviation."

One notable participant was China's Deer Jet Co Ltd, whose short-term interests might not be best served by an association like the ABAA, which seeks to remove access restrictions in countries such as China and lower the cost of operating there. As a Chinese domestic operator, Deer Jet does not suffer such constraints and therefore enjoys a hefty competitive edge over non-Chinese operators.

Cynics might say that Deer Jet participated in the Beijing meeting just to keep an eye on possible threats to its position, but Turner takes a charitable view.

"(Deer Jet) recognise in the long-term this development is good for everybody, because this type of association is about safety, it's about creating efficiencies and it's about creating greater acceptance of business aviation as an industry."

Membership will be open to all players involved in business aviation, not just the small number of current operators in a region where business aviation is in its infancy. "We need as many people to help us as possible."

Citing some of the barriers facing business aviation operators, Turner noted in China official emphasis was being laid on opening up the under-developed western regions, but there was no infrastructure available for business aircraft. "The people who are going to invest, who are going to write the cheques, are going to come in private aircraft, particularly if they are going into places where there are only two or three flights a week.

"This is the untapped market for business aviation. Nothing says more about the vibrancy or prosperity of a community than an airport with a handful of business jets sitting on it," he said.

"The regulators will come out ahead because they will get what they must have, which is a safe operating environment; the manufacturers will sell more aircraft and the operators will operate more aircraft," added Turner.

COUNTRY FOCUS BY *TOM BALLANTYNE*

Australasia

Momentous change

Australasia's airline industry is in a state of flux as it comes to terms with momentous change, the prospect of unsettled market conditions, feverish competition and a drive towards further international liberalisation.

In recent years a rapidly changing aviation tapestry has seen airports privatised, new entrants emerge in domestic skies and developments in airline ownership. Also there have been questions raised about safety standards, still recognised abroad as amongst the highest in the world, but increasingly doubted at home.

And as their world changes, the major airlines of the Antipodes are desperately striving to cope with new realities. Ansett, wracked by financial problems and poor performance, is now wholly foreign owned by Air New Zealand, even though they do operate in a single trans-Tasman aviation market. Under a new chief executive, Gary Toomey, it has begun the long, hard road towards recovery.

Qantas Airways, too, is under new leadership, with Geoff Dixon taking over as chief executive from long-time head James Strong. The battle, with Air NZ Ansett fighting to regain strength and Qantas campaigning to defend hard won gains of the last few years, promises to be intense.

They will not only be fighting each other. Sir Richard Branson's Virgin Blue, the first foreign airline to operate domestically in Australia, and another operator, Impulse Airlines, are taking on the big boys on Australia's major east coast trunk routes and driving deeply discounted fares on these services that have lowered yields for all the carriers.

They are making inroads into the established business of the big two Australian airlines, curtailing their growth and threatening their profit levels.

Faced with foreign operated competition, Qantas is demanding equal rights. Foreign ownership rules differ for Qantas – the offshore stake is limited to 49% – and the airline argues the level should be adjusted to give it equal access to offshore financial markets. The Australian national government is beginning to listen with a sympathetic ear.

Ansett has been worst affected by these recent radical changes in operating conditions, but even Qantas is feeling the pinch, suffering a dip in income after six years of record profits. It is cutting staff and dropping several international destinations, including all flights to China. The wide-bodied aircraft are being brought home to fly on local airways.

With Qantas and Ansett poised to retaliate by increasing domestic capacity a massive 30%, trading conditions are set to become near poisonous through the remainder of this year. The question analysts are asking is; can Impulse and Virgin survive the onslaught?

In the meantime, the Australian Government is committed to an aviation policy that would have been unthinkable a decade ago, a commitment to open skies. That brings the inevitable threat of a heightened challenge from abroad for already hard-pressed local flag carriers.

While the two majors have aligned themselves with global alliance groups – Qantas with oneworld and Air NZ Ansett with Star – thousands of additional weekly seats are being operated into Australia by smaller, non-aligned carriers like Emirates, SriLankan Airlines and Egypt Air.

At the same time big internationals such as Malaysia Airlines, Cathay Pacific Airways, Singapore Airlines and Thai Airways International have increased their flights on the back of wider air treaty freedoms.

On the airport front, all of Australia's capital city airports are now in private hands except for Sydney, which is still in the process of being sold.

As is happening elsewhere, airlines are becoming increasingly concerned at rising levels of airport charges as these privatised facilities endeavour to turn in the profits their shareholders demand.

In essence, life is not getting any easier for Australia's airlines. Indeed, it seems set to become a lot tougher.

Across the Tasman Sea the shape of aviation is taking on a new face. Air New Zealand is tussling with the responsibilities and complexities of being a multi-national airline group owner.

It will take all its focus to create a truly efficient airline grouping while dealing with intense competition at home and abroad. Its government has joined the world's first multinational open skies air treaty and a widening of this will see even more intense competitive forces come to bear.

The former Ansett New Zealand is now operating under a Qantas franchise and there remains a belief it will eventually become a Qantas subsidiary.

Airports are faring relatively well, attracting record numbers of international airlines. But they face the wrath of carriers as they adjust aeronautical charges upwards in order to meet the needs of demanding stakeholders. They are, after all, virtually at the end of the world and potential growth is limited.

Also in this report:

No honeymoon for Dixon

New Qantas chief thrown in at the deep end; may launch new carrier

By Tom Ballantyne

With a new man in charge, Qantas Airways is facing some of the biggest challenges in its 80-year history, ranging from fierce domestic competition to mounting threats on the international front and from government liberalisation policy.

Fresh back from a round-the-world road show briefing analysts and investors on Qantas' latest half yearly results, his first as managing director and chief executive, Geoff Dixon is not getting any time to settle in. He has, literally, moved into the hot seat. Not only did the six months to December 31 produce the first dip in profits for six years – after tax income fell 22% to US$139.9 million – Dixon knows business will get even tougher.

Facing a potentially damaging pricing and capacity battle with arch rival Air New Zealand Ansett Group and newcomers, Impulse Airlines and Virgin Blue, on key domestic trunk routes this year, he has also to deal with a company restructure and unions nervous over retrenchments, outsourcing and other cost-cutting measures. The airline began shedding 25% of middle management from March and plans to lose 1,250 staff over the next 12 months. While this is going on, Dixon hopes to launch a new airline, a low-cost international that would herald the carrier's return to low yield, loss-making routes Qantas abandoned over recent years.

On the aeropolitical front, the new CEO is quietly working for change in government aviation policy, particularly the rules covering Qantas foreign ownership. It adds up to a multi-faceted challenge. But while many analysts are asking whether the Qantas honeymoon is over, Dixon clearly knows where he is going and is quite prepared to face reality.

"The amount of competition and the cost of fuel is going to make it more difficult to achieve the level of profits we have achieved before. But we have announced route changes and a retrenchments programme and we have other work being done structurally on how we go forward.

Qantas chief executive Geoff Dixon: talking to the unions

"I am going to be talking to our people on what's needed to deal with the competition out there. It would be silly not to say we are getting into a more difficult competitive environment," agreed Dixon.

He also knows there is another critical question: what are the world's economies going to do over the next 12 months? "Qantas reacted very well in the Asian crisis and we've got contingency plans to make changes if the current economic circumstances in Australia, US and Europe start to impinge on our business. We want to be able to move very quickly to prevent any damage to us," he said.

Launching a low-cost international airline is not yet guaranteed, but if Dixon succeeds it will be a watershed development for Qantas. The concept is expected to be discussed in detail at a company board meeting in May and there is a possibility that, given the go ahead, it could be flying by year end.

"We have discussed it at a very high level with some of the unions, including the pilots. It is not a vehicle for trying to cut the salaries of current employees. It is about the possibility of going back to the markets that Qantas will never go back into because we know we can't make money on our current cost structure," said Dixon.

These include destinations such as Malaysia, South Korea, Tahiti and Vietnam, as well as China, from which Qantas withdrew this March. The new carrier would not fly on any profitable routes served by Qantas' mainline operation.

As Japan Airlines and All Nippon Airways have done with low-cost divisions, staff would be hired on different contracts, at lower rates than those working for the main airline. All this has to be negotiated through the unions, which may not be easy.

But Dixon is convinced it is the right way to go. "We want to make sure we know the cost and have the proper plan and then we will sit down with the unions and say; look, these are the routes we believe we could fly to, this is the cost structure, this is the margin we feel we need, this is what we would like to do with it and this is what we can pay. Are you interested?

"If the pilots, flight attendants or anybody else doesn't like it we won't do it..."

Dixon has argued it will keep aviation jobs in Australia. "If we don't do this the jobs will remain offshore with airlines like Malaysia Airlines, Korean Air and Vietnam Airlines which continue to fly these routes because we will not be going back to any of these places under the current Qantas banner in any circumstances.

"There is an opportunity for all of us to grow the aviation industry in Australia. Right at the moment, except for Impulse, which is very small, how much of it is left in Australia... 51% of Qantas. The rest of it has been sold overseas. We believe we can come up with a proper green field operation with reasonable conditions, but different conditions to those that have grown up in Qantas over 80 years."

Outsourcing also concerns unions, highlighted when 800 maintenance workers walked out for 24 hours in March in protest at four Rolls Royce RB211-524G engines, used on the B767 fleet, being sent to Hong Kong for repair.

Dixon wrote to the union and said the stoppage was "totally unnecessary" and damaging to the company. "The engines were sent to Hong Kong because the work had to be done. We outsource less than most airlines. We outsource about 12% of the work and the average among other airlines is 30%. We make no apologies and are not going to skim over the fact we may have to get work done overseas. We have done that in the past and we will do what is best for all Qantas employees, not for just a small group."

One of the primary challenges is on the home front, with all domestics – QF, Ansett, Impulse and Virgin Blue – moving to add seats on major trunk routes. Capacity is expected to lift 30% but Dixon refutes allegations from his smaller rivals that Qantas – it is switching four B767s from China routes to domestic operations – is dumping capacity.

"In Australia there is one of the strongest competition regulators in the world and we have been investigated and never been found to be dumping or price gouging or whatever you would like to call it. Every time we make a move it is looked at by a competition commissioner who is very, very strong.

"The market has grown quite a lot and we're responding to that. We are totally confident that what we are doing is entirely within the letter of the law."

He agreed it would be difficult for some airlines to make money in this environment. "It is almost impossible to say which way this is going to be played out. On the assumption we are going to maintain our position and market share, and we are, and if the other carriers do exactly what they say they are going to do, obviously there will be so much excess capacity there could be a shake-out. But it is very hard to say that. Maybe the growth will be sustained."

Both internationally and domestically, Dixon plans to be aggressive, using marketing across all fronts to push Qantas' wares. It will take advantage of one of the best frequent flyer schemes in the world, leveraging off bilateral co-operative agreements with other airlines, including its oneworld alliance partners, inflight entertainment and service improvements and flexible pricing to cope with changing market conditions.

"I think we've got no option. We have to compete. You can't sit there and let someone take your market... We will be aggressively pushing what we believe are some of the real benefits of Qantas such as its size, its network and its coverage of 2.5 million frequent flyers."

Qantas needs more room to move in an overall fiscal sense. Dixon said it is probably the only company in Australia which has a special law (the Qantas Sales Act) preventing it from increasing foreign ownership above 49%. He wants that changed.

"We would like the 25% cap on any single airline taken off, we'd like the 35% cap on the total amount of airlines, we'd like the 49% cap on total foreign shareholding taken off. If that happens then we would be the same as every other company in Australia and if there was any issue of us being more than 50% Australian owned, or if some company overseas, be it an airline or someone else, wanted to take us over it would be subject to the Foreign Investment Review Board (FIRB)."

Qantas is not happy with Government policy on liberalisation, which favours a steady move towards open skies. This has led to wide rights being granted to foreign carriers, such as Middle East operator Emirates.

Qantas does not mind competition but is not necessarily in favour of open skies. It believes supply should be ahead of demand and fears air treaties are being negotiated that are detrimental to Qantas.

"It's imperative that Qantas, particularly given that we have no hub and are an end of the line carrier... is not put in an unfair situation making it difficult for us against airlines that have hubs," argued Dixon.

He cited Emirates as a case where the policy has gone wrong. "There's a very small market, despite what Emirates says, between Australia and the Middle East. What Emirates is doing is getting capacity to take people on to Europe and on to the UK. They are using Australian traffic rights to do that.

"They came in and said they would fly out of all sorts of cities... they got rights to fly out of Brisbane, Perth and Adelaide. But where do they fly out of? Sydney." In other words, Emirates is bleeding off some of Qantas' critical Kangaroo traffic to Europe.

Dixon has one final front he regards as vital to the airline's future; deciding where Qantas sits as the airline industry consolidates. "I believe the industry will consolidate. I know they are having difficulties, but it is starting to happen in America. I think it will happen in Europe. It is obviously happening in Australia now, with Air New Zealand and Ansett getting together.

"It is very important for us to take advantage of the opportunities. That is one of the reasons we want to have a level playing field as far as the Qantas Sale Act goes. We want to be in a position to take advantage of any consolidation and not be hampered by outdated legislation that prevents us doing it."

Qantas Airways: not in favour of open skies

Former Qantas chief, James Strong: has cut his ties with aviation

Strong's pla

By Barry Grindrod
In Melbourne

Former Qantas Airways chief executive, James Strong, the man who described himself as an "agent of change", has changed again.

After seven quite remarkable years as head of Qantas, he told *Orient Aviation* he has turned his back on aviation for good.

It is a decision bound to surprise many people. In his early days at Qantas, Strong faced profound bitterness and was the subject of death threats as the former Australian Airlines boss set about reviving the flagging carrier. But when he bowed out in early March he had led the airline to six successive years of record profits and had completely re-written its corporate culture.

The transition process started almost two years ago, said Strong. In his final months he was being tipped as the next director general of the International Air Transport Association (IATA).

But as he hosted VIPs and friends in the Qantas hospitality suite on the start and finish line of the Australian Formula One Motor Racing Grand Prix on his final day as chief executive, Strong said to *Orient Aviation* he had told IATA, with personal telephone calls to each member of the executive committee, he did not want to be considered for the position.

"I want a clean break from aviation. I want to get on with my life," said Strong, who has turned around ailing companies in the mining, brewing and aviation industry (twice) in his three decades plus career.

In addition to the IATA position, Strong was offered the CEO's job with a major listed company in Australia and the chairmanship of chain store company Woolworths. He opted for the latter.

But within a short space of time he intends to diversify. He is to pursue a close working relationship with the world motor cycle series championships – Strong and his wife Jean-Claude share six motor cycles of their own – to writing a book and learning to play the piano.

The first lady of

By Barry Grindrod

Qantas Airways chairman, Margaret Jackson, says she has spent the whole of her professional life in a world dominated by men. However, the 47-year-old mother of two has proved she can more than hold her own in the male preserves of the corporate world and has scored a few notable firsts.

When she succeeded Gary Pemberton last August as Qantas chairman Jackson became the first female chairman of a major listed company in Australia. She also was the first woman to chair an annual general meeting.

Jackson, an accountant by profession, has been a high flier all her life achieving a succession of "firsts" and "youngests".

She was, for example, the youngest person to chair the Institute of Chartered Accountants in Australia in her mid-thirties, the first woman to be appointed to its national council and the first woman to join the board of Broken Hill Proprietory Company Limited.

Jackson's accountancy career was put on hold in 1992, the year she was appointed to the Qantas board, when she opted to become a full-time company director that has now led to her succession to the airline board's chair.

The Qantas chairmanship sits comfortably with the youthful looking Jackson, although she admitted aviation required a steep learning curve when she first joined the airline nine years ago.

Based in Melbourne, Jackson told *Orient Aviation* she spends, on average, two days a week on Qantas business.

She is a hands-on chairman making it her business to know the Qantas business. She speaks to the chief executive about twice a week and spends time getting to know the people and the issues. She visits divisions like engineering and maintenance, catering or the airports to build up her experience and knowledge of the industry.

One of the features of the success of the airline under James Strong, according to the former chief executive, was his relationship with the ex-chairman. Jackson believes she can develop the same rapport with Strong's successor, Geoff Dixon.

"James Strong was the right person for Qantas at the right time for the right job. Having been intimately involved in the succession planning, I strongly believe that Geoff [Dixon] is the right man for the job now," she said. "I like Geoff enormously and enjoy working with him."

Jackson described the current environment as "challenging" and that Qantas will meet the challenges "vigorously".

The multiple impact of cut-throat domestic competition, rising fuel costs, a weak Australian dollar and increased airport charges has put heavy pressure on the carrier's bottom line. Dixon recently announced an executive clearout of 220 executive and middle management positions. Another 1,250 non-operation personnel will leave in the coming months.

As Virgin Blue and, in particular Impulse Airlines, continue to slash fares Qantas has so far managed to match them. Jackson said this was "not indefinite". "I do not think a bus company could make a profit at these prices so it is difficult to see how an airline can make money. The airlines need to be able to service the financing of the aircraft as well as operating costs," she said.

ne farewell

He will also increase his public speaking. He donates all money earned from this interest to charity.

There are also a couple of capital ventures in the pipeline with friends. "I want to let my life evolve," he said.

"Being in charge of Qantas is not something you take lightly. It requires commitment and passion," said Strong. Now it is time for new passions and new commitments as he prepares, at the same time, to take his foot off the pedal a little.

He took over at a difficult time in the airline's history. "Financially it was not performing. We were coming out of a world recession. The airline had bought a lot of B747-400s in the late 80s and early 90s and the government had put a lot of capital in and bought Australian Airlines. There was a lot of bitterness between the staff of the two airlines. It was far from a 'lovely merger'."

Those early days provided Strong with his low points at Qantas. After taking over Australian Airlines in 1993, the Qantas board appointed Strong, who had headed Australian between 1985-89, as its chief executive.

"There was enormous resistance and dismay within the airline. The feeling was here was a man who had run a rinky-dink airline and did not know what he was doing. A lot of people said this quite openly," said Strong. "I was also called a carpetbagger who was there to make money out of the float [privatisation]."

It was during this time that he received death threats and unpleasant rumours were circulated about Strong and his family. It hurt, he admitted, but it did not detract him from the job at hand.

Strong's brief on his arrival at Qantas was to make the airline attractive to the investment community. This included reducing debt levels, restructuring routes, increasing the utilisation of equipment and generally putting the balance sheet in shape for the float.

And he had to heal the internal wounds. This, he said, happened quickly once staff could see changes in working practices increased efficiency and the company was turning around.

Today Qantas is a different company to the one he took over in 1993 "due to the efforts of a lot of people", said Strong. Looking back on his time there he said he felt "extremely satisfied".

Recalling his highs at the carrier, Strong rated the re-launch of the airline in 1994 and "an amazing period" in 1994-95 when 22% in capacity was added with no fall in yield or load factor. Qantas switched its B767s to domestic routes in the mid-nineties that produced "outstanding results from which Ansett has never recovered".

The privatisation of Qantas and the float on his birthday, July 31, 1995, also has pride of place in his memories. "To stand on the floor of the stock exchange and see your stock going up on the board for the first time was special," said Strong.

Qantas is very much a part of the history and heritage of Australia, said Strong. For that reason he enjoyed the 75th and 80th anniversary celebrations of the airline and has been a big supporter of the Qantas museum at Long Reach, in northern Queensland.

In the years to come the name of James Strong, too, is expected to shine just as brightly in the annals of Qantas Airways.

Qantas

Jackson has said Qantas will lobby the next Australian government to lift the foreign ownership restrictions to enable the carrier to raise more capital from offshore investors. Foreign ownership is limited to 49% while another carrier cannot own more than 25%, a stake currently held by British Airways (BA). BA chief Rod Eddington said recently he and his board had no plans to either increase or decrease the holding.

Looking to the future, in five years time Qantas will begin to take delivery of its 12 superjumbos, the A380s. Jackson said the decision to buy the planes was based on slot congestion at major hub airports, Sydney, London Heathrow, Los Angeles and Narita. "The A380s will allow us to take maximum advantage of the slots available to us," she said. When asked about her own future Jackson said: "No one should do things for ever. Change is healthy for individuals and organisations." She will make the decision when the time is right and the first lady of Qantas seems to have a knack of making the right ones.

Margaret Jackson (47) joined the Qantas board on July 1, 1992. She became chairman on August 1 last year.

Six months into her time as a Qantas director she also was appointed as chairman of Victoria's Transport Accident Commission on January 1, 1993.

She is a director of the Australia and New Zealand Banking Group Limited, People Telecom Limited, clothing company Billabong International Limited and is chairperson of the Methodist Ladies College, Melbourne, the largest girls' school in Australia.

Ms Jackson was a partner of KPMG Peat Marwick's Management Consulting Division and national chairman of the KPMG Micro Economic Reform Group until June 30, 1992, when she resigned to pursue a full-time career as a company director.

In 1982 she completed the final year of her MBA with distinction at Melbourne University.

Jackson was formerly a director of ANZ Grindlays Bank Limited, the Broken Hill Proprietary Company Limited, Pacific Dunlop Limited, Telecom Australia and the Australian Wool Corporation.

Qantas chairman, Margaret Jackson: airline facing many challenges

She is chairman of the Victorian State Council of the Institute of Chartered Accountants in Australia, Playbox Theatre Company Pty Limited and Malthouse Pty Limited and is a member of the Pharmaceutical Remuneration Benefits Tribunal.

The Air New Zealand Ansett Group has plunged into a financial trough as it tackles the complex issues of integrating two airlines on opposite sides of the Tasman Sea. Winning back lost ground will be far from easy for Gary Toomey, the new man in charge in Auckland, reports TOM BALLANTYNE.

TOOMEY'S TALL ORDER

When Air New Zealand Ansett Group chairman, Sir Selwyn Cushing, recently announced half year results for Australasia's newest airline grouping – the first period the two carriers financials were combined – he did not have much good news to report.

After-tax profits had plummeted 97% to a mere US$1.6 million, a result battered more by a dismal performance from the now wholly owned Ansett than worrying rising fuel prices and woeful foreign exchange rates. Anticipated savings from the integration were not meeting expectations and, even worse, the outlook is for further deterioration.

Considering the circumstances, the results were no surprise. Sir Selwyn conceded the US$300 million paid for the remaining 50% of Ansett – Air NZ already owned half – had probably been too much. Nevertheless, he insisted that whatever the price it had been vital for the airline's survival on the global stage.

On to this gloomy landscape has stepped Gary Toomey, former finance director and deputy chief executive at rival carrier, Qantas Airways. As the new CEO of Air NZ Ansett, he is a man facing the biggest challenge of his aviation career.

After arriving in Auckland in January, Toomey is still playing his cards close to his chest. He declined to comment on the latest result "because I have been here only a short time and have really been concentrating on reorganisation and longer term strategy".

Distancing himself from the disastrous six months to December 31 and moving into the new job with a clean slate is probably wise. Toomey acted quickly to restructure management, bringing in new faces, including several former Qantas colleagues, among them his own finance deputy at Qantas, Adam Moroney.

Air New Zealand Ansett Group chief Gary Toomey: facing his greatest challenge

The new team is faced with the monumental task of dragging Air NZ Ansett out of the mire and building it into a powerful entity capable of competing on equal terms with Qantas and other competitors.

As yet how this is going to be done is unclear. "I can't give you anything really specific or quantifiable at the moment because that is going to be the process of planning. It's about how many aircraft we are going to buy, what routes we are going to fly. It all needs to be done in a logical manner with the necessary financial cases to support it. It has to be funded," said Toomey.

"I have a vision of where I'd like to be, but that needs to be within the context of total shareholder returns and capital growth. That's the theory of it."

Toomey has a number of priorities essential to turning the group's performance around. They include:

- Improving accounting and information systems on which to base planning.
- Fleet modernisation.
- International network expansion.
- Leveraging off membership in the Star Alliance.

The management changes signal a move towards a more traditional airline structure, largely based on functional responsibility. "Previously, different divisions had responsibility for their own areas. Now they will have responsibility on a global basis selling all brands within the group," said Toomey. "There will be improved marketing and sales and service offerings, all underpinned by detailed financial plans."

The restructuring establishes an integrated group of functional units, replacing previous largely separate and self-contained airline business units, streamlining the decision-making process and reducing duplication of activities.

It is expected the group's masthead brands will be launched under a new corporate identity later this year, although the separate identities of Air NZ and Ansett will not disappear.

In the midst of this, 45-year-old Toomey has to deal with the vagaries of fuel pricing and economic conditions, which are not looking too bright from the local, regional and global perspectives.

Renowned at Qantas for his dexterity on

the financial front – it is generally believed he decided to accept the New Zealand job when his erstwhile co-deputy CEO, Geoff Dixon, was chosen to succeed James Strong at Qantas – Toomey rejects the view he is no more than a "number cruncher" and lacks the experience to manage a total airline operation.

"I think that's pretty unfair because if you look at the realities, I ran more than half the airline (Qantas) over the last two or three years and that was a lot more than finance."

He knows his new job will not be easy. Ansett morale has been badly dented in recent years amidst ongoing ownership and leadership uncertainty. Air NZ had to tussle with Singapore Airlines before it finally clinched the deal last year – SIA now owns 25% of Air NZ – but finalising matters was a long, drawn out affair.

In the meantime, the 'ship' was virtually rudderless; former Cathay Pacific chief, Rod Eddington, arrived three years ago, but the hope he would lead Ansett to greener pastures was dashed last April when he decided to accept the offer to take charge of British Airways. For the next nine months no one was minding the ship, with staff increasingly concerned about job losses after the integration with Air NZ.

There were also safety lapses. Six Boeing B767s had to be grounded in the middle of the busy Christmas travel period because required checks had not been conducted. Earlier this year, a wrong part was installed on a B767.

"Obviously there is a need to rebuild confidence in safety and reliability," said Toomey. "We are doing that through an extensive review which was undertaken following the pre-Xmas event with the B767s. We are confident we now have an even stronger system in place than we had before."

For Ansett, the result has been the most serious loss of market share to Qantas in the carrier's history. Even Toomey admits he was surprised to find how much business had dropped on some key Australian domestic trunk routes.

Most worrying was the loss of corporate business, high yield traffic vital to income. Over the past 18 months a string of big companies, including Southcorp, Woolworths and BHP (excluding Western Australia) have jumped ship. Ansett's share of corporate customers has dipped to 40% in a market it once dominated.

Toomey has already acted on that front. "Since I've been here we have not lost any of our existing corporate customers. I have probably visited two dozen of our major

Air New Zealand Ansett Group chairman, Sir Selwyn Cushing: purchase of Ansett was crucial

customers. I've assured them about safety, about the growth options and the re-investment in the business, our focus on customer service and the improvements in the way in which we liaise with Star Alliance and Singapore Airlines. We have retained all of these accounts and I hope that is the start of a process by which our customers can see that right from the very top of the organization we value their custom."

The first step to improve morale has been to put out a message about growth plans and the vision for the business. "Frankly, we have to get some runs on the board. The biggest motivator will be for us to register some wins. We have good people who are still motivated... they are just looking for some direction."

Redundancies and job losses are inevitable in any integration process – labour costs have risen from 23% of operating expenditure to 28% following the joining of the two airlines – but Toomey is not about to wield an axe. "Slash and burn doesn't work. Slash and burn is a desperate act that invariably costs you a lot of money. You end up having to replace a lot of those people and you lose a lot of expertise. I think we have to be more surgical about the way we go forward. My preference would be to retain the people who are keen to stay and let those people who want to leave go."

This does not mean he will have a smooth ride with the unions. He has met with unions in New Zealand and Australia and emphasised he does not want confrontation. On the other hand, he wants productivity improvements. He has warned that a 2% pay rise due on July 1 for Ansett staff will not apply to areas that fail to meet productivity targets.

For pilots and cabin crews he said he would attempt to negotiate separate, but near identical, agreements in both countries. In legislation it is not possible to have a single award covering pilots and flight attendants in Australia and New Zealand.

Above all, Ansett desperately needs to rationalise and modernise its fleet. It was one of Eddington's highest priorities, unfulfilled under a board disinclined to approve major capital spending while ownership was unresolved.

Toomey said the fleet was at the top of the agenda. "Our group now sees itself as a long-term owner of Ansett and it's a stabilised group which sees it is vital to re-invest in the fleet."

Funding remains an issue, but all options, leasing and used and new aircraft, are being studied. More capacity and new jets will lead to an extended domestic and international network.

It is likely SIA, which has three directors on the group board, will play a major role in running Ansett. Ansett already leases long-haul aircraft from the Singapore flag and SIA CEO, Dr Cheong Choong Kong, has publicly

Ansett Australia: morale very low

Air New Zealand: may have paid too much for Ansett

stated he wants to see Ansett become a major international operator able to face Qantas on an equal footing.

"Our customers have told me in the short time I have been here they like Ansett, but what we don't have is a global network," said Toomey.

"What we need to do is to develop a primary global network for the high yield markets. We have almost a green field opportunity here to fly only to where it makes sense. Those routes obviously are places like Los Angeles, Tokyo and possibly London, as well as improving our service to Hong Kong. I would like to see some of this in place by the end of this year or early 2002.

"We need to reinvigorate the domestic product and capacity share and we are working on that. We need to work very closely with our code-share and Star Alliance partners, particularly SIA and United because they are the two key players on the Pacific and the Asian routes.

"If we can be synonymous in terms of our price and our perception with SIA, for example, that gives us a great opportunity to say to our corporate customers we have our primary and domestic networks and on top of that we have the SIA and UA networks."

Toomey's initial problem has been a lack of basic information. "We have to build an accurate and reliable reporting system. At the moment we do not have the information we need to make these decisions. It's what we found at Qantas six years ago. It's almost like that part of the business has not moved forward."

Another area he has moved quickly to change is the group's travel agency distribution network. "Several years ago Ansett pretty much indicated to the trade they were going to go direct (to the customer). A lot of business was lost. I am trying to put a strong message out that this is not the vision I have. We want to support the trade and, if anything, we hope to expand it."

The duel between Air NZ Ansett and Qantas is often presented as a Toomey versus Dixon battle. Toomey does not see it that way. "There's enough to keep me engaged without having to worry about Geoff Dixon. Qantas is our major competitor so that's the focus for us. There is nothing personal in it from my perspective.

"I still have a lot of friends at Qantas and I respect it as an organisation."

Right now, Toomey is at the bottom of the hill, well aware the climb is going to be very slippery. "I don't envisage anything is going to happen overnight. It's going to take several years before we will be performing at a level with which we will be comfortable," he said.

What Air NZ Ansett needs is lots of time and stable market conditions. Toomey's biggest problem may be that those commodities will be hard to come by in the next few years.

While it may not have been a bumper year for Air New Zealand, even without Ansett s contribution, some figures released by the carrier clearly show that considering the tough market conditions, as a stand alone business it would have handed down satisfactory results.

Air NZ s international arm, excluding Australasian trans Tasman services, saw operational improvements across the board. Compared with the comparable six months the previous year ASKs rose 5.6% and RPKs were up 11.7%. The passenger load factor climbed 5.7% to 74.7% and Air NZ International's revenue from passenger operations climbed an impressive 25.1% to NZ$890.3 million (US$370.1 million). Significantly, yield was up 12.2%.

No frills carriers 'merely a sideshow'

CRUNCH time coming

By Tom Ballantyne

When Australian domestic newcomer Impulse Airlines hit the market in mid-March with a rock bottom A$39 (US$20.67) one-way air fare between Sydney and Brisbane the move shook airline circles to the core. It also heralded the first shot in what promises to be a killing year on the country's busy domestic trunk routes.

Qantas Airways reacted immediately with a matching ticket price, but Impulse's two other rivals, Ansett and Virgin Blue, kept their heads down. "Virgin would rather offer customers tens of thousands of our great fares than a few at a stunt level that is not economically viable in the long-term," said spokeswoman Amanda Bolger.

Impulse executive chairman Gerry McGowan is unrepentant. "Customers will not see it as a stunt. The reality is we've set the agenda in the marketplace and others have merely followed on."

What McGowan and his rivals at Virgin know is the next 12 months will be make or break for their fledgling organisations... and it's not only about ticket prices. Both Qantas and Ansett are set to throw as much as 30% additional capacity onto their domestic networks over the next few months, thousands of extra seats that are going to make it extremely difficult, if not impossible, for anyone to make money.

Many analysts believe the crunch is approaching for at least one of the newcomers. "Unfortunately, they are merely a sideshow," said Peter Harbison, managing director of the Centre for Asia Pacific Aviation. "Ansett (and its partners) is Qantas' prime target, and Impulse and Virgin Blue will be caught in the crossfire. With 30% or more seats flooding into the market, prolonged fare discounting is unavoidable and the ability of the fledgling operators to survive will be sorely tested."

Harbison warned if Australia's economy deteriorates significantly, the newcomers' chances of survival would diminish even further, as the pool of discretionary travellers on which they rely dries up.

Impulse Airways has called Qantas' planned capacity increase "pre-meditated murder"

"In the airline industry, the combination of chronic over-capacity and reduced demand generally proves fatal. Consumers and the domestic tourism industry can look forward to a bonanza year for air travel and we can expect to see year on year domestic growth of perhaps 30% – an almost unheard of level for a developed market," he said.

"But the crunch will come about September when the first anniversary of the entry of the new airlines comes around. That sort of growth began in September 2000, but looking for another 30% in September 2001 on top of that is just too much to hope for. The market is just not big enough. The war is about to begin."

The problem for Impulse and Virgin is they have grabbed two tigers by the tail. On the one hand they have a determined Qantas, which is now breathing fire. After years of record profits this intrusion of Virgin Blue and Impulse into its domestic base market is beginning to bite. Qantas' domestic yields are down 4.8%. Earnings before interest and tax have dipped 26.1%, sounding alarm bells in the office of new chief executive, Geoff Dixon, well known as an aggressive marketer.

On the other hand, Ansett (now part of the Air New Zealand Ansett Group) is in deep trouble with its market share battered and losses mounting. Its new boss, Gary Toomey, is preparing to win back that lost ground from all competitors.

Qantas is abandoning services to China and Canada (and promising more pull-backs) and is going to use the aircraft, four wide body Boeing 767-300s, on domestic routes. Ansett is expected to lease a number of similar aircraft within months and do exactly the same thing.

Both Impulse and Virgin are also expanding their fleets. Impulse, which has eight Boeing B717s, plans to be operating 15 by year end. Virgin, which has been operating Boeing B737-400s, has 14 new aircraft on order (10 B737-700s and four B737-800s), which will begin replacing the older model from April. Over the next 18 months its fleet will increase to 17 aircraft.

The result may well be a discounting bloodbath as carriers desperately fight to fill empty seats. There is a chance the war will also be fought in Australian courtrooms.

McGowan for one is not happy with the majors' plans, describing Qantas' move as "premeditated murder" and accusing it of dumping capacity. "To bring that much capacity into the market is predatory. In any other country it would be illegal. I believe it is illegal here, depending on your interpretation of the laws. We have been encouraging the government to change the act and tighten up on the legislation," he said.

He expects the Australian Competition and Consumer Commission (ACCC) to step in and do something about it, but he is not taking that possible action for granted. "We as an airline can't rely on the ACCC to protect us. We have to have our own strategy about how we are going to deal with it," said McGowan.

Until now, the two newcomers appear to be surviving relatively well. They have established a solid base of customers on their routes, offering no frills service at prices generally around half those of their major rivals. Qantas and Ansett match selectively with a limited number of seats.

Just how many passengers they are attracting is shown by the fact the new Express Terminal in Sydney, built specially for the newcomers and opened last June, handled its one millionth passenger on March 6, just 275 days after Impulse's inaugural flight.

Impulse, based in Sydney, has been flying Sydney-Melbourne, Sydney-Brisbane and Sydney-Canberra (it also has a turboprop network to New South Wales regional destinations) and will add Melbourne-Hobart from April 1.

It recorded a profit of US$742,000 in the six months to December 31. But its jet services reported a $2.8 million profit, offsetting the first loss on its turboprop regional operations in five years.

Capitalised at $69 million, McGowan said investors were pleased with progress; so pleased they have just finalised an additional US$16 million equity injection. He is expecting a full year net profit of around $18.5 million.

Virgin operates direct flights from its Brisbane base to Sydney, Melbourne, Adelaide and Townsville, and from Sydney to Adelaide. Brett Godfrey, managing director of Virgin Blue, said the airline is cash positive and on track to achieve profitability on an annualised basis by the end of this year. The company had spent only $6.4 million of a $25 million equity reserve to set up.

This all sounds great, but whether or not the two start-ups can meet their targets, or even survive, hinges on a number of imponderables. The first is how far their big competitors are willing to go to bring them to heel. The second is whether or not they receive protection from the ACCC. The third is the short-term course of Australia's economy.

The sum of the parts is a whole industry

Airbus Industrie executive vice-president customer affairs, John Leahy, likes to say the European planemaker's biggest secret in Australia is the size of its involvement in the local aerospace industry.

Boeing, he muses, seems to get all the publicity. But Airbus is bigger. There are some 2,600 personnel working in Australia for the Toulouse-based planemaker and their work turns over US$222.6 million annually. The comparable figures for Boeing are 1,800 employees and $116.6 million, he said.

Most of that work involves parts for Airbus and Boeing jets; there is hardly a Boeing or an Airbus in the air that does not have a piece of Australian workmanship aboard.

Both the big planemakers have been involved in aerospace manufacturing in Australia for decades, a business originally built on government "offset schemes". Airlines bought jets, but part of the deal had to be allocating a share of the parts manufacturing business to local companies. The same rule was used with defence projects, although that has come to an end.

Now Boeing is beginning to up the pace as it strives to build a significant base in the South Pacific. Its strategy became clear late last year when it acquired Hawker de Havilland (HdH), a designer and manufacturer of commercial and military aircraft aero-structure components. Terms of the deal were not disclosed, but the company employs 950 people at plants in New South Wales and Melbourne. Primary customers include Airbus UK as well as Boeing, Bombardier and Lockheed Martin. It has revenue of around US$92 million a year.

By February, Boeing had consolidated HdH – named after famed Australian aviator Harry Hawker and the British De Havilland aviation dynasty – and another business it purchased in 1995, AeroSpace Technologies of Australia Limited (ASTA).

The Hawker de Havilland name has been retained for the new combined company, which has 1400 employees. It will be headquartered in Melbourne.

Said Lindsay Anderson, Boeing Commercial Airplanes managing director for Australian aerostructures activities, in October last year.

"We will be looking for new business from all markets and will be available to pair with companies bidding for Australian defence contracts."

The Boeing Company now has 3,000 employees at sites throughout the country, Over the past 10 years alone the Seattle planemaker has invested over A$200 million (US$104 million) in local facilities, plant, equipment and the training of Australian nationals; over A$200 million in local research and development and a further A$100 million in technology transferred to Australia. Boeing has exported from Australia A$1.5 billion worth of aerostructure components.

None of this means Airbus will disappear in Boeing's wake. Indeed the European company last year forced its biggest breakthrough ever in the Australian airline scene, selling not only the big new A380, but also the A330 to Qantas, the first time the carrier has purchased Airbus products. These orders will bring more Airbus people Down Under and Australia's aerospace industry will almost certainly manufacture parts for the super jumbo.

Australia's aerospace industry likely to build parts for the A380

Election jitters likely to delay Sydney airport sale

As the popularity of Australia's ruling Liberal-Country Party Coalition Government declines to new lows the long-awaited privatisation of the nation's primary gateway, Sydney Airport, appears set for further delay.

Canberra already has a final report on the proposed sale from investment bankers Salomon Smith Barney that outlines two main options; the sale of 25% to a strategic investor with the remainder auctioned off in a public float, or a total sell-off through an Initial Public Offering (IPO).

While most government ministers are understood to favour the first option, it appears the sale – expected to raise around US$2.1 billion – has become too sensitive an issue to push through prior to an election in which the government is fighting for survival.

It is already under attack over a number of tricky issues, including the full privatisation of the majority state-owned communications giant Telstra. Prime Minister John Howard is understood to have been urging caution on the timing of the sale because of electoral sensitivity to controversial reforms.

Politics is not the only problem. The estimated sale price was based on the ability of the Sydney Airport Corporation Ltd (SACL), which runs the facility, to push through a huge increase in aeronautical charges that would have more than doubled fees by the end of 2001.

But in February the country's pricing watchdog, the Australian Competition and Consumer Commission (ACCC) opted to trim back SACL's proposal, and decided the airport could increase annual aeronautical fees income from US$46.3 million to $84.8 million, a figure around half way between the 130% rise the airport wanted and the 30% angry airlines could accept. The end result is the potential for around $520 million to be knocked off the airport asking price.

Like many primary airport facilities around the world Sydney continues to be the centre of ongoing controversy. Environmental issues will not go away. Perched on the edge of Botany Bay, the facility is very close to the city centre and operates with a night-time curfew and a cap on aircraft movements of 80 take-offs and landings an hour. It is constantly in the news over noise and pollution complaints.

Potential buyers will also be demanding some assurances on future airport planning for the Sydney region. The present government has dumped plans to construct a second major airport at Badgery's Creek in the city's outer western suburbs and decided an existing general aviation airport at Bankstown, also in the west, should be used as a "spillover" facility to Sydney's Kingsford Smith.

Brisbane Airport Corporation chief executive Koen Rooijmans: reported a record 2000 with a 31% increase in passengers in December

If the opposition Labour Party wins an election – it is likely to be held sometime between July and October – there is no guarantee any of these decisions will stand.

Nevertheless, the airport appears to be a good investment. Following a multi-million dollar modernisation for last year's Sydney Olympic Games it is one of the most attractive and modern airports in the region.

Last year it reported revenue of US$170.1 million and a net profit of $22.8 million. Passenger numbers grew an average 4.9% annually since 1995, with international passengers rising 7.5%. It handles 8 million international, 13.4 million domestic trunk route and 1.4 million Australian regional passengers a year.

Meanwhile, along with Sydney, other major airports on Australia's east coast, Melbourne and Brisbane, are experiencing a boost in traffic numbers thanks to the arrival on the scene of domestic trunk route start-ups Impulse Airlines and Brisbane-based Virgin Blue.

Brisbane Airport Corporation (BAC), part-owned and managed by Amsterdam's Schiphol Airport, reported a record performance in 2000, including a massive 31.1% surge in passengers in December.

Overall, passenger numbers rose 8.3% during the year to 11.6 million, up from 10.7 million in 1999. The figure included a 10.8% rise in domestic passengers.

Chief executive, Koen Rooijmans, said the figures clearly positioned Brisbane as a hub airport and gateway to Australia and Queensland. "As business grows at Brisbane Airport, so too will our status as a major driver of the economy and as a significant contributor to employment growth.

"The permanent full-time workforce at the airport now numbers more than 8,000 employees. By 2018 more than 42,000 people will directly rely on Brisbane Airport activities for their employment," he said.

In another development, the world's largest airport operator, the UK's BAA, along with two partners, has purchased stakes in airports at Perth in Western Australia and Darwin, Alice Springs and Tennant Creek in the Northern Territory. Perth is Australia's fourth largest airport, last year handling five million passengers, 95,000 aircraft and earning $36.6 million in revenue.

Along with the Australian Infrastructure Fund and the Utilities Trust of Australia BAA paid US$44 million for 16.1% of Perth Airport and 19.9% in the three NT facilities. BAA already holds interests in and manages Melbourne and Launceston airports.

Mixed results for NZ airports

New Zealand's major airports are experiencing record pas senger levels as they benefit from extra flights diverted to Australasia from poorly performing Asian regional routes by some carriers. The financial results, however, are mixed.

Growth has also been driven in the past 18 months by a series of major events, including the America's Cup yachting races held off Auckland, millennium celebrations and some spin-off from the 2000 Olympic Games in Sydney.

In the six months ended December 31, Auckland International Airport's international passengers rose 7.9% and domestic traffic increased 5.5%. Total passengers rose to 4.2 million. Last year the airport handled around 8 million passengers and 192,000 tonnes of cargo. Revenue rose 9.9% to US$40.4 million and after tax profit was up 15% to $12.4 million.

During the same period, Christchurch International Airport reported a 4.7% rise in international passengers to 486,104, well ahead of the 1% increase projected by airport authorities. Domestic passengers were down 4.5% at 1.3 million.

The boom in foreign travel appears to be continuing. In January, Christchurch recorded its highest monthly passenger movements of 53,510, topping the previous monthly record by almost 5,000 movements.

While management said the record has contributed to an outstanding start to the year, profit fell 4.6% in the six-month period to US$2.2 million, despite a 5.5% climb in revenue to $11 million.

However, Christchurch Airport chairman, Peter Leeming, said the result was 25% ahead of budget, forecasting full-year profit would approach last year's US$4.7 million.

Leeming said the airport company has benefited from the Asian crisis by airlines adding Christchurch flights using aircraft taken off loss-making Asian routes. "We have 10 services a week direct to Singapore. Fifteen months ago we had four. The number of international flights operating through Christchurch is up 25%."

Hazelton deal sparks Ansett

The tussle between heavyweights Qantas Airways and the Air New Zealand Ansett Group (Air NZ Ansett) in Australasia's regional skies is shaping up to be just as tough as their clash on domestic and international trunk routes.

With its victory in the battle to gain control of Australian regional, Hazelton Airlines, in March, Air NZ Ansett has signalled it aims to fight tooth and nail to counter Qantas's local network strength.

Both airlines had bid for Hazelton, which has a strong regional network in the key state of New South Wales, but Qantas withdrew in the face of ongoing concerns from the Australian Consumer and Competition Commission (ACCC) that some of the small carrier's slots at Sydney airport may end up being misused by a new big owner.

Ansett persisted, however, winning approval for the takeover after apparently satisfying ACCC worries.

Said Air NZ Ansett CEO Gary Toomey: "The acquisition of Hazelton is an important part of the Air New Zealand Ansett Group's growth strategy – to build strong regional networks in both Australia and New Zealand."

While Toomey's team still has work to do – Hazelton dipped into the red with a loss of more than US$900,000 for the six months to December 31 – securing Hazelton has laid the groundwork for his planned review and strengthening of the group's regional operations.

Hazelton Airlines: important part of Ansett's regional growth strategy

Hazelton will now join other group subsidiaries in Australia – Kendell Airlines, Skywest and Aeropelican – to expand Air NZ Ansett's regional presence. Across the Tasman, New Zealand regional routes are dominated by their subsidiaries Air Nelson, Mount Cook Airlines and Eagle Aviation.

Kendell is a jet operator and is expanding its fleet of CRJ 200 regional jets. In New Zealand Toomey has announced a fleet upgrade, ordering 16 new Beech 1900D aircraft from Raytheon to replace Metroliners and Embraer Bandeirantes servicing provincial routes.

"The replacement of these aircraft, which have served provincial New Zealand well for the last 20 years, with the new aircraft will enhance our services to the smaller ports on our 26-port network. We are confident this upgrade will be well received," said Toomey.

Qantas has no regional subsidiaries in New Zealand, but it is very strong countrywide in Australia.

Regional subsidiaries Airlink, Eastern Australian, Southern Australian and Sunstate operate a large fleet of mainly British Aerospace BAe 146 jets and De Havilland Dash 8 turboprops.

While Qantas has made no announcements, insiders say the carrier is taking a serious look at its regional fleet and has been talking to manufacturers about possible new small jet replacements.

Tale of two extremes

By Barry Grindrod

Airbus Industrie may have been grabbing most of the headlines in recent months with the launch and first orders for its 555-seat Very Large Aircraft (VLA), the A380, and, in late March, the roll-out of the A340-600, but there has been plenty of other fleet action in the Asia-Pacific – and there is much more promised in the months ahead.

Indeed, it could be called the Little and Large Show. At one extreme we have had Singapore Airlines (SIA) and Qantas Airways ordering the A380 while, in China particularly, the regional jet manufacturers have been "making hay".

The latest news on the small jet front is that China Southern Airlines is awaiting the nod from the Chinese Government for the Guangzhou-based carrier to commit to an order for 20 Embraer ERJ 145s. This will be a bumper deal for the Brazilian planemaker after it made its first breakthrough in China in mid-2000 with a Sichuan Airlines order for five ERJ 145 jets.

Boeing, too, which is reportedly working hard to sign up launch customers for its VLA, the B747X stretch, likely to debut as a freighter version, has not been short of success in the market.

Big spender SIA again made the news in February with a deal, estimated to be worth US$4 billion, for 20 Rolls-Royce powered B777-200 aircraft; 10 firm orders and 10 options. By 2009, SIA could have as many as 81 B777s in operation if it exercises all its options. It has never failed to do so.

By then SIA will have made history. In 2006 it will become the first carrier to enter commercial service with the double deck A380.

In October last year SIA announced an order for 25 A380s, 10 firm and 15 options, in a book price deal worth US$8.6 billion, including spares and engines.

In late November, Qantas stepped onto centre stage when it unveiled a package for 31 new jets, including 12 A380s. The Australian carrier also ordered 13 A330-200s and -300s for delivery between 2002 and 2005. While obviously disappointed it lost out with its B747X stretch and B777, Boeing picked up the first order for its long-range Increased Gross Weight B747-400. Qantas opted for six of these aircraft.

It's been quite a year for the new Airbus Integrated Company (AIC). After chasing an estimated 40-50 firm orders for an industrial launch of its A380, today it has eight customers committed to 62 firm orders – 14 of them for freighters – and 54 options.

A smiling and unusually relaxed John Leahy, Airbus executive vice-president customer affairs and chief commercial officer, told a technical press briefing in Toulouse in March that by December 2001 orders for the A380 would have reached 100. In fighting talk reminiscent of the Pierson era at Airbus, Leahy said: "Boeing have already lost seven [VLA] campaigns and they will lose another two or three before the end of the year. I think they should close their books on this one [the B747X stretch] and go for a new aeroplane."

It was perhaps significant that Mr Leahy had just stepped off a flight from Bangkok after a tour of several Asian cities, including Taipei and Hong Kong.

In Taipei, he signed an agreement with EVA Air for two A330-200s, the airline's first Airbus aircraft. The airline will lease six additional A330s from GECAS. At the end of April, EVA's major rival in Taiwan, China Airlines, will collect its first of seven A340s from Toulouse. Leahy believes the Taiwan market has good potential for the A380.

Hong Kong's home carrier, Cathay Pacific Airways, is not now expected to be an early taker of the A380, but it is a launch customer for the A340-600. The aircraft was rolled out in late March. The A340-seat -600, which has a range of 13,900km (7,500nm), and will enter service in mid-2002, has attracted 48 firm orders to date. Its sister jet, the 313-seat -500 that has a range of 16,000km (8,650nm), has orders for 23 aircraft. It will enter service late next year.

The l-o-n-g range A340-600 had its ceremonial roll-out in Toulouse on March 23

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
Aboitiz Air (Philippines)				
YS-11-100	RR Dart 543-10K	1	-	-
YS-11-600R	RR Dart 543-10/10K	2	-	-
Air Asia (Malaysia)				
B737-300	CFM56-3	2	-	-
Leased in: GECAS				
Air Caledonie (New Caledonia)				
ATR42-320	PWC PW121	4	-	-
Do 228-212	Gar. TPE331-SA 2520	1	-	-
Aircalin (Air Caledonie International, New Caledonia)				
A310-325	PWC PW4156A	1	-	-
Leased in: AIFS				
B737-300	GE	1	-	-
Leased in:				
DHC6 Twin Otter		1	-	-

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
Air China				
B747-400C	P&W PW4056	8	-	-
B747-400	P&W PW4056	6	-	-
B747-200F/SF	P&W JT9D-7R4G2	3	-	-
B747-200 Combi	P&W JT9D-7R4G	1	-	-
Leased in: 1 Concord Asset Management				
B767-300	P&W PW4056	4	-	-
Leased in: 1 Mitsui & Co				
B767-200ER	P&W 4052/JT9D-7R4	6	-	-
B777-200	P&W PW4090	7	-	-
B737-800	CFM56-4C4	7	4 (2001)	-
B737-300	CFM56-5C4	19	-	-
A340-300	CFM56-5C4	3	-	-
Leased out: 3 Cathay Pacific				
A318		-	8	-
BAe 146-100	Lyc ALF502R-5	4	-	-
Y-7	WJ 5A-1	4	-	-
Air Do (Hokkaido Internationall Airlines, Japan)				
B767-300ER		2	-	-
Leased in: 2 (AWAS)				
Air Fiji				
DHC-6-300 Twin Otter	PWC PT6A-27	1	-	-
DHC-6-200	PWC PT6A-20	1	-	-
Leased in Air Vanuatu				
Beech Baron 95-C55	Cont IO-540	1	-	-
Y-12 Mk-II	PWC PT6A-27	3	-	-
EMB 110-P1	PWC PT6A-34	2	-	-
BN2A-20 Islander	Lyc O-540-K1B5	3	-	-

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
Air Great Wall (China)				
To be merged with China Eastern				
B737-200	P&W JT8D-17A	3	-	-
TU-154		2	-	-
(out of service)				
A320	CFM56-5B4	2	-	-
Wet Leased in: 2 from China Eastern				
Air HongKong				
B747-200F	GE CF6 50-E2	3	-	-
Leased in: 3 from Cathay Pacific				
Air-India				
B747-400	P&W PW4056	6	-	1
B747-300 Combi	GE CF6-80C2B1	2	-	-
Leased in: 1 from Citicorp leasing Inc				
B747-200	P&W JT9D-7J -7Q	4	-	-
A300B4-100/-200	GE CF6-50C2	3	-	-
A310-300	GE CF6-80C2A2	8	-	-
Leased in: 2 IL-62				
Leased in 1				
Air Kiribati (Kiribati)				
C-212-200	Gar. TPE331-10R	1	-	-
Y12 Mk11	PT6A-27	1	-	-
BN-2AIII-2	Lyc O-540-C4B5	1	-	-
Air Macau (Macau)				
A320-200	IAE V2527-A5	3	-	-
Leased in: ILFC				
A321-100	IAE V2530-A5	5	-	-
Leased in: ILFC				
Air Maldives				
A310-200	P&W PW-JT9D	2	-	-
Leased in: A. I. Leasing Inc				
Do 228-212	Gar. TPE 331-5A-252D	2	-	-
DHC-8-200	PWC PW123D	1	-	-
Air Mandalay				
ATR 72-212QC	P&W PW 127	2	-	-
Air Marshall Islands				
HS 748-2B	RR Dart 536	1	-	-
Do 228-212	Gar. TPE331-5A-252D	2	-	-
Air Moorea (French Polynesia)				
Do 228-212	Garrett TPE331-252D	1	-	-
Leased in: 1				
BN-2A/2B	Lyc O-540-E4B5	3	-	-
Leased in: 1				
DHC-6-300	PWC PT6A-27	2	-	-
Air Nauru				
B737-400	CFM56-3C1	1	-	-
Air Nelson (New Zealand)				
Fairchild Metros	Garrett TPE331-11U-611	6	-	-
Leased in: 6 Air New Zealand				
Saab 340A GE CT7-5A2		12	-	-
Leased in: 12 Air New Zealand				
Air New Zealand/Ansett Group				
B747-400	RR RB211-524E	3	-	-
B747-400	GE CF6-80C2B1F	5	-	-
Leased in: 4				
B747-400	PW4056	2	-	-
Leased in: 2				
B767-200ER	GE CF6-80A2	5	-	-
Leased in: 2				
B767-200	GE CF6-80A2	2	-	-
Leased in: 1				

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
B767-200	GE CF6-80A	6	-	-
B767-300ER	GE CF6-80C2B6F	4	-	-
Leased in: 3				
B767-300ER	GE CF6-80C2B7F	1	-	-
Leased in: 1				
B767-300ER	GE CF6-80C2B6	6	-	-
Leased in: 2				
B737-200	P&W JT8D-15A	6	-	-
Leased in: 3				
B737-300	CFM56-3C1	14	3	-
Leased in: 9				
B737-300	CFM56-3B1	23	-	-
Leased in: 2				
B727-F	PW JT8D-15	1	-	-
Leased in:				
A320-200	CFM56-5A1	20	-	-
Leased in: 3				
ATR-72-500	P&W PW127F	8	-	-
Leased in: 8				
Saab 340A	GE CT7-5A2	21	-	-
Leased in: 2				
Saab 340B	GE CT7-9B	8	-	-
Leased in: 8				
BAe146-300	ALF502-R5	11	-	-
Leased out: 8				
BAe146-200	ALF502-R5	7	-	-
Leased in: 2				
BAe146-200QT	ALF502-R5	2	-	-
CRJ200	CF34-3B1	9	3	-
F28-4000	Spey 555-15P	4	-	-
Fokker 50	PW100-125B	9	-	-
Leased out: 4				
Raytheon Beech 1900D		-	16	-
Fairchild Metros	Garrett TPE331-11U-611	12	-	-
Leased in: 5				
Fairchild Metros	TPE331-12UHR-701G	7	-	-
Embraer 110	PW PT6A-34	11	-	-
DHC-6	PW PT6A-27	4	-	-
Air Nippon				
B737-500	CFM56-3C1	15	3	-
Leased in: 4 Mitsui and Co (1), Sumigin Lease (1), Japan Leasing Corp (1)				
B737-400	CFM56-3C1	-	1	-
B737-200	P&W JT8D-17	4	-	-
Leased in: 7 ANA				
A320-200	CFM56-5A1	8	-	-
Leased in: ANA				
DHC-8-Q300		-	1	-
YS-11A-500	RR Dart 543-10/10K	7	-	-
Leased in: 6 ANA				
Air Niugini (Papua New Guinea)				
A310-300	P&W PW4152	1	-	-
Leased in: 1 Gatex				
F28-4000	RR RB183-15H	3	-	-
F28-1000	RR RB183-15	3	-	-
DHC-8-200B	P&W PW123D	1		-
Airnorth (Australia)				
Emb 120ERJ		4	-	-
Fairchild Metro 23		4	-	-
Cessna 400 Series		10	-	-
Cessna 208B		1	-	-
Beechcraft B200		1	-	-
Air Pacific (Fiji)				

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
B747-200	RR RB211-524D	1	-	-
Leased in: Qantas				
B767-300ER	GE CF-6-80C2B6	1	-	-
Leased in: Mukai Kosan Company				
B737-700	CFM56-7B24	1	-	-
B737-800	CFM56-7B24	2	-	-
Air Philippines				
B737-200	P&W JT8D-7B/-9A/-17	11	-	-
Leased in: 4				
MD-82	P&W JT8D-2127C	2	-	-
Leased in: 2				
Air Rarotonga (Cook Islands)				
EMB110	PWC PT6A-34	3	-	-
Leased in: 2				
Air Tahiti Nui (French Polynesia)				
A340		1	-	-
ATR72-202	PWC PW124B	3	-	-
ATR42-500	PWC PW127E	3	-	-
Do 228-212	Gar. TPE331-5A-2521	2	-	-
Air Vanuatu				
B737-300	CFM56-3B1	1	-	-
Leased in: Qantas				
Saab 2000		1	-	-
Leased in: Saab				
Airlink (Australia)				
BAe 146-300		2	-	-
BAe 146-200		5	-	-
BAe 146-100		6	-	-
DHC-8-100		1	-	-

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
All Nippon Airways				
B747-400	GECF6-80C2B1F	23	-	-
Leased in: 7 Fuyo Sogo Lease (2), Sumisho Lease (1), Mitsui & Co Int'l (1), Mitsubishi Corp (1), Sumigin Lease & Partners (1)				
B747-200B	GE CF6-50E2	3	-	-
Leased in: 2 Orix Aircraft Corp				
B747SR	GE CF6-45A2	11	-	-
Leased in: 6 Nissho Iwai Leasing (3), Showa Leasing (3)				
B777-200/ER	P&W PW4090/4074	15	-	-
Leased in: 15				
B777-300	P&W PW4090	6	6	-
Leased in: 4				
B767-300	GE CF6-80C2B2F	42	-	-
Leased in: 15				
B767-200	CF6-80A	11	-	-
A321-100	V2530-A5	7	-	-
Leased in: 1				
A320-200	CFM56-5A1	25	-	-
Leased out: 7 Air Nippon				

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
A340		-	-	-
Alliance Air (India)				
B737-200	P&W JT8D-17A	7	-	-
Leased in: 7 from Air India				
Angel Airlines (Thailand)				
A300-600R	P&W PW4158	1	3	-
Leased in:				
Fairchild Dornier 328-100		1	-	-
Raytheon Beechjet 400A		1	-	-
Archana Airways (India)				
LET L-410 UVP-E	Walter M601E-21	4	1	-
Fairchild Dornier 328-100		-	2	-
Ariana Afghan Airlines OUT OF SERVICE				
B727-100C	P&W JT8D-7/9	2	-	-
B727-200	P&W JT8D-15	1	-	-
AN-12		1	-	-
AN-24RV	Ivchenko AI-24	2	-	-
AN-26		2	-	-
YAK-40	Ivchenko AI-25	1	-	-
DHC-6-300 Twin Otter		1	-	-
Asiana Airlines				
B747-400	GE CF6-80C2B1F	2	-	-
B747-400 Combis	GE CF6-80C2B1F	6	-	-
B747-400F	GE CF6-80C2B1F	4	1	-
Leased in: 2				
B767-300/ER	GE CF6-80C2B2F	11	-	-
Leased in: 5				
B767-300F	GE CF6-80C2B6F	1	-	-
B737-400	CFM56-3C1	20	-	-
Leased in: 15				
B737-500	CFM56-3C1	5	-	-
Leased in: 2				
A321	IAE V2530-A5	4	6	-
Asian Spirit (Philippines)				
DHC-7	PWC PT6A-50	2	-	-
YS-11A	RR Dart 543-10	3	-	-
LET 410	Walter M601E-21	2	-	1
Bangkok Airways (Thailand)				
ATR72-200	PWC PW124B	8	-	-
Leased in: 8				
ATR42-300	PWC PW121	1	-	-
Leased in: 1 GIE				
B717-200		1	1 (2001)	-
Berjaya Air (Malaysia)				
BN-2 Islander	Lyc IO-540 KIB5	1	-	-
Y-12	PWC PT6A-27	1	-	-
Challenger 601-3R	GE CF34-3A1	1	-	-

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
DHC-7	PWC PT6A-50	2	-	-
Biman Bangladesh Airlines				
DC 10-30	GE CF6-50C2	4	-	-
A310-300	P&W PW4156A	3	-	-
F28-4000	RR Spey 555-15P	1	-	-
BAe ATP	PWC PW126	2	-	-
Bouraq Indonesia Airlines				
B737-200	P&W JT8D-15	6	-	-
Leased in:				
HS 748-2A	RR Dart 534-2	3	-	-
HS 748-2B	RR Dart 536-2	1	-	-
IPTN 212-100		3	-	-
IPTN N250		-	5	-
Cathay Pacific Airways				
B747-400	RR RB211-524G/H	19	-	-
Leased in: 17				
B747-400F	RR RB211-524G2	3	2 (2001)	-
Leased in: 1				
B747-200F	RR RB211-524D4	7	-	-
Leased in: 1 Leased out: 3 (Air Hong Kong)				
B777-200	RR Trent 800	5	-	-
Leased in: 3				
B777-300	RR Trent800	7	-	10 (Up to 2004)
Leased in: 7				
A340-600	RR Trent 500	-	3 (2002-03)	-
A340-300	CFM56-5C4	15	3	-
Leased in: 14, 3 from Air China				
A330-300	RR Trent 772	14	6 (2001)	-
Leased in: 12				
Cebu Pacific Air (Philippines)				
DC-9-41	P&W JT8D-9A/7B	12	-	-
Leased in: 12				
Changan Airlines (China)				
(to be merged with Hainan Airlines)				
Y-7	WJ5A-1	5	-	-
China Airlines (Taiwan)				
B747-400	P&W PW4056	13	-	-
Leased in: 7				
B747-400F	GE CF6-80C2B1F/5F	6	9	
Leased in: 2				
B747-200F	P&W JT9D-7A/7Q/7R4G2/	7	-	-
Leased in: 4				
B747-200B	P&W JT9D-7A	1	-	-
B737-800	CFM56-7B26	8	4	-
Leased in: 4; Leased out: 1				
MD-11	P&W PW4460	4	-	-
Leased in: 2				
A300-600R	P&W PW4158	12	-	-
Leased in: 8				
A340-300	CFM56-5C4	-	7	-
China Eastern Airlines				
A340-300	CFM56-5C4	5	-	-
Leased in: 1 BOT Financial Corp				
A300-600R	GE CF6-80C2A5	10	-	-
Leased in: 3				
A320-200	CFM 56-5B4	11	3	-
Leased in: 4 Wetleased out: 2 to Air Great Wall				
A319		4	-	-
B737-300		7	-	-
Leased in: 1 SALE				
MD-82	P&W JT8D-217A	4	-	-
MD-11	P&W PW4460	3	-	-

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
MD-11F	P&W PW4460	3	-	-
MD-90		9	-	-
Yak-42D	WJ5A-1	7	-	-
Not in service				
China Northern Airlines (Shenyang)				
MD-90	IAE V-2525-D5	13	-	-
MD-82	P&W JT8D-217A/C	24	-	-
A300-600R	P&W PW4158	6	-	-
Leased in: 2 AWAS Leased out 1				
A321		-	10	-
China Northwest Airlines (Xian)				
A300-600R	GE CF6-80C2A5	3	-	-
Leased in: 1 GECAS				
A310-200	P&W JT9D-7R4E1	3	-	-
Leased in: 3				
A320	CFM56-5B4	13	-	-
Leased in: 2				
BAe 146-100	Lyc ALF 502R-5	3	-	-
Leased in: 1				
BAe 146-300	Lyc LF507-1H	7	-	-
Y-7-100	WJ 5A-1	5	-	-
China Southern Airlines (Guangzhou)				
(including merged carrier Zhongyuan Airlines)				
B777-200A/B	GE90-76BG01	9	-	-
Leased in: 8				
B757-200	RR RB211-535E4	18	-	-
Leased in: 15				
B737-300	CFM56-3C	27	-	-
Leased in: 13				
B737-500	CFM56-3C	12	-	-
Leased in: 7				
A320-200	IAE V2527-A5	20	-	-
Leased in: 10 Leased out: 2				
China Southwest Airlines (Chengdu)				
B757-200	RR RB211-535E4	13	-	-
Leased in: 5 GECAS (3) Leased out: 2				
B737-300	CFM56-3B1/B2	14	-	-
Leased in: 5				
B737-800	CFM56-7	3	-	-
A340-300		3	-	-
Tu-154M	Soi D-30KU-154	4	-	-
Not in service				
China United Airlines (Beijing)				
B737-300	CFM56-3B1	8	-	-
B767-300ER		1	-	-
Tu-154M	Sol D-30KU-154	16	-	-
Il-76M		14	-	-
Canadair CL601	GE CF34-A-1A/3A	5	-	-
China Xinhua Airlines				
B737-300	CFM56-3B1/2	6	-	-
Leased in: 1 Boullioun				
B737-400	CFM56-3	3	-	-
Leased in: 3 Bouillioun				
China Xinjiang Airlines (China)				
B737-300	CFM56-3	2	-	-
B757-200	RB211-535-E4	6	3	-
Leased in: 3				
TU-154	D-30KU	5	-	-
IL-86	Hk-86	3	-	-
ATR-72		5	-	-
China Yunnan Airlines (China)				
B737-300	CFM56-3B1/3C1	13	-	-

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
Leased in: 4 AWAS (3), GECAS (1)				
B767-300ER	RR RB524-211	3	-	-
B737-700	CFM 56	4	-	-
Canadair CRJ200 (pending govt approval)		-	6 (2001-02)	-
Dragonair (Hong Kong)				
A320-200	IAE V2500-A1	7	6 (2001-05)	-
Leased in: 5 ILFC Leased out: 1, Transasia				
A321	IAE V2500	3	1	-
Leased in: 3				
A330-300	RR Trent 772	5	2 (2001)	2
Leased in: 3 ILFC				
B747-200F	GE CF6-50E2	1	-	-
Wet Leased from Atlas Air				
B747-300	PW JT9D-7R4G2	2	-	-
Druk-Air (Bhutan)				
BAe 146-100	Lyc ALF502R-5	2	-	-
Eagle Airlines (New Zealand)				
EMB-110P1	PWC PT6A-34	9	-	-
Leased in: 9 Air New Zealand				
Fairchild Metro III	Garrett TPE331-11	6	-	-
Leased in: 6 Air New Zealand				
Eastern Australia Airlines				
DHC-8-100/200	PWC PW120A/123	15	-	-

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
Elbee Airlines (India)				
F27-200	RR Dart 552-7R	2	-	-
EVA Air (Taiwan)				
B747-400	GE CF6-80C2B1F	5	-	-
B747-400 Combi	GE CF6-80C281F	10	-	-
Leased in: 12 of the 15 B747s				
B747-400F	GE CF6-80C2B1F	1	2 (2001-02)	-
B767-300ER	GE CF6-80C2B6F	4	-	-
Leased in: 4				
B767-200	GE CF6-80C2B2F	4	-	-
MD-11	GE CF6-80C2D1F	3	-	-
Leased in: 1				
MD-11F	GE CF6-80C2D1F	9	-	-
Leased in: 2				
B777-200X		-	3 (2005-08)	-
B777-300X		-	4 (2005-08)	8 (-200/-300)
A330-200		-	8 (2003-05)	-
Everest Air (Nepal)				
Fairchild Dornier 228-100	Gar TPE331-5-252D	3	-	-
Leased in: 1 Danisk, 2 Adler Leasing				
Far Eastern Air Transport (Taiwan)				
B757-200	P&W PW2037	7	1	-
Leased in: 1 ILFC				

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
MD-82/83	P&W JT8D-217/219	9	-	-
Leased in: 4				
FlightWest Airlines (Australia)				
F28-4000		3	-	-
F100		2	-	-
EMB-120ERJ	PWC PW118A	7	-	-
BAe Jetstream J32EPs		4	-	-
Freedom Air International (New Zealand)				
B737-300	CFM56-3C1	2	-	-
Leased in: 2 Air New Zealand				
Garuda Indonesia				
B747-400	GE CF680-C2B1F	3	-	-
Leased in: 1 ILFC (To Mar 2005)				
B747-200	P&W JT7D-7Q	4	-	-
B737-500	CFM56-3C1	5	-	-
B737-400	CFM56-3C1	14	-	-
Leased in: 7				
B737-300	CFM56-3B1	7	-	-
Leased in: 7				
DC10-30	GE CF6-50C	5	-	-
A330-300	RR Trent 700	6	-	-
Leased in: 6				
Hainan Airlines (Haikou, China)				
B737-300	CFM56-3C1	5	-	-
Leased in: 3 ILFC, 2 Communication Bank of China				
B737-400	CFM56-3C1	7	-	-
Leased in: ILFC				
B737-800	CFM56-7	7	-	-
Leased in:				
Fairchild 328JETS	P&W	19	20	-
Learjet 60	P&W PW305A	1	-	-
Beechjet 400		1	-	-
Raytheon Hawker 800XP		1	-	-
Hazelton Airlines (Australia)				
Saab 340A/B	GE CT7-9B	9	-	-
Leased in: 1 Finans Skandic AB, 1 NAB, 2 Scania, 2 Handelsbanken				
Fairchild Metro 23	Gar. TPE331-12 VAR	2	-	-
Leased in: 2 State Bank				
Impulse Airlines (Australia)				
B717-200		8	2	-
Raytheon Beech 1900D		13	-	-
Indian Airlines				
A300B4/B2	GE CF6-50C2/C	11	-	-
A320-200	IAE V2500-AI	31	-	-
Leased out: 1				
B737-200	P&W JT8D-17A	11	-	-
Dornier 228-200		3	-	-
Islands Nationair (Papua New Guinea)				
DHC-6-300 Twin Otter	PWC PT6A-27	3	-	-
EMB-110	PWC PT6A-34	3	-	-
J-AIR (Japan)				
BAe Jetstream Super 31	Gar. TPE331-12UHR	3	-	-
Leased in:				
Canadair RJ 200		2	-	-
Jagson Airlines (India)				
Fairchild Dornier 228-201	Gar. TPE331-5-252D	3	-	-
JALways (Formerly Japan Air Charter, JAZ)				
B747		1	-	-
Leased in: 1, Japan Airlines				
DC10-40	P&W JT9D-59A	4	-	-
Leased in: 4 Japan Airlines				
Japan Air Commuter				

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
YS-11A-500	RR Dart 542-10J/K	12	-	-
Leased in: JAS				
Saab 340B	GE CT7-9B	11	-	-
Leased in: 7 Mitsui Leaseb (2), Kougin Lease (1), Tajima Airport Terminal (1), Central Lease (1), Diamond Lease (1), Nihon Lease (1)				
Japan Air System				
B777-200	P&W PW4074	2	-	-
Leased in: 1 Sumigin Lease				
A300B4-2C	GE CF6-50C2R	8	-	-
Leased in: 5				
A300B2K-3C	GE CF6-50C2R	9	-	-
Leased in: 4				
A300-600R	P&W PW4158	19	-	-
Leased in: 7				
MD-90-30	IAE V2525-D5	16	-	-
Leased in: 3				
MD-81	P&W JT8D-217A/C	18	-	-
Leased in: 13				
MD-87	P&W JT8D-217/AC	8	-	-
Leased in: 2				
Japan Airlines				
B747-400	GE CF6-80C2B1F	41	4	-
Leased in: 15				
B747-300	P&W JT9D-7R4G2	14	-	-
Leased in: 2 Leased out: 1 JAA				
B747-200B	P&W JT9D-7A	4	-	-
Leased in: 3 Leased out: 1 JAA				
B747-200B	P&W JT9D-7Q	8	-	-
Leased in: 3 Mitsibishi Corp (2) Leased out: 2 JAA				
B747-200B	P&W JT9D-7R4G2	3	-	-
B747-200B (F Mod)	P&W JT9D-7D	1	-	-
B747-200F	P&W JT9D-7Q	5	-	-
Leased in:				
B747-200F	P&W JT9D-7A	1	-	-
Leased in:				
B747-200F	P&W JT9D-7R4G2	2	-	-
Leased in: 2				
B747-100B SUD	P&W JT9D-7A	2	-	-
B747-100/100B	P&W JT9D-7A	3	-	-
Leased in: Mitsibishi Corp (1), Japan Air Charter (1)				
B767-300	P&W JT9D-7R4D	12	-	-
Leased in: 5 Leased out: 1 JAA				
B767-300	GE CF6-80C2B4F	7	-	-
Leased in: 4 Leased out: 2 JAA				
B767-200	P&W JT9D-7R4D	3	-	-
Leased in: 1 Nikko Lease				
B777-200	P&W PW4077	5	5	-
Leased in: 3				

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
B777-300	P&W PW4090	5	-	-
B777-300X		-	8	-
MD-11	P&W PW4460	10	-	-
Leased in: 8. Mitsubishi Corp (5), Kogin Lease (1), Fuyo Sogo Lease (1)				
DC 10-40	P&W JT9D-59A	12	-	-
Japan Asia Airways				
B747-300	P&W JT9D-7R4G2	3	-	-
Leased in: Japan Airlines				
B747-200	P&W JT9D-7A/7Q	1	-	-
Leased in: Japan Airlines				
B767-300	P&W JT9D-59A	2	-	-
Leased in: 2, Japan Airlines				
B767-300	CF6-80C2B4F	1	-	-
Leased in: 1, Japan Airlines				
Japan Express (JEX)				
B737-400	CFM 56-3C1	8	-	-
Leased in: 8, Japan Airlines				
Japan TransOcean Air				
B737-400	CFM56-3C1	11	-	-
Leased in:				
B737-200	P&W JT8D-17	2	-	-
Leased in:				
Jet Airways (India)				
B737-400	CFM56-3C1/3B1	10	-	-
Leased in: 4				
B737-700	CFM56-7B22	6	2	-
B737-800	CFM56-7B24	9	9 (2001-03)	-
ATR 72-500	PWC PW127F	5	3 (2001)	-
Kendell Airlines (Australia)				
Saab 340A	GE CT7-5A2	8	-	-
Saab 340B	GE CT7-9A2	8	-	-
Fairchild Metro 23	Gar. TPE331-12 UAR	7	-	-
Canadair RJ-200	GE CF34-381s	8	4	12
Korean Air				
B747-400	P&W PW4056	25	2 (2001/02)	-
Leased in: 1. Indosuez Air Finance				
B747-400F	P&W PW4056	5	2 (2001)	-
B747-200/300F	P&W JT9D-7A/Q/7R4G2	7	-	-
B747-300	P&W JT9D-7R4G2	2	-	-
B777-200	P&W PW4090	5	1(2001)	-
B777-300	P&W PW4090	4	2 (2002)	-
B737-800	CFM56-7B24	10	6 (2001)	-
B737-900	CFM56-7B24	-	7 (2001/02)	1
A330-300	P&W PW4168/A	11	5 (2001/02)	-
A330-200	P&W PW4168	3	-	-
A300-600	P&W PW4158	18	-	-
Leased in: 3				
MD-11F	P&W PW4460	4	-	-
MD-82/83	P&W JT8D-217A/C/219	7	-	-
Fokker 100	RR Tay 650-15	10	-	-
Leased in: 2. Orix Aircraft Corp (2)				
Lao Aviation				
An 24RV	Ivchenko AI-24	1	-	-
ATR72	P&W PW127	1	-	-
Y-12-II	PWC PT6-27	5	-	-
Leased in: Harbin (CATIC)				
Y-7-100C3	WJ5A-1	3	-	-
Leased in: XAC				
Malaysia Airlines				
B747-400	P&W PW4056/GE CF6-80C2	16	5	-
Leased in: 1				
B747-300	P&W JT9D-7R4G2	1	-	-

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
B747-200F	RR RB211-524D4	2	-	-
B777-200	RR Trent 890B	11	6	-
Leased in: 9				
B737-400	CFM56-3C1	39	-	-
Leased in: 4. Leased out: 3				
B737-500	CFM56-3C1	1	-	-
Leased in: 1				
B737-700BBJ	CFM56-7B26	1	-	-
A330-300	P&W PW4168	10	-	-
DC10-30	CF6-50C2	1	-	-
Fokker 50	PWC PW125B	10	-	-
DHC	PT6A-27	6	-	-
Leased in: 1				
Mandala Airlines (Indonesia)				
B737-200	P&W JT8D-15/17	7	-	-
Leased in: 7. GECAS (3), PT. Pann (2), Sub lease from Transmile (2)				
Mandarin Airlines (Including Formosa Airlines, Taiwan)				
B747-400	P&W PW4056	1	-	-
B737-800	CFM56-7B26	2	-	-
Fokker 50	P&W PW125B	7	-	-
Fokker 100	RR Tay 65-15	2	-	-
Fairchild Dornier 228-202	Gar TPE331-252D	1	-	-
Fairchild Dornier 228-212	Gar TPE331-5A-252D	2	-	-
Merpati Nusantara Airlines (Indonesia)				
B737-200	P&W JT8D-15	3	-	-
Fokker 100	RR Tay 650-15	3	-	-
F28-4000	RR Spey 555-15H	10	-	-
Leased in: 6. Leased out 1				
F27-500	RR Dart 532/6-7	8	-	-
F27-Cargo	RR Dart 7	2	-	-
CN-235	GE CT7-7A	14	-	-
CASA 212	Gar. TPE 331-10-511	6	-	-
DHC-6-300/200	PWC PT6A-27	9	-	-
ATP	P&W PW120A	4	-	-
Mount Cook Airline (New Zealand)				
ATR 72-500	PWC PW127	7	1	-
Leased in: 7, Air New Zealand				
MIAT Mongolian Airlines				
B727-200	P&W JT8D-9A/17	2	-	-
A310		1	-	-

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
An-24	Ivchenko AI-24	11	-	-
An-26	Ivchenko AI-24BT	3	-	-
An-30	Ivchenko AI-24BT	1	-	-
Mi-8	TVD-117A	3	-	-
Myanmar Airways				
F28-4000	RR Spey 555-15P	2	-	-
F28-1000	RR Spey 555-15	1	-	-
F27-600	RR Dart 532-7	3	-	-
F27-400	RR Dart 532-7	1	-	-
F27-100	RR Dart 514-7	1	-	-
Myanmar Airways International				
B737-400	CFM56-3C1	2	-	-
Leased in: MAS				

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
Necon Air (Nepal)				
HS748	RR Dart 533/6-2	3	-	-
ATR-42		1	-	-
National Jet (Australia)				
BAe RJ70		2	-	-
DHC 8 100/200/300		5	-	-
BAe Jetstream J32		1	-	-
NEPC Airlines (India)				
F27-500	RR Dart 552-7R	8	-	4
Leased in: 2				
Nippon Cargo Airlines (Japan)				
B747-200F	GE CF6-50E2	7	-	-
Leased in: 2				
B747-100SRF	GE CF6-50E2	1	-	-
Pacific Airlines				
MD-82	P&W JT8D-217C	1	-	-
Leased in: U-Land Airlines				
Pakistan International Airlines				
B747-200	P&W JT9D-7A	6	-	-
B747-200 Combi	GE CF6-50E2	2	-	-
B747-300	RR RB211-524C2	5	-	-
Leased in: 5 Cathay Pacific				
B737-300	CFM56-3B1	6	-	-
A300-B4	GE CF6-50C2	9	-	-
Leased in: 2				
A310-300	GE CF6-80C2A8	6	-	-
F27-200/400	RR Dart 532-7	13	-	-
DHC-6-300	PWC PT6A-27	2	-	-
Pelangi Air (Malaysia)				
Fokker 50	PWC PW125B	2	-	-
Fairchild Dornier 228-202	Gar. TPE331-5-252	3	-	-
Pelita Air Service (Indonesia)				
Fokker 100	RR Tay 650-15	1	-	-

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
Leased in: GECAS				
Fokker 70	RR Tay 620-15	1	-	-
F28-4000	RR Spey 555-15P	4	-	-
Leased in: 1 GECAS				
DHC-7-103	PWC PT6A-50	6	-	-
CASA C212-100	Garrett TPE331-511C	4	-	-
BAe 146-200	Lyc ALF502-R5	1	-	-
CASA 212-200		8	-	-
Philippine Airlines				
B747-400	GE CF6-80C2B1F	4	-	-
Leased in: 4				
B747-200	CF56-5C4	3	-	-
Lease in: 3				
B737-300	CFM56-3B1/3B2/3C1	9	-	-
Leased in: 8				
B737-400	CFM56-3B1/3B2/3C1	3	-	-
Leased in: 3				
A340-300	CFM56-5C	4	-	-
Leased in: 4				
A330-300	CF6-80E1A2	8	-	-
Leased in: 8				
A320-200	CFM56-5B4/P	3	-	-
Leased in: 3				
Polynesian Airlines (Western Samoa)				
B737-300	CFM56-3C1	1	-	-
B737-800	CFM56-7B	1	1	-
DHC-6-300	PWC PT6A-27	2	-	-
BN-2A Islander	Lyc O-540-E4C5	1	-	-
Qantas Airways				
B747-400	RR RB211-524G/CF6-80C2B1F	24	-	-
Leased in: 1 (British Airways)				
B747-400ER	CF6-80C2B5F	-	6	-
B747-300	RR RB211-524D4U	6	-	-
B747-200B/ SCD	RR RB211-524D4U	4	-	-
Leased out: 1 (Air Pacific)				
B747SP	RR RB211-524B2	2	-	-
B767-300ER	RR211-524H/GE CF6-80C2B6	29	-	-
Leased in: 3 Japan Leasing Corp (2), Dai-Ichi Kangyo Bank (1)				
B767-200ER	P&W JT9D-7R4E	7	-	-
B737-300	CFM56-3C1	16	-	-
B737-400	CFM56-3C1	22	-	-
Leased in: 1 ILFC				
A380	RR Trent 900	-	12	-
A330-200	CF6-80E1	-	7	-
A330-300	CF6-80E1	-	6	-
Regionals				
BAe146-100	ALF502R-5	6	-	-
BAe146-200	ALF502R-5	9	-	-
BAe146-300	ALF507R-5	2	-	-
DHC-8-100	PW120A	18	-	-
DHC-8-200	PW123	4	-	-
Shorts SD 360 PW PT6A-65R		4	-	-
Qantas New Zealand (formerly Ansett New Zealand)				
BAe 146-300	Lyc ALF502R-5	9	-	-
Leased in: 9 AWAS (7), Ansett Aust (2)				
BAe 146-200F	Lyc ALF502R-5	1	-	-
Leased in: AWAS				
DHC-8-100	PWC PW120A	4	-	-
Leased in: 3 DHC (5 years)				
BAe Jetstream 32EP		-	3	-
Royal Air Cambodge (Cambodia)				
B737-400	CFM56-3B1	1	-	-
Leased in: MAS				

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
ATR72	PWC PW124C	3	-	-
Leased in: 3				
Y12	PT6A-27	2	-	-
Royal Brunei Airlines				
B757-200ER	RR RB211-535-E4	2	-	-
Leased out: 1 Qatar Airways				
B767-300ER	P&W PW4056	6	-	-
Leased out: 1 Region Air				
B767-300ER	GE CF6-80C2	2	-	-
Dornier 228-212	TPE331-5A-252D	1	-	-
Leased out				
Royal Nepal Airlines				
B757-200/C	RR RB211-535E4	2	-	-
DHC-6-300	PWC PT6A-27	8	-	-
Pilatus PC6-B2H4	PWC PT6A-27	1	-	-
Royal Tongan Airlines				
BAe 748-2B	RR 536	1	-	-
Leased in: Mt. Cook Airlines				
DHC-6-300	PWC PT6A-27	2	-	-
Ryukyu Air Commuter (Japan)				
DHC-8-100		2	2	-
DHC-6-300	PWC PT6A-27	4	-	-
Leased in: 4 Japan TransOcean				
Sabang Merauke Raya Air Charter (Indonesia)				
C-212-100	Garrett TPE331-5-251C	2	-	-
F-27-200	RR Dart-7 MK532-7	1	-	-
Leased in: 1				
Piper PA31-350	Lyc TIO-540-J2BD	1	-	-
Sahara India Airlines				
B737-200	P&W JT8D-15	4	1	-
Leased in: 2 PLM Int'l				
B737-400	CFM56-3C-1	2	2	-
Leased in: ILFC				
Shaheen Air (Pakistan)				
B737-400		1	-	-
Leased in:				
Shandong Airlines (China)				
B737-300	CFM56-3B1/3B2	7	-	-
Leased in: 2 (GECAS)				
Saab 340A		8	-	-
Leased in:				
Canadair RJ200		2	3	-
Canadair RJ700 (pending govt approval)		-	10	-
Bombardier Challenger 604		-	4 (2002-03)	-
Y-7	WJ5A	1	-	-

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
Shanghai Airlines (China)				
B757-200	P&W PW2037	7	-	-
B767-300	P&W PW4056	3	-	-
B737-700	CFM56-381	5	1	-
Leased in: 3 (ILFC)				
Canadair RJ200		2	1	-
Shenzhen Airlines (China)				
B737-300	CFM56-3B1/2/C1	6	-	-
Leased in: 6 China Xinjiang (2), Fluggesellscaft (2), AWAS (1), Metlife Capital Corp (1)				
B737-700		5	-	-
Sichuan Airlines (China)				
A320-200	IAE V2527-A5	5	-	-
Leased in: ILFC				
A321	IAE V2500	2	2	-
EMB 145		4	1(2001)	-
Y-7-100	WJ5A-1	5	-	-
Tu-154M	Soi A-30KU	4	-	-
SilkAir (Singapore)				
A320-200	V2527-A5	4	1 (2001)	9
(A320/A319)				
A319-100	V2524-A5	3	1 (2002)	
Singapore Airlines				
B747-400	P&W PW4056	36	3	9
B747-400F	P&W PW4056	9	8	-
B777-200/ER	RR Trent 800	13	37	26
B777-300	RR Trent 892	5	3	-
A380-100	RR Trent 900	-	10	25
A340-300E	CFM56-5C4	15	2	-
A340-500	RR Trent 553	-	5	5
A310-300	P&W PW4152	13	-	-
Skippers Aviation (Australia)				
DHC-8-100		2	-	-
Emb 120ERJ		1	-	-
Fairchild Metro 23		7	-	-
Cessna 400 Series		9	-	-
Beechcraft B200		2	-	-
Skymark Airlines (Japan)				
B767-300ER		2	1	-
Skyline NEPC Airlines (India)				
B737-200	P&W JT8D-17/17A	1	-	-
Skywest Airlines (Australia)				
Fokker 50	PWC PW125B	5	-	-
Solomon Airlines				
B737-300 CFM56-3C1		1	-	-
Leased in: Qantas				
DHC-6-310	PWC PT6A-27/34	2	-	-
DHC-5-310	PWC PT6A-27	1	-	-
BN-2A-8/9 Islander	Lyc O-540-E4C5	2	-	-
Southern Australian Airlines				
DHC-8-102	PWC PW120A	3	-	-
BAe 146-200	Lyc. ALF 502R	3	-	-
Leased in: 3				
Srilankan Airlines				
A340-300	CFM56-5C2	4	-	-
Leased in: 1				
A330		6	3	-
A320-231	IAE V2500-A1	2	-	-
L1011-500	RR RB211-524B4	2	-	-
L1011-100	RR RB211-22B02	1	-	-
L1011-50	RR RB211-22B02	1	-	-
Sunflower Airlines (Fiji)				
BN-2A Islander	Lyc O-540-E4C5	3	-	-

Airline/Aircraft	Engines	In Service Feb 28, 01	On Order (Delivery Date)	Options
BN2A-27Islander	Lyc 0-540-E4C5	1	-	-
DHC-6-110	PWC PT6A-20	2	-	-
DHC-6-300	PWC PT6A-27	1	-	-
Shorts 330	PWC PT6A-45R	2	-	-
Cessna - 172M	Lyc 0-320-E2D	1	-	-
Cessna - 152	Lyc 0-235-L2C	1	-	-
Sunstate Airlines (Queensland, Australia)				
Shorts 360	PWC PT6A-65R	4	-	-
DHC-8-100/300	PWC PW120A	7	-	-
Thai Airways International				
B747-400	GE CF6-80C2B1F	14	1	-
Leased in: 2				
B747-300	GE CF6-80C2B1	2	-	-
B777-200	RR Trent 870	8	-	-
Leased in: 4				
B777-300	RR Trent	6	-	-
B727-400		-	1 (2001)	-
B737-400	CFM56-3C1	10	-	-
Leased in: 4				
MD-11	GE CF6-80C2D1F	4	-	-
A330-300	P&W PW4164/4167/4168A	10	-	-
Leased in: 3				
A300-600	GE CF6'P&W4158	21	-	-
Leased in: 5				
ATR72	PWC PW124	2	-	-
TransAsia Airways (Taiwan)				
A320	IAE V2500-A1	6	-	-
A321-131	IAE V2500-A5	6	-	-
ATR 72	PWC PW124B	10	-	-
Transmile Air Services (Malaysia)				
B737-200	P&W JT8D-9A	2	-	-
Leased in: Leased out: 2				
B737-200F	P&W JT8D-9A	5	-	-
Leased in: 1 Leased out:				
B727-200	P&W JT8D-15	1	-	-
Cessna Grand Caravan I	PWC PT6A-114	2	-	-
Uni Air				
MD-90-30	IAE V2525-D5	14	-	-
Leased in: 7				
DHC8-100		4	-	-
DHC8-200		1	-	-
DHC8-311	PW 123	14	1	-
Fairchild Dornier 228-212	Garrett TPE 331-5A	2	-	-
BN-2A-26	AVCO Lyc 0-540	3	-	-
U-Land Airlines				
MD-82	P&W JT8D-217C	3	-	-
Leased out: 1 Vietnam's Pacific Airlines				
Vanair (Vanuatu)				
DHC-6-310	PWC PT6A-27	5	-	-
BN-2A Islander	Lyc O-540-4C5	2	-	-
Vietnam Airlines				
B767-300ER	CF 6	3	-	-
Leased in: 4				
A320-200	CFM56-5B4	10	-	-
Leased in: 10				
Fokker 70	Tay MK 620-15	2	-	-
ATR 72-202	PWC PW124	4	-	-
Leased in: 2				
Virgin Blue (Australia)				
B737-400		5	-	-
B737-700		-	10	-
B737-800		-	4	-
Wuhan Airlines (China)				
B737-300	CFM56	6	-	-
B737-800		-	2 (2001)	-
Leased in: 3 ILFC				
Y-7-100	WJ5A-1	4	-	-
Y-5	HS 5	2	-	-
Xiamen Airlines (China)				
B757-200	RR RB211-535E4	5	-	-
B737-200	P&W JT8D-17A	2	-	-
Leased in: 2 GECAS				
B737-300		3	-	-
B737-500	CFM56-3C1	5	-	-
Leased in: 4 ILFC (2), Braathens (2)				
B737-700	P&W JT8D	6	4	-
Zhejiang Airlines (China)				
A320-200	CFM 56-5B4-2	5	-	-
Leased in: 2				
A319-100		-	3 (2002)	-
DHC Dash-8-300	PWC PW127	3	-	-
Leased in: 1 AGES				

FLEET CENSUS PHOTO CALL

Page 50: **The sun catches a Singapore Airlines aircraft tail**

Page 51: **An Air China plane takes off from Beijing's Capital International Airport**

Page 52: **Struggling Japan start-up Skymark**

Page 53: **A Cathay Pacific A330 taxis at Hong Kong International Airport**

Page 54: **Merpati Nusantara: slow recovery after the recession**

Page 55: **Philippine Airlines "flying the flag"**

Page 56: **A MIAT Mongolian aircraft**

Page 57: **Thai International Airways: seeing double in Bangkok**

Page 58: **Taiwan domestic carrier UNI Air.**

Photos by Andrew Hunt, Rob Finlayson and Hiro Murai

STRONG SHOWING BY VN, ASIANA IN ROBUST YEAR

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

The Association of Asia Pacific Airlines' (AAPA) member carriers ended the year 2000 in December with 13.5% and 9.9% growth in consolidated revenue passenger kilometres (RPKs) and passengers carried (PAX), respectively. Seat capacity increased 8.2%, which resulted in a load factor of 72.5%, up 3.4 percentage points on the same period in 1999.

Although the growth rates are significantly higher than those of the preceding two months, they do not indicate a change in trend. This is because more than half of the growth rates are attributable to the abnormally depressed figures of the same month in the previous year. As quoted in earlier issues, the fear of the possible negative effect of the Y2K rollover cannot be discounted for the months of December 1999 and January 2000.

Nine reporting airlines recorded strong growth. Vietnam Airlines (VN) emerged with the highest growth at 47.1%. China Airlines (CI) and Royal Brunei Airlines (BI) followed with RPK growth rates of 30.2% and 20.4% respectively.

With the exception of Garuda Indonesia (GA) and Korean Air (KE), all airlines registered an improvement in passenger load factor (PLF). Ansett Australia (AN – 8.4 percentage points), Japan Airlines (JL – 7.3 percentage points) and Royal Brunei Airlines (7.0 percentage points) emerged with the most significant improvements. Load factors of Garuda and Korean Air, however, declined by 4.2 percentage points and 2.2 percentage points, respectively.

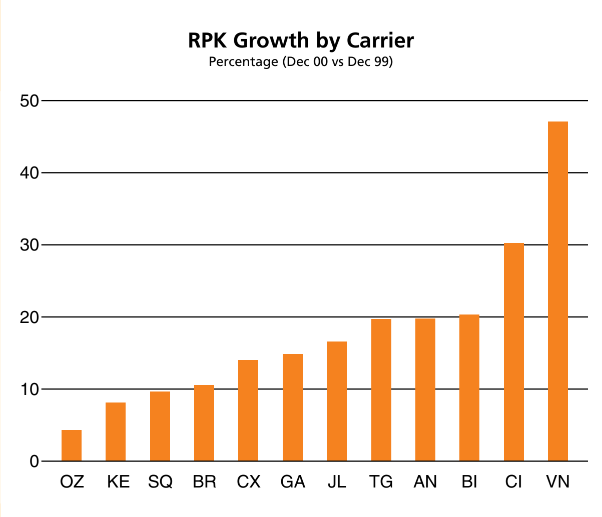
Nine airlines managed a PLF of 70% or more. Singapore Airlines (SQ) recorded the highest load factor in December at 76.7%. Asiana Airlines (OZ) was next with 76.5%. Another airline to register more than 75% PLF was Ansett Australia with 75.2% – it's highest for the year. Three airlines averaged load factors of between 66% and 68%.

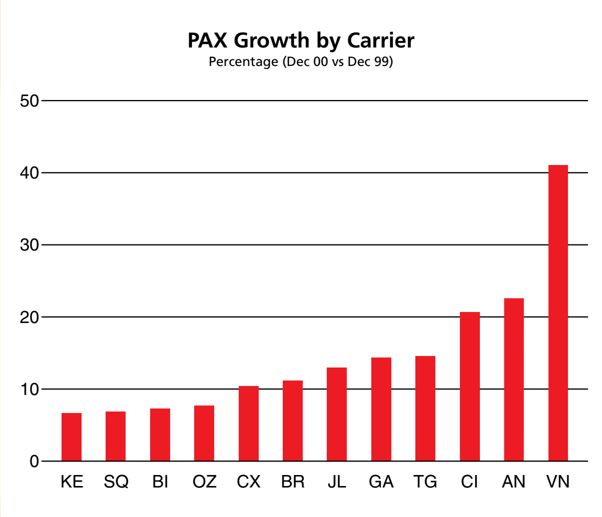
Cargo Results

Freight traffic's phenomenal growth, stretching back to January 1999, eased in October and November and turned flat in December. Freight tonne kilometres (FTKs) grew only 0.4%. Capacity expanded 3.7%, dragging down the load factor 2.3 percentage points to 67.8%.

Eight airlines registered FTK growth, albeit at a relatively modest rate of not more than 10% for the month. On the other hand, four airlines experienced negative FTK growth. Garuda Indonesia registered the biggest contraction of 10.9%. Korean Air was next with a 5.3% decline in traffic.

Only two airlines, Ansett Australia and Asiana Airlines, man-





Vietnam Airlines: aggressive expansion of its route network paid off with 21% growth in RPKs and 23.5% in FTKs in the year 2000

aged an improvement in freight load factor (FLF), with increases of 7.0 and 5.0 percentage points respectively. On the other hand, 10 airlines recorded a decline in FLF ranging from 2.1 percentage points (Singapore Airlines) to 9.8 percentage points (China Airlines).

Six airlines posted more than 70% load factor. Ansett Australia came out top with 82%. China Airlines was next with 78.7%. This was the first time the Taiwan carrier's load factor had fallen below the 80% mark in 2000. Two other airlines recorded more than 75% load factor – EVA Air (BR – 78.5%) and Asiana Airlines (75.1%). Three airlines from Southeast Asia reported FLFs of below 50%.

Fourth Quarter Results (October to December 2000)

Passenger traffic in the fourth quarter saw slower growth than in previous quarters. RPKs and passengers carried grew by 10.6% and 9.3% respectively. Seat capacity increased by 7.7%, which produced a load factor of 73.6%, up 2.0 percentage points on the same period in 1999.

All airlines recorded positive RPK growth in the quarter with six managing double-digit increases – Vietnam Airlines (36.9%), China Airlines (31.7%), Garuda Indonesia (25.5%), Royal Brunei Airlines (12.4%), Japan Airlines (11.5%) and Thai Airways International (TG – 10.8%).

PLF growth was moderate. It ranged from 1.2 percentage points (Singapore Airlines) to 5.1 percentage points (Japan Airlines). There were, however, three airlines recording a marginal decline. Four carriers posted a PLF of more than 75% – Singapore Airlines (76.7%), Asiana Airlines (76.0%), Thai Airways International (75.7%) and Japan Airlines (75.1%).

Fourth Quarter Cargo Results

The drop in exports began to impact on the performance of the AAPA member airlines during the October-December quarter. The consolidated FTKs rose a moderate 3.3%. Freight capacity expanded by 5.9%, which resulted in a FLF of 71%, down 1.8 percentage points.

Eight airlines recorded FTK growth with China Airlines posting the highest increase of 10.9%. Two other carriers managed significant growth in the fourth quarter – Vietnam Airlines (8.6%) and Cathay Pacific Airways (CX – 7.9%). Of the four airlines with negative FTK growth, Royal Brunei Airlines (11.4%) experienced the biggest contraction.

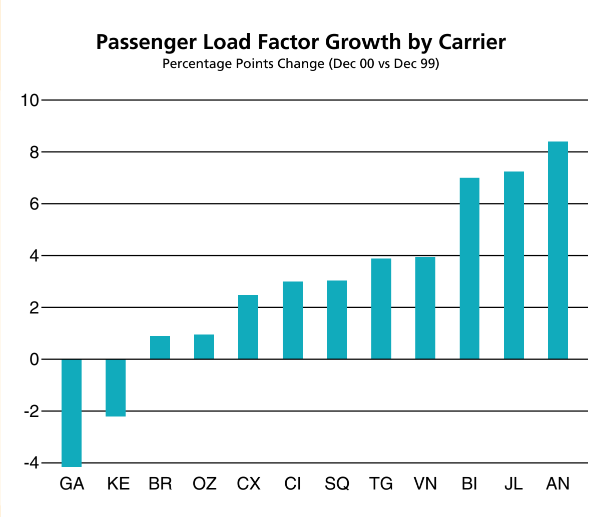
All but two airlines experienced a fall in FLF for the quarter. The decline ranged from 1.2 percentage points (Ansett Australia) to 9.7 percentage points (Royal Brunei Airlines).

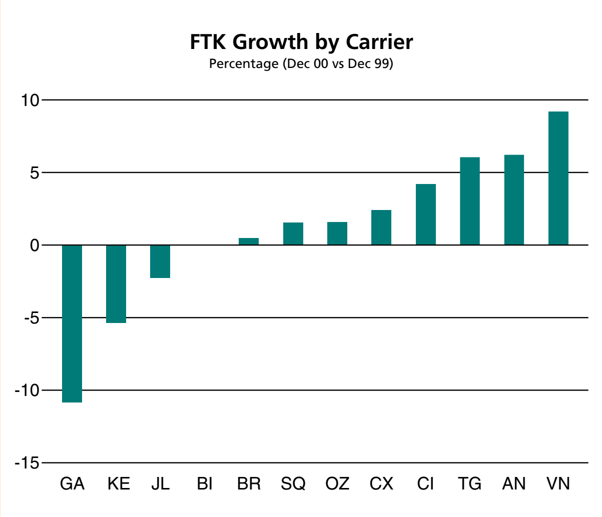
China Airlines (79.5%) again emerged as the airline with the highest load factor. Ansett Australia (79.5%), EVA Air (78.5%) and Asiana Airlines (78.1%) followed closely behind.

Results of the 12 Months To December 31, 2000

The 2000 calendar year saw consolidated RPKs grow 11%. Passengers carried increased 9.7%, breaking the 100,000,000 mark – a reflection of successful times in a favorable economic climate early in the year. Capacity grew 7.5%, which produced a PLF of 75.1% for the year, up 2.4 percentage points.

Most airlines enjoyed double-digit growth in the year with Vietnam Airlines (21%) posting the best performance as a result of its aggressive route network expansion throughout the year.





Asiana Airlines came in second with RPK growth of 18.8%. The other airlines with double-digit increases were Garuda Indonesia (15.4%), China Airlines (15.3%), Cathay Pacific Airways (13.6%), Korean Air (11%) and Thai Airways International (10.2%). Garuda figures were revised after excluding the numbers in relation to Haj flights during the months of February, March and April.

Four airlines managed single-digit RPK growth. They were Japan Airlines (9.7%), Singapore Airlines (9.7%), EVA Air (5.3%), Royal Brunei Airlines (4%) and Ansett Australia (2.1%).

A notable improvement in PLF was recorded by Cathay Pacific (4.7 percentage points). Nine other airlines recorded increases from 0.6-percentage points (Asiana Airlines) to 3.5 percentage points (China Airlines). Ansett Australia and Korean Air both registered a decline in load factor.

Ten airlines posted PLFs in excess of 70%, with Asiana Airlines (77.4%) topping the list. Following closely were Vietnam Airlines (77.0%), Singapore Airlines (76.7%), Cathay Pacific Airways (76.1%), China Airlines (75.9%), EVA Air (75.5%) and Thai Airways International (75.5%).

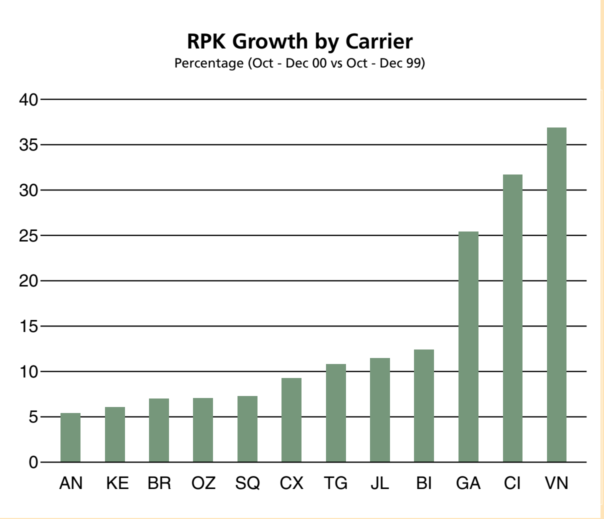
Cargo Results

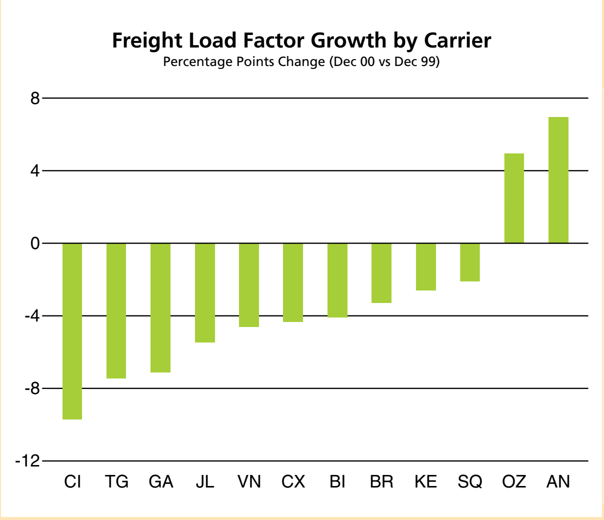
The consolidated FTKs for 2000 rose 11.5% while capacity expanded 10.9%, resulting in a 0.4-percentage point increase in FLF to 71%.

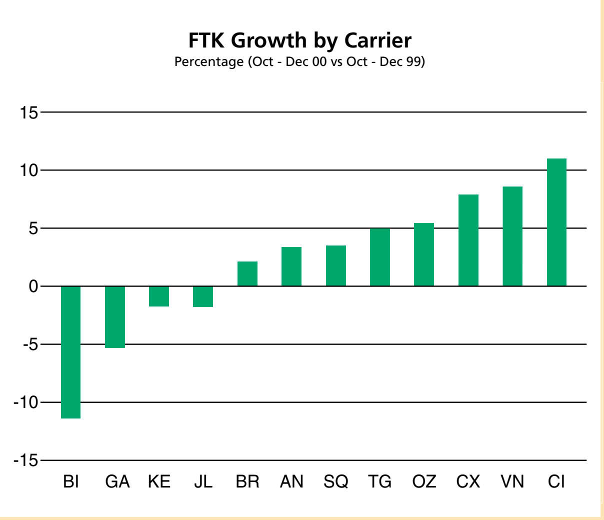
With the exception of Royal Brunei Airlines, all airlines posted impressive FTK growth for 2000. Vietnam Airlines recorded the highest increase of 23.5%, followed by China Airlines (22.2%), Garuda Indonesia (14.9%), Asiana Airlines (14.6%), EVA Air (12.9%) and Korean Air (10.9%).

Garuda improved 7.5 percentage points, the only significant rise among the airlines. Four carriers experienced a decline in

EVA Air: Along with its fellow Taiwan carrier, China Airlines, EVA Air's freight load factor topped 80% in 2000







load factor. Royal Brunei Airlines posted the largest fall of 8.8 percentage points with the other three airlines posting declines of not more than 2%.

China Airlines (82.9%) and EVA Air (80.1%) were the only airlines to record more than 80% FLF. The Korean-based airlines were next – Asiana Airlines (77.1%) and Korean Air (76.5%). Another two airlines managed load factors over 70% – Ansett Australia (74.2%) and Cathay Pacific Airways (72.4%).

Summary

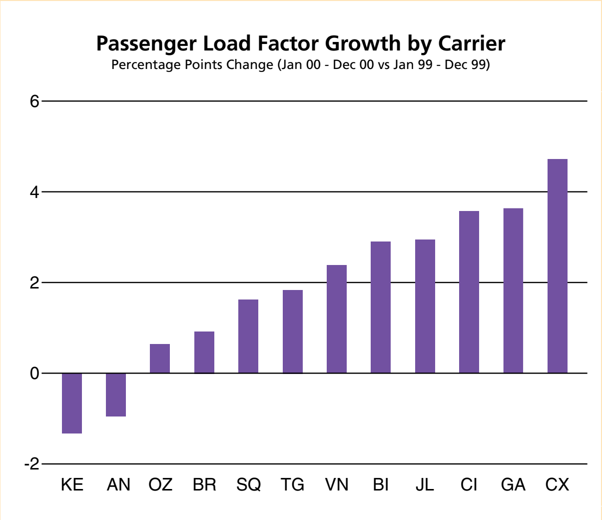
Although passenger and cargo traffic in December continued to indicate a "slowing" trend, the traffic for the whole of 2000 was robust for AAPA member airlines. The buoyant U.S. economy, bullish trade and the recovery of most of the economies in the Asia-Pacific initially paved the way for an unprecedented traffic boom throughout the Year of the Dragon.

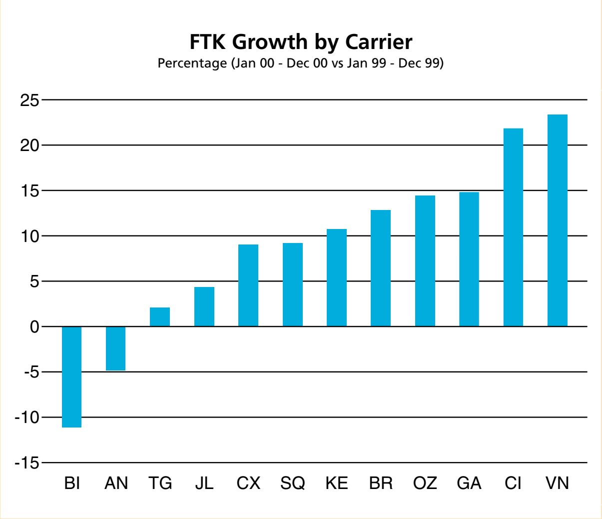
Later in the year saw fuel prices rising – they peaked in October – and the first indications of a slowdown in the U.S. economy which may well account for slower growth in the final quarter.

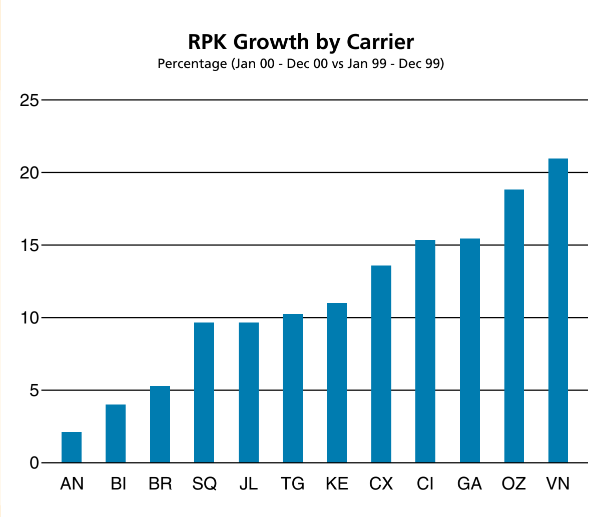
The cargo sector took centre stage with phenomenal growth of 10.9% for the full year, maintaining the momentum from late 1999. In the first half of 2000, FTK growth was 15.6%, while the second half was far less dynamic with FTKs up 7.3%. This was a result of the faltering U.S. economy that drove down Asian electronic exports to its shores.

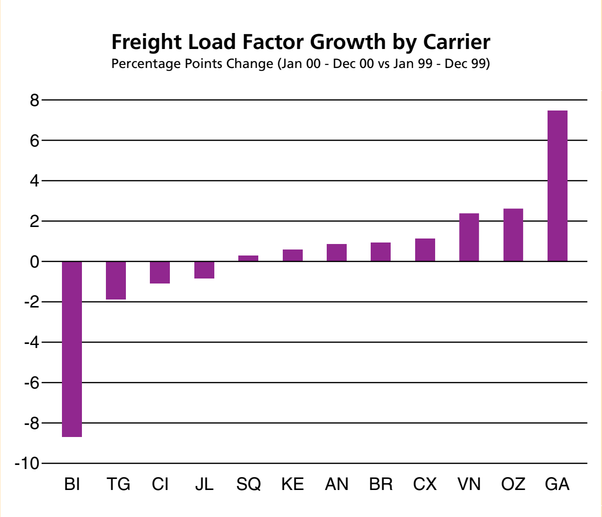
The load factor averaged 69.4% for the year. The passenger sector may have played second fiddle to cargo in pure growth terms, but it still managed to record year-on-year RPK growth of 11%. The number of passengers carried grew by 9.7% and broke the 100,000,000 mark – a significant milestone for the aviation industry in the region. The PLF, which reached 80.3% in August, averaged 74.9% in 2000.

Looking forward, the region's airlines should be able to weather the softening of the U.S. economy and expected slower growth worldwide. The anticipated fall of fuel prices during the first half of 2001, the broader-based recovery of various Asian economies and the anticipated rebound of electronic goods demand at a later stage should provide the basis for more sustainable, albeit slower, growth in 2001.

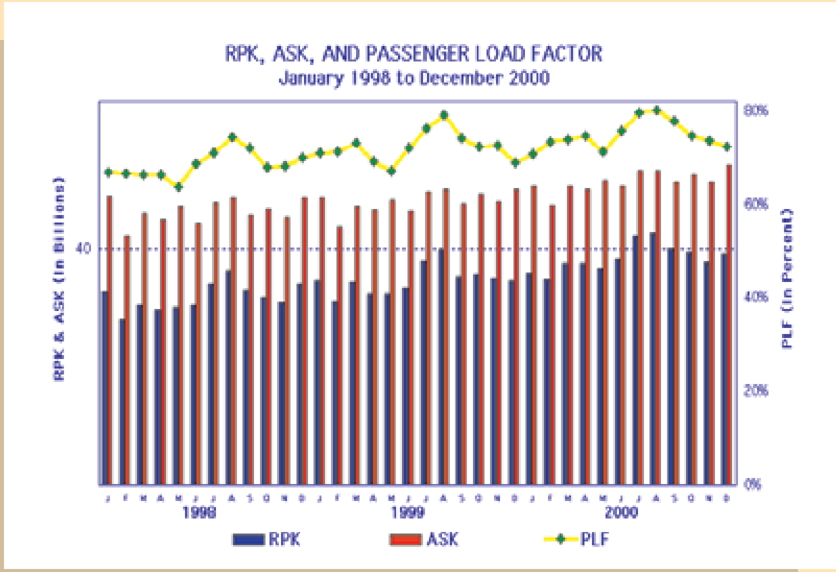


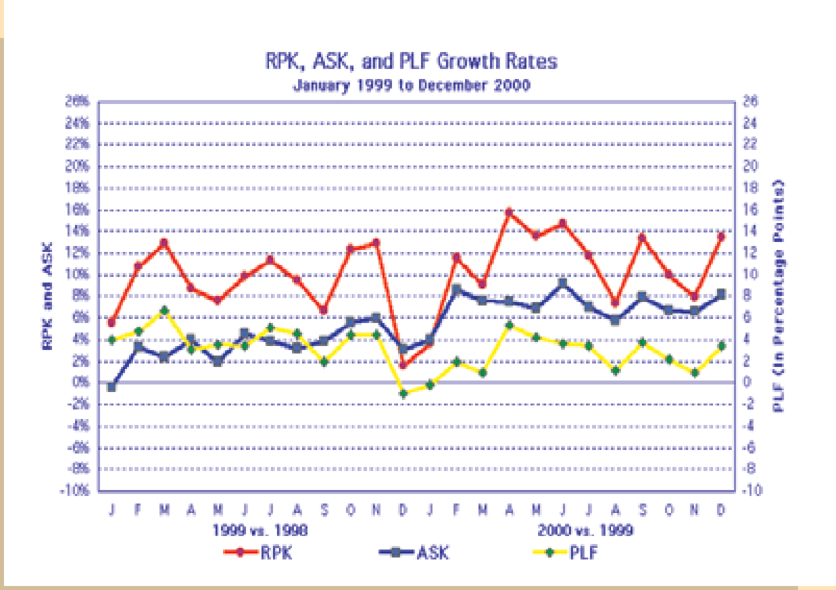




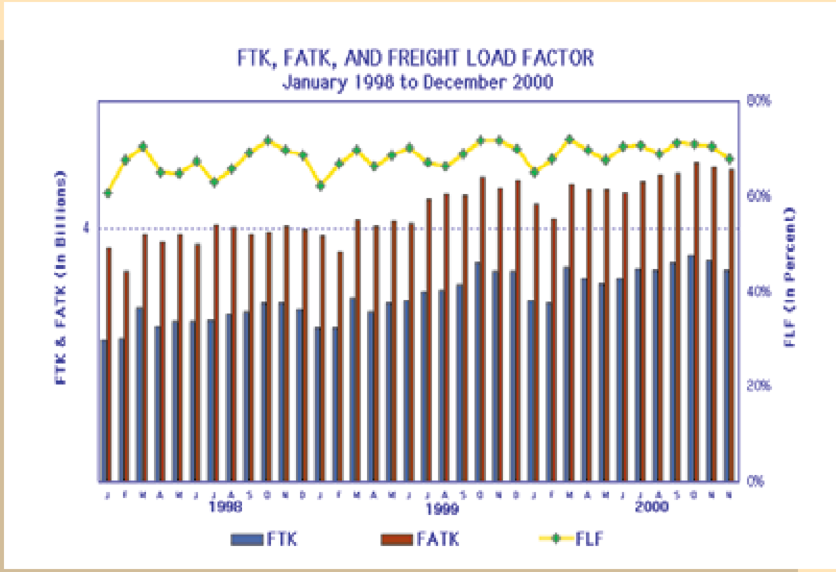


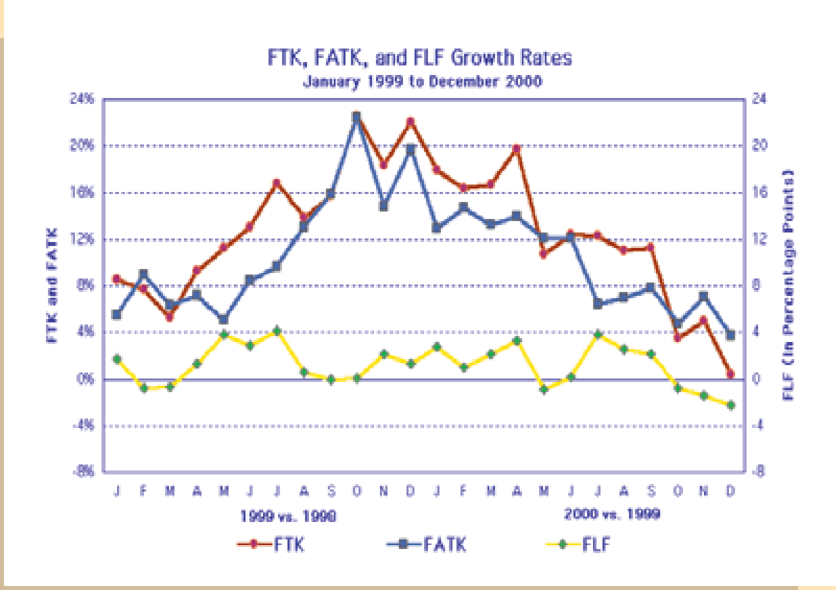
Monthly international PAX statistics of AAPA members





Monthly international cargo statistics of AAPA members





AAPA monthly international statistics (MIS)

*IN THOUSANDS

1999 to 2000

	RPK (000)	ASK (000)	PLF %	FTK (000)	FATK (000)	FLF %	RTK (000)	ATK (000)	PAX (000)
DEC-00	39,279,181	54,202,119	72.5	3,338,917	4,923,006	67.8	7,004,822	9,885,391	8,735
NOV-00	37,798,729	51,342,322	73.6	3,488,464	4,954,377	70.4	7,030,468	9,666,459	8,574
OCT-00	39,332,153	52,675,508	74.7	3,574,009	5,039,458	70.9	7,267,403	9,870,068	8,787
SEP-00	40,020,664	51,426,742	77.8	3,458,883	4,857,183	71.2	7,221,936	9,582,405	8,766
AUG-00	42,659,534	53,139,437	80.3	3,334,257	4,840,488	68.9	7,342,838	9,731,361	9,410
JUL-00	42,358,347	53,178,496	79.7	3,352,737	4,735,953	70.8	7,330,686	9,492,294	9,366
JUN-00	38,462,047	50,721,560	75.8	3,205,060	4,554,317	70.4	6,825,239	9,220,322	8,539
MAY-00	36,785,555	51,563,143	71.3	3,117,148	4,602,811	67.7	6,587,965	9,339,170	8,283
APR-00	37,456,270	50,155,854	74.7	3,206,711	4,605,727	69.6	6,729,187	9,211,994	8,523
MAR-00	37,637,467	50,831,746	74.0	3,368,597	4,683,125	71.9	6,909,610	9,348,746	8,487
FEB-00	34,783,422	47,436,629	73.3	2,818,197	4,154,191	67.8	6,087,426	8,509,995	8,059
JAN-00	35,872,893	50,662,344	70.8	2,858,084	4,386,228	65.2	6,226,028	9,037,317	7,883
TOTAL	462,446,263	617,335,899	74.9	39,121,064	56,336,864	69.4	82,563,608	112,895,522	103,411

1999 to 2000

	RPK %	ASK %	PLF	FTK %	FATK %	FLF	RTK %	ATK %	PAX %
DEC-00	13.5	8.2	3.4	0.4	3.7	-2.3	6.6	5.9	9.9
NOV-00	8.0	6.6	1.0	5.0	7.0	-1.4	6.3	6.8	8.0
OCT-00	9.9	6.7	2.2	3.5	4.7	-0.8	6.5	5.6	9.7
SEP-00	13.4	7.9	3.7	11.2	7.8	2.2	12.3	7.9	12.8
AUG-00	7.4	5.8	1.2	11.1	7.0	2.5	9.3	6.4	5.8
JUL-00	11.8	7.0	3.4	12.3	6.4	3.8	12.4	5.2	9.6
JUN-00	14.7	9.2	3.7	12.4	12.1	0.2	14.4	10.6	11.6
MAY-00	13.6	7.1	4.1	10.7	12.1	-0.8	12.9	9.5	11.2
APR-00	15.8	7.5	5.3	19.7	14.0	3.3	18.2	10.8	14.4
MAR-00	9.0	7.6	1.0	16.6	13.2	2.1	13.5	10.2	8.7
FEB-00	11.6	8.6	2.0	16.3	14.7	0.9	14.9	11.6	11.4
JAN-00	3.7	4.0	-0.2	18.0	12.9	2.8	10.9	8.0	4.7

Calendar Year

	RPK (000)	ASK (000)	PLF %	FTK (000)	FATK (000)	FLF %	RTK (000)	ATK (000)	PAX (000)
2000[5]	462,446,263	617,335,899	74.9	39,121,064	56,336,864	69.4	82,563,608	112,895,522	103,411
1999	416,820,106	576,253,703	72.3	35,277,459	51,519,550	68.5	74,179,615	104,437,440	94,242
1998	382,106,292	557,130,177	68.6	30,958,021	46,204,321	67.0	66,141,448	97,199,731	86,198
1997	387,763,016	561,392,742	69.1	31,741,381	45,688,853	69.5	67,739,088	96,736,079	88,696
1996	374,365,998	529,442,583	70.7	27,783,667	43,091,640	64.5	62,557,622	90,816,037	86,703
1995	326,071,184	471,535,677	69.2	23,838,488	36,487,508	65.3	54,250,542	79,121,583	76,378

Calendar Year

	RPK %	ASK %	PLF	FTK %	FATK %	FLF	RTK %	ATK %	PAX %
2000[6]	10.9	7.1	3.8	10.9	9.4	1.5	11.3	8.1	9.7
1999	9.1	3.4	5.7	14.0	11.5	2.4	12.2	7.4	9.3
1998	-1.5	-0.8	-0.7	-2.5	1.1	-3.6	-2.4	0.5	-2.8
1997	3.6	6.0	-2.5	14.2	6.0	8.2	8.3	6.5	2.3
1996	14.8	12.3	2.5	16.5	18.1	-1.6	15.3	14.8	13.5

Note:

1. The consolidation in Table 1 includes 16 participating airlines.
2. Data for Jul 2000 - Dec 2000 are subject to revision as actual data for QF (Jul 2000 - Dec 2000), NH (Dec 2000) and PR (Nov 2000 - Dec 2000) are not available. Nov 2000 have been revised with the inclusion of NH (Nov 2000).
3. KA and NZ do not participate in this report.
4. AN data from Jul 1998 onwards. VN data from Jan 1998 onwards.
5. CY denotes Calender Year (January - December). Year 2000 to date - From Jan 2000 to Dec 2000.
6. GA Traffic numbers for February, March and April have been revised to exclude Haj Flights

ONLY TIME WILL TELL IF INCHEON WILL CONFOUND ITS CRITICS

TURBULENCE

By Tom Ballantyne

Oh dear. By the time the April edition of *Orient Aviation* arrives on people's desks South Korea's new US$4.5 billion Incheon International Airport will have opened its doors and runways to passengers and planes alike. The date was March 29 and I hope, writing in advance of the big occasion, all went well.

Whether it did or not, the international media would not have been in much of a position to write about it because they were not invited to attend.

Come along a few days later, they were told by the authorities, by which time we will have ironed out the early glitches, the kind that are pretty much unavoidable during the first days of any complex new infrastructure facility such as an airport.

Remember the fiasco that followed the opening of Hong Kong's new international airport at Chek Lap Kok a couple of years ago?

The industry is nervous, very nervous. Domestic and foreign airlines have already sought assurances (they have not got them) they will be compensated for possible losses arising during the opening period. They are nervous because only a few weeks before the ceremonial tape was cut, consultants advised the airport to re-consider a full-scale opening.

Why? The Airline Operation Committee (AOC), representing 28 domestic and foreign carriers, feared many systems simply would not be ready. The baggage handling system, tested in March, could handle only 450 pieces of luggage an hour instead of the 750 it was supposed to carry. Airlines want it even higher, at 800 pieces an hour.

There were also concerns an operation contingency plan (OCP) had not yet been fully developed, that there were incomplete connections between computer technical X-rays used to detect and dismantle explosives and problems with the integration of individual systems, including the CUS (Common Use System) and the FIS (Flight Information System).

In all, there were 23 problems outlined by the consultants and this on March 15, just two weeks before the opening.

A bit of sweat, long hours and some timely technical help from foreign experts no doubt solved some of those issues prior to the opening, but when you are launching a greenfield airport that needs to handle millions of passengers a year the last thing you want to be doing is operating on the edge.

Some problems cannot be solved quickly. Another issue concerning everyone using the airport – airlines, airport employees and travellers – is getting to and from the airport. The only access from Seoul is a new eight-lane highway and this is a city notorious for traffic gridlock, especially on highway arteries feeding the airport expressway. Incheon is further from the city than its predecessor, Kimpo, so it will also be more expensive to take a taxi.

There is no rail link to the airport. Not now. There will be, but it is not scheduled to be in operation until 2005. That's bad planning considering it is one of the primary problems at Kuala Lumpur's new international airport at Sepang.

In Malaysia, a train service goes only half way to the airport with the ridiculous situation that passengers have to then board a bus for the remainder of their journey. Apparently, no one at Incheon learned any lessons by taking a peek at the experience of others.

It gets worse. Passengers can take their own cars or hire a taxi or limousine to the airport, but there is a shortage of cheaper transport, such as van-type taxis that can carry larger numbers of travellers. The idea has been proposed, but not yet approved by government.

When asked about this and other transport plans, one airport official said it was not the airport's business but that of the Ministry of Construction and Transportation. Oh yes?

Then there is the issue of domestic connections. The only domestic connecting flights available at Incheon are to Busan (formerly Pusan) and Jeju (formerly Cheju). If you are going anywhere else you have to transfer to Kimpo, a journey also offering limited transport alternatives.

A host of other potential problems, among them lack of accommodation at or near the airport and even questions about whether the runways have been built too close together, may threaten to plague the facility, at least in the short-term.

Also, Korea and its international air services were worst hit of all Asian nations during the region's recent economic recession. Now, just as Incheon is opening and trying to attract back airlines that abandoned Seoul during the downturn, another serious economic dip appears to be affecting Asia and the rest of the world.

If some carriers were planning to return, many of them will have put that decision on hold to see how things turn down. Some have opted to serve Seoul through alliance code-share flights anyway.

By the time you read this column, we will know if the critics' doubts were well founded. Perhaps the opening should have been delayed and more testing done, or perhaps the airport should have been only partially opened so it could come to manage the new facility in a more cautious and phased manner.

The more serious question is: if the airport fails to produce income and a return on the multi-billion dollar investment it has cost, what then? Will airlines again face rises in aeronautical charges as authorities try to recoup their losses? Let us hope not.