Ryanair faces tough fight on EU ruling AIR TRAVEL:

Financial Times (London, England)

January 29, 2004 Thursday

London Edition 3

Section: THE AMERICAS & EUROPE; Pg. 12

Length: 616 words

Byline: By TOBIAS BUCK

Dateline: BRUSSELS

Body

Ryanair, the Irish low-cost airline, is fighting hard to avert what now looks certain to be a highly damaging ruling by the European Commission in a landmark case over alleged illegal state aid.

Although the decision has already been drawn up by officials attached to Loyola de Palacio's transport directorate, the next days will see frantic lobbying. With much of the pressure expected to come from inside the Commission, officials are bracing themselves for a mighty row.

For Ryanair and other low-cost airlines, the days ahead will be nerve-racking. But for others they will offer a revealing glimpse of the power struggles behind the scenes of the Brussels executive.

As the FT reported yesterday, the carrier will be banned from receiving the state aid it was granted by the Belgian authorities in return for using an airport in Charleoi, just south of Brussels.

Though most observers expect the broad thrust of the Ryanair decision to survive the coming days unchanged, there are strong forces inside the Commission who will call for a softer line. Many expect opposition to come first and foremost from David Byrne, the Irish commissioner for health and consumer affairs, and Philippe Busquin, the Belgian commissioner in charge of research.

Their opposition reflects the fact that the case before the Commission concerns an Irish carrier and subsidies paid by Belgian authorities.

The two commissioners could be backed by several colleagues and will enjoy the full support of the government in Dublin. In a sign that Ireland will not stand on the sidelines when one of its most admired companies receives a battering from Brussels, Seamus Brennan, the transport minister, aired his concerns at a meeting with the Commission yesterday.

But he and his allies in the Commission know that they face an uphill struggle and that any changes they can wrest from the hardliners will be marginal. They will probably argue in favour of reviewing the part of the decision that bans Ryanair from receiving benefits for longer than three years after a new route is opened, claiming that the time limit is arbitrary.

More fundamentally, they are expected to question whether the Commission applied the so-called market investor principle correctly - the yardstick used by the EU to determine whether payments constitute illegal state aid or simply an inducement that any reasonable private company would have given, too.

On a more political level, the opponents will point out that in this case the granting of subsidies has not hurt the interests of consumers, and that clipping the no-frills sector's wings will, if anything, be detrimental to air passengers.

Lined up against this alliance is a powerful coalition built around Ms de Palacio's transport and energy directorate, which has been in charge of the state-aid probe and drafted the decision to be revealed next Tuesday.

Ms de Palacio's most potent weapon in coming days will be the support she enjoys from the Commission's legal services - a body that wields huge power behind the scenes.

As one Commission official points out, the legal service is seen by rival departments as having the "aura of papal infallibility" because it makes the final call on whether a Commission decision will withstand a court challenge. Its powers are further boosted by the fact that it is attached directly to the Commission president's office.

Equally important is that Ms de Palacio has already managed to overcome the objections from Mario Monti's influential competition directorate, which is now fully behind the Ryanair decision.

Faced with such an alliance, it will be hard for other commissioners to turn the decision around. Company sticks to no-frills plan, Page 27

Load-Date: January 28, 2004

Ryanair's economy class OBSERVER

Financial Times (London, England)

January 29, 2004 Thursday

Europe Edition 1

Section: OBSERVER; Pg. 12

Length: 205 words

Body

Once again Michael O'Leary sets the standard! Back in September, low-cost airline Ryanair's garrulous boss told anyone listening in Brussels that, as regards the European Commission's decision on Belgium's Charleroi airport, "we want an early decision and a positive decision and we're confident that we're going to get both."

Five long months later, and with the Commission about to put some serious obstacles on his runway, O'Leary now surely has luxury, first-class status among corporate executives who failed to understand how Brussels works.

He joins inter alia former General Electric boss Jack Welch, who mis-read Brussels in 2001 and saw his GE-Honeywell deal thwarted.

True, Microsoft's Bill Gates has taken care more recently not to cause offence, yet still faces a negative decision over abuse of market position. But, with his brashness, impatience and conceit, O'Leary always seemed heading for a clash with Spain's Loyola de Palacio, the famously hard-headed transport commissioner - though Palacio, of course, considered the case purely on the facts.

On the other hand, O'Leary has benefited from subsidies from public authorities in the near proximity of Brussels . . . Maybe he did understand the system, after all.

Load-Date: January 28, 2004

Ryanair's dream run comes to an end: The budget airline admits it may have overstretched itself as shares decline by 30 per cent after its first profit warning

Financial Times (London, England)

January 29, 2004 Thursday

London Edition 1

Section: COMPANIES UK & IRELAND; Pg. 27

Length: 1131 words

Byline: By KEVIN DONE

Body

The air of invincibilitythat has surrounded Ryanair's charge to the top levels of the European airline industry, scattering its rivals to the four winds, was finally shattered yesterday.

Its share price went into freefall, wiping close to a third off its market value, as it issued its first profit warning and ended a run of 26 quarters of rising profits since it was first floated in May 1997.

Michael O'Leary, chief executive, was chastened but still defiant as he admitted for the first time publicly that the group may have been over-ambitious in its dash for growth.

The airline is finally paying the price for a two-year period of unprecedented expansion of capacity - by 60 per cent in the current year to the end of March and more than 50 per cent in the previous year. Like rival EasyJet, Ryanair's expansion sought to take advantage of the troubles besetting the industry after the September 11 terrorist attacks.

EasyJet suffered similar problems of indigestion a year ago but it slowed the capacity growth to a more manageable level earlier than Ryanair and has been able to hold its fares.

By contrast, Ryanair has been unable even to give away all its extra seats in recent months.

What startled investors yesterday was its sudden warning that it was now facing "an enormous and sudden reduction in yields" - or average fare levels - of 25 to 30 per cent in the present January to March quarter.

This is against a fall in yields of 10 to 15 per cent during the first nine months.

Profits and margins cannot be sustained in the face of such a drop.

Ryanair 's dream run comes to an end: The budget airline admits it may have overstretched itself as shares decline by 30 per cent after its first profit warning

For once, Mr O'Leary seemed to have been caught out. He was hardly at a loss for words, however. He swore about the iniquities of rival airlines and put the blame on them.

But the truth is closer to home. Ryanair's yields are plunging largely because of its own capacity growth. It admitted as much by saying that it is in negotiations with Boeing to delay delivery of some new aircraft.

Trying to get as much bad news out of the way as possible, Mr O'Leary also said the airline's load factor this month, the share of available seats that it can fill, had fallen from about 76 per cent to 70 per cent year-on-year.

In other words, it is flying with nearly a third of its seats empty when many of these seats are only costing a few pounds.

So is the famous Ryanair low-cost airline business model bust? It has brought the lowest airfares in Europe to millions of consumers and has ratcheted up competition to a level never seen in the previously cosy, protected European airline industry.

The answer is no, the model is intact, but Ryanair is winded. It has over-stretched itself and, suddenly, on top of its self-inflicted wounds, it is facing an attack on its lucrative deals with secondary airports across Europe from the European Commission.

It is still the most profitable airline in Europe measured by profit margins. It is still the airline with by far the lowest cost base. It exploits the internet to squeeze costs, its 25-minute aircraft turnround times allow it to sweat its assets more than most rivals, it has cheap financing and its operating efficiency is still the envy of other airlines.

Much of the fleet is young, holding down maintenance, spares and fuel costs.

But Ryanair is no longer able to earn the stellar margins investors are used to. The industry is changing. It is facing more competition and while many new rivals will not survive, they will make life uncomfortable for some time.

Meanwhile, the established carriers are also changing. British Airways has adopted many strategies of the no-frills carriers and continues to cut costs.

Chris Avery, aviation analyst at JP Morgan, said the Ryanair model was "definitely not bust. But it is a double black eye."

There would have to be a transition period as the airline adapted its capacity growth and, more importantly, adjusted its network to meet the European Commission's demands on subsidised airport deals.

The final-quarter profit warning - signalling a profit fall of 10 per cent against expectations of a 10 per cent rise - could not justify yesterday's 30 per cent share price plunge, said Mr Avery.

This was caused by the warning for the profits outlook next year implied by the leaked Commission ruling. JP Morgan cut its net profit forecast for the year to March 2005 by a third from Euros 329m (Pounds 228m) to Euros 222m, essentially flat on the new current-year forecast of Euros 219m.

So after a decade of running Ryanair - and making himself a fortune - is the turbulent outlook tempting Mr O'Leary to give up and return to his farm?

"No, f*** it, this is the most fun you can have without taking your clothes off," he said yesterday. "I'm here, I like this, it is much more fun when the world is falling apart than when things are boring and going well."

MICHAEL O'LEARY WARNS OF ARMAGEDDON FOR THE WORLD'S LOW-COST AIRLINES Michael O'Leary did his best to warn of Armageddon yesterday saying the European Commission would destroy the low-cost airline world, as consumers have grown to know and love it, writes Kevin Done. He admitted he had not seen the fine print of the final ruling on Ryanair's relationship with Charleroi airport in Belgium, but he said he had been briefed by unnamed sources on Monday night. "We expect disaster," he said. If the Commission moved to declare any discounts on landing and handling charges as illegal state aid at publicly owned airports the whole of the low-cost airline sector would be hit, he said. "They are trying to come up with some Communist rules that there should be no discounts, all pay the same, and the same high fares. This is an attack on all low-fare airlines everywhere." Mr O'Leary claimed the Commission was responding to the lobbying of high-fare airlines such as Air France, Lufthansa and British Airways and expensive hub airports such as Brussels Zaventem, Paris Charles de Gaulle, Amsterdam Schiphol and London Heathrow. He said he feared that Air France would use the Charleroi case as a precedent to launch a series of court cases against Ryanair's deals at regional airports across France. Air France has already won a case in Strasbourg, and Ryanair has since pulled out of the route to fly instead to Baden Baden across the border in Germany. Airlines that had distanced themselves from Ryanair, such as EasyJet, would have to change their tune in the coming days, said Mr O'Leary. EasyJet begged to differ yesterday. "We are confident our deals will stand up to scrutiny," said Toby Nicol, head of communications. "Mr O'Leary thinks the Commission will throw the baby out with the bath water. It is inconceivable that the Commission would say that any reduction from the airport published tariff is illegal. Do you think Iberia pays full rate at Madrid or Air France at Charles de Gaulle?"

Load-Date: January 28, 2004

UK & IRELAND: Ryanair: a bumpy ride out of Brussels: Commission verdict looks tough MARTIN DICKSON LOMBARD

Financial Times (London, England)

January 28, 2004 Wednesday

London Edition 1

Section: COMPANIES: UK & IRELAND; Pg. 24

Length: 348 words

Byline: By MARTIN DICKSON

Body

The noises out of Brussels remain confused but it looks increasingly likely that the European Union is about to deliver a substantial blow to Ryanair over state subsidies - and its verdict could have a much broader impact on the airline industry.

The EU Commission is expected to rule next week on Ryanair's allegedly unfair state aid at Brussels' publicly-owned Charleroi airport. The word yesterday from Ryanair, which has been briefed on the Commission's draft report, was that the Commission would allow some start-up costs paid by the airport but crack down on its much more sizeable subsidised landing fees.

But the implications of the Commission's ruling may go well beyond Charleroi. At the very least, what applies here is likely to apply at other publicly-owned airports across the EU - and these account for about 20 per cent of Ryanair's traffic.

However, there were indications last night that the Commission intends to draw up guidelines going even further - covering state subsidies at private airports as well as public ones.

That would be consistent with the Commission's argument that it wants to create a level playing field between the public and private airports, but it could open up some huge uncertainties for the industry. State support can play a significant role at private airports and a Commission move could affect deals with some large flag-carriers as well as Ryanair and other low-cost carriers.

Whatever the Commission decides, it needs to be judged by whether it eliminates any unfairness at Charleroi and elsewhere and whether it creates a competitive playing field that still allows low-cost airlines to grow. The blow to Ryanair may turn out to be rather more serious than the market had been expecting, raising its cost base and possibly cutting several points off its profit margin. But airport costs are only about 19 per cent of Ryanair's total and even the worst-case ruling should not undermine the economics of the low-cost airline - still less of rival EasyJet, which says its deals, mainly at well-established airports, do not involve such subsidies.

UK & IRELAND : Ryanair : a bumpy ride out of Brussels: Commission verdict looks tough MARTIN DICKSON LOMBARD

Load-Date: January 27, 2004

Brussels set to ban Ryanair's airport benefits

Financial Times (London, England)
January 28, 2004 Wednesday
London Edition 3

Section: FRONT PAGE - FIRST SECTION; Pg. 1
Length: 474 words
Byline: By TOBIAS BUCK
Dateline: BRUSSELS

Body

Ryanair will next week be banned from receiving controversial government aid, in a European Commission ruling that will have far-reaching repercussions for Europe's aviation sector.

It will pave the way for a Brussels initiative to redraw the rules that govern the relationship between European airports, both private and public, and the carriers that serve them.

This would deal a heavy blow to Europe's booming low-cost airline sector, which has over the past decade offered consumers record low fares. The final decision, a draft of which has been seen by the Financial Times, will outlaw most of the benefits Ryanair received from a regional Belgian government and its airport in Charleroi, near Brussels.

Ryanair will be ordered to repay all the past subsidies to its Belgian operations that have now been ruled illegal. Though the draft decision makes no reference to the sums involved, one person close to the case estimated Ryanair would have to repay about Euros 15m (Pounds 10m). However, others said the repayment could be as little as about Euros 3m.

The verdict, expected to be announced next Tuesday, could damage the Irish carrier's business model, which relies more than other low-cost airlines on extracting favourable terms from regional airports. However, the decision will affect the entire European sector.

New Commission guidelines, due to be published in spring, could force airports in the European Union to re-examine their business relationships with carriers, and the way landing charges and other fees are set. Carriers may abandon routes rather than face higher charges.

James Callaghan, Ryanair's head of regulatory affairs, said in Brussels yesterday the company had received a detailed briefing on the draft decision. "It's going to send shock waves across the industry," he said. "Our worst fears are being confirmed."

Though the draft decision is widely expected to survive the coming days unchanged, Commission officials are bracing themselves for a fierce fight.

In the draft decision, Brussels will tell Ryanair the 50 per cent reduction in landing charges and the groundhandling fee rebates the carrier was granted were incompatible with state aid law.

The Commission also takes a tough line on the other benefits that Ryanair receives from Charleroi, which have been contractually guaranteed for 15 years. These include contributions towards training and accommodation for staff and a bonus of Euros 160,000 for every new route opened from Charleroi, and Euros 768,000 towards the cost of recruiting and training pilots and crew.

The draft decision says these benefits must be limited to 50 per cent of the overall costs, they can only be granted for three years and they must be linked to new routes. Any past payments that do not comply must be recouped by the Belgian authorities. Uncertain times and Lombard, Page 24

Load-Date: January 27, 2004

UK & IRELAND: Uncertain times for European airports: Plans by Brussels to draw up guidelines on public funding leaves doubts for many in the industry, writes Kevin

Financial Times (London, England)

January 28, 2004 Wednesday

London Edition 2

Section: COMPANIES: UK & IRELAND; Pg. 24

Length: 603 words

Byline: By KEVIN DONE

Body

Europe's airports and airlines are likely to be thrown into a period of deep uncertainty when the European Commission rules next week on alleged illegal state aid received by Ryanair at Belgium's Charleroi airport.

For while the Commission's immediate concern is with the Charleroi case itself, it plans to draw up a set of guidelines some months later to govern how public funding is used in deals at both publicly and privately owned airports.

It is likely that the action by Brussels will have implications that spread far beyond the low-cost airline sector itself, and Ryanair in particular. Although, the Irish no-frills operator probably has most to fear as it has many such deals across its network.

Much of the airport industry across Europe is still owned by some sort of public authority, whether it is the state or some level of regional or local government. Charleroi, owned by the regional Walloon government is the rule, not the exception.

Leading hub airports such as Paris Charles de Gaulle and Amsterdam Schiphol are still wholly state-owned.

Fraport, the Frankfurt airport, is still majority-held by public authorities although a listed company.

And Fraport owns Hahn airport, Ryanair's base in Germany. Would any discounted, very long-term deal there now be put in the spotlight? The same questions will probably have to be answered on a myriad other deals.

What about EasyJet's recent long-term contract to establish an operating base at Berlin's Schonefeld airport, again a publicly owned entity?

UK & IRELAND: Uncertain times for European airports: Plans by Brussels to draw up guidelines on public funding leaves doubts for many in the industry, writes K....

The UK is unusual in the degree to which it has privatised much of its airport industry. BAA, privatised in 1987, controls seven UK airports, including Heathrow, Gatwick and Stansted, and Edinburgh, Glasgow and

Aberdeen in Scotland. But Manchester airport, the fourth-largest in the UK, is still local authority-owned.

Attractive, discounted deals on landing charges - often with marketing aid - for airlines to open up new routes are also commonplace across Europe.

They are not a preserve of Ryanair and they are available to network carriers as much as to hard-bargaining no-frills operators. The Commission is entering a minefield.

In Scotland, for example, BAA, a wholly privatised company, operates a Pounds 60m route development fund to attract new routes. Recent successes include winning Emirates to open Dubai/ Glasgow, Continental Airlines to open New York (Newark)/Edinburgh and US Airways to open Philadelphia/Glasgow.

The support is paid through discounted airport charges and financial support for marketing campaigns, normally across three years.

But at the same time, state aid is also available from the Scottish Executive's Pounds 6.8m route development fund, which played its part most recently in attracting the Emirates Dubai/Glasgow route, proudly described as "the largest-ever investment from the fund".

The Scottish Executive says it gives the money to the airport, which "gives additional discounts for any suitable route granted over a three-year period".

For Ryanair, serious questions will arise. Its growth rate was planned to slow in coming years but it has warned of the threat posed by Brussels in a filing with the Securities and Exchange Commission in the US.

It said its future growth was "materially dependent on its ability to access suitable airports . . . atcosts that are consistent with Ryanair's low-fares strategy." Any condition that "denies, limits or delays" such access would "constrain" its ability to grow.

A change in terms or a rise in charges at existing airports could have "a material adverse effect" on the company's "financial condition and results of operations".

Load-Date: January 27, 2004

Belgian government eyes charter transfer

Flight International

January 27, 2004

Section: News; Air Transport; Pg. 14

Length: 196 words

Byline: Herman de Wulf

Body

The Belgian government is considering transferring charter operations from Brussels International airport to reduce passenger flight night-time movements and provide scope to meet the expansion demands of its main operator DHL, writes Herman de Wulf.

The express package operator wants to have the ability to increase its annual movements from 16,000 to a guaranteed minimum of 30,000.
Otherwise it will have to relocate, probably to Germany (Flight International, 6-12 January). The current cap stands at 25,000 movements, 20,000 of which are being used -- 16,000 by DHL and the rest by charter carriers.

The only local airport in the country capable of handling large numbers of charter passengers is Brussels South Charleroi airport, where Ryanair has its major continental European hub. Another alternative would be the former Belgian air force base at Chievres, which has plenty of space to expand, and good road and rail connections to Brussels and Paris.

The proposal to relocate charter flights to a regional airport has already met opposition, with Thomas Cook Airlines Belgium fighting the plan as operating from a regional airport would increase costs.

Load-Date: February 3, 2004

Airline braces for Brussels ruling NEWS DIGEST

Financial Times (London, England)

January 24, 2004 Saturday

London Edition 1

Section: WORLD NEWS; Pg. 7

Length: 92 words

Byline: By KEVIN DONE

Dateline: LONDON

Body

The results of a European Commission investigation into alleged illegal state aid received by Ryanair, the Irish low-cost airline, are expected to be released next month.

Ryanair was yesterday bringing forward the release of its third quarter financial results by a week to January 28 to avoid a possible clash.

The European authorities are expected to rule that several benefits granted to the Irish group by Brussels South Charleroi airport, owned by the Walloon regional government, constitute illegal state aid and should be repaid. Kevin Done, London

Load-Date: January 23, 2004

End of Document

Irish Ryanair Considers Italian ENAC Investigation Illegal

ANSA English Corporate Service

January 23, 2004

Section: NEWSWIRE

Length: 280 words

Dateline: Fiumicino (Rome), January 23

Body

(ANSA) - Fiumicino (Rome), January 23 - The Italian Civil Aviation Authority (ENAC) has inquired several Italian airports about details of their commercial agreements with the Irish low-cost carrier Ryanair, which is an illegal and discriminating request, Ryanair CEO, Michael O'Leary, said on January 23, 2004.

The Ryanair CEO commented that in December 2003, ENAC requested the information from the managers of the company that runs 14 regional airports across Italy, including Bari, Brescia, Genoa, Milan, Palermo, Rome, Turin, Venice, Trieste and others.

It is not appropriate for ENAC, which employs many former employees of the Italian flag-carrier Alitalia, to investigate the confidential financial matters of Alitalia's major rival, O'Leary added.

ENAC has made an excellent job through the supervision of the airport security and the aviation standards in Italy but the authority must not interfere in the commercial agreements between the airports and the carriers for which it does not have the competence, O'Leary said.

To oppose the pressure from ENAC, the Irish carrier insisted on meeting with its management. Ryanair's executive will also discuss with ENAC the increase of the basic tariffs, the consumers' right of choice, the large investments which Ryanair has made in new planes and the creation of 7, 000 jobs for which Ryanair contributed.

O'Leary stressed on the significant increase of the tourist inflow attributed to the low-cost carrier and the development of the regional airports. Ryanair transports an average 7. 5 million passengers annually, 13 pct of them Italians, the company's average tariff equals 46 euro ($ 58. 5) and it has two hubs. (ANSA)

Load-Date: February 20, 2004

UK rail crisis continues to benefit VLM TRANSPORT:

Financial Times (London, England)

January 22, 2004 Thursday

USA Edition 2

Section: COMPANIES INTERNATIONAL; Pg. 21

Length: 488 words

Byline: By WILLIAM HALL

Dateline: MANCHESTER

Body

The crisis that continues to grip Britain's under-invested rail system has at least one beneficiary: Belgium's VLM Airlines.

The carrier has eschewed its continental base in favour of developing services from London City airport - close to the capital's financial centre - to the north-west UK.

The strategy has also made it a model for what the European Commission in Brussels viewed as the future of the sector through deregulation over the past 10 years, with EU-registered airlines able to fly wherever they want and charge whatever they want.

VLM launched services from London City to Belgium in 1993, but in the past 18 months has focused on internal UK services, known in aeropolitical jargon as cabotage. Attempts to establish internal routes on the Continent have often foundered because of competition from high-speed rail services.

While the new-model airlines such as EasyJet and Ryanair have established continental bases to take advantage of rapid growth in low-cost air travel, VLM is unique in relying on overseas markets for almost all of its traffic. Just one route, Rotterdam-Hamburg, is not operated from a UK airport.

The London-north-west corridor is notorious for its rail and road traffic congestion, and VLM quadrupled its passenger numbers on the 350km London City-Manchester route to just under 100,000 last year, almost a quarter of the Antwerp-based airline's total traffic. By offering an 80-minute airport door-to-door service, it is beating the road and rail alternatives by at least two hours.

VLM, which accounts for 26 per cent of London City's passengers, hopes to attract 70,000 extra passengers a year with the Liverpool service due to start next month.

"We are not significantly undercutting rail but we offer a faster service," said Johann Vanneste, chief executive.

VLM's success in the domestic UK market also contrasts with the less happy experience of other foreign operators such as the UK arm of Maersk Air, owned by Denmark's AP Moeller, which sold its loss-making UK business to a management buy-out team that renamed it Duo.

VLM, owned by Jaap Rosen Jacobsen, a wealthy Dutch investor, expects to be profitable for the sixth year in a row. Mr Vanneste aims to more than double passenger numbers to 1m over the next four-to-five years.

But he faces increasing competition from Virgin Trains, the UK rail operator, which finally seems to be shedding its reputation for late and dirty trains by introducing a new generation of 125 miles-per-hour Pendolino trains on its busiest routes between London and the north-west.

From September, Virgin's new 440-seater trains should cut journey times between Manchester and London, the biggest internal UK route, by about a quarter to just over two hours. Virgin is also doubling capacity from one to two trains per hour.

If VLM can flourish in the face of Virgin's renewed competition, it will have proved it has found an airline business model that works.

Load-Date: January 21, 2004

GTE plans to re-enter aerospace sector

Flight International

January 20, 2004

Section: News; Business; Pg. 22

Length: 282 words

Byline: Justin Wastnage

Body

Swedish engine cleaning-equipment supplier Gas Turbine Efficiency (GTE) is to re-enter the aerospace market, targeting original equipment manufacturers (OEM), following an exclusive supply deal with Rolls-Royce, writes Justin Wastnage.

Recently restructured GTE has established a corporate headquarters in Houston, Texas and is close to finalising a US version of its GTE 400A high-pressure gas turbine particle cleaning system.
Since signing contracts with air forces and airlines in Finland and Sweden, the company has focused on the industrial turbine market. Late last year it signed a sole-supplier agreement with R-R's industrial engines division.
GTE is finalising similar agreements with several aeroengine OEMs and expects its cleaning process to be included in engine operating procedures.

Par Krossling, GTE vice-president sales and marketing for Europe and Asia, estimates sales of around 30 units worth SKr90,000 ($12,700) to individual airlines this year, with OEM deals to be in place by the end of the year. The company has cleaning units on trial with several carriers, including Ryanair, Singapore Airlines and WestJet. GTE estimates that its system, which uses nozzles designed to remove particle contamination from turbine blades in the engine core, can reduce fuel consumption by around 2%. GTE president Peter Asplund says: "Now the cost pressure on airlines is so high, the system is suddenly attracting more notice." GTE says powerplant engineers at larger airlines are reluctant to use processes not approved by OEMs, despite cost savings. The US version, called the DiS 400A direct injection system, is being tested by several OEMs, adds Krossling.

Load-Date: January 27, 2004

Continental's colourful saviour set to retire

Financial Times (London, England)
January 17, 2004 Saturday
USA Edition 2

Section: COMPANIES INTERNATIONAL; Pg. 9

Length: 434 words

Byline: By KEVIN DONE

Dateline: LONDON

Body

Gordon Bethune, one of the most colourful and outspoken executives in the US airline industry, is to retire as chairman and chief executive of Continental Airlines at the end of the year.

Mr Bethune led the recovery of Continental - from bankruptcy in the early 1990s to its present status as one of the most successful US carriers - although it continues to struggle to overcome the losses of the past three years.

He will be succeeded as chairman and chief executive from January 2005 by Larry Kellner, 44, the airline's president and chief operating officer.

Mr Kellner joined Continental in 1995 as chief financial officer from American Savings Bank, where he had been executive vice-president and chief financial officer, and has played a leading role in reviving the airline's fortunes.

Continental, the world's seventh-largest carrier and the number five airline in the US measured by passenger traffic volumes, is also cutting the size of its board from 14 to 10.

The airline said the board departures would include David Bonderman, one of the leading financiers in the aviation industry, who led the last rescue of Continental in 1993.

Mr Bonderman is president and founder of Texas Pacific Group, the US private equity firm, which separately holds a controlling interest in America West Airlines, a smaller rival to Continental. Mr Bonderman is also chairman of Ryanair, the leading European low-cost airline.

Mr Bethune said yesterday that Mr Bonderman had led the successful reorganisation of Continental and had "provided the necessary capital, focus and energy to cause the company to grow and prosper."

The Houston-based carrier's route to survival has not been straightforward.

The company filed for Chapter 11 bankruptcy in September 1983, emerging in June 1986 only to relapse in December 1990 as the full force of recession and the looming threat of the Gulf War took their toll.

It came out of Chapter 11 for the second time in April 1993 but was still not in good shape. Twelve months later it was coming apart at the seams, running a loss of nearly Dollars 55m a month and unable to pay its bills.

It was on the verge of filing for a third time when salvation arrived in the shape of a management team led by Mr Bethune.

A former senior executive at Boeing, where he had been in charge of customer service, the flamboyant Mr Bethune has led one of the most remarkable turnrounds in US aviation since 1994.

Before September 11, Continental achieved 25 consecutive quarters of profit but it has since run up heavy losses during the crisis in US aviation. It is due to report its 2003 results next week.

Load-Date: January 16, 2004

Italy Rome Airports 2003 Passengers at 28,078,000

ANSA English Corporate Service

January 16, 2004

Section: NEWSWIRE

Length: 203 words

Dateline: Rome, January 16

Body

(ANSA) - Rome, January 16 - Italy Rome airports Fiumicino and Ciampino registered a total 28, 078, 000 passengers in 2003, a 6. 8 pct year-on-year increase, the airports operator Aeroporti di Roma (AdR) reported on January 15, 2003.

Fiumicino registered a total 26, 284, 000 passengers, a 3. 7 pct increase and Ciampino reported a total 1, 794, 000 passengers, up 86. 9 pct.

Some 30 pct of the passenger traffic at Fiumicino is represented by passengers on international flights. The flights on routes in Europe represent some 20 pct of Fiumicino's traffic.

The average daily number of passengers registered at Ciampino is between 5, 000 and 10, 000 and the average daily number of flights is from 60 to 70.

The passengers data was presented by the aeronautical operations director of AdR, Riccardo Raimondi during the presentation of the new flight introduced by Irish low cost airline Ryanair.

Fiumicino has not reached the passenger traffic levels of 2000 and has not completely overcome the problems provoked by the airline transport crisis caused by the terrorist attacks in New York, the U. S. on September 11, 2001, the war in Iraq and the severe acute respiratory syndrome (SARS) epidemic, Raimondi said.

(ANSA).

Notes

Unless otherwise stated, all figures are for 2003 compared to 2002.

Load-Date: February 20, 2004

Italy Rome Airports 2003 Passengers at 28,078,000

End of Document

BAA shares almost top 12-month high NEWS DIGEST

Financial Times (London, England)

January 14, 2004 Wednesday

Europe Edition 1

Section: COMPANIES INTERNATIONAL; Pg. 20

Length: 207 words

Byline: By KEVIN DONE

Body

BAA shares rose close to their 12-month high yesterday as the UK airports group announced record passenger volumes for 2003.

The share price rose by 13p or 2.6 per cent to 506p, close to the 12-month peak of 512 3/4p reached in July last year.

The group, the world's largest airports operator, said passenger volumes rose by 3.6 per cent in the last 12 months to 131.1m.

Traffic increased by 6.2 per cent year-on-year in December to 10m, also a record for the month, but the comparison was helped by weak volumes a year ago, when demand for air travel was falling in the approach to the war in Iraq.

BAA, which includes seven UK airports, said the increase in traffic last year was supported by strong growth at London Stansted airport.

Volumes at Stansted rose by 16.6 per cent in 2003 to 18.7m, driven by the continuing rapid expansion of the low-cost airlines led by Ryanair and EasyJet.

Traffic in December at Stansted rose by 21.4 per cent year-on-year to 1.6m.

The airport has become the capital in Europe for low-cost carriers.

Traffic at Heathrow rose 0.3 per cent to 63.2m, but was still below the 64.3m achieved in 2000 before the three-year recession began in global air travel. Volumes at Gatwick rose by 1.3 per cent to 29.9m. Kevin Done

Load-Date: January 13, 2004

Passenger volume growth gives lift to BAA shares TRANSPORT:

Financial Times (London, England)

January 14, 2004 Wednesday

London Edition 1

Section: COMPANIES UK; Pg. 25

Length: 328 words

Byline: By KEVIN DONE

Body

The BAA share price rose close to a 12-month high yesterday as the UK airports group announced record passenger volumes for 2003 and proclaimed last Christmas its busiest yet.

The world's largest airports operator said that passenger volumes rose by 3.6 per cent in 2003 to 131.1m, pushing its shares up yesterday by 13p, or 2.6 per cent, to 506p.

Traffic increased by 6.2 per cent year-on-year in December to 10m, also a record for the month, but the comparison was helped by weak volumes a year ago, when demand for air travel was falling in the approach to the war in Iraq.

BAA, whose airports include seven in the UK, said the increase in traffic last year was supported in particular by the strong growth at London Stansted airport. Volumes at Stansted rose by 16.6 per cent in 2003 to 18.7m, driven by the continuing rapid expansion of the low-cost airlines led by Ryanair and EasyJet.

Traffic in December at Stansted rose by 21.4 per cent year-on-year to 1.6m.

The airport has become the European capital for the low-cost carriers.

It is Ryanair's main European base and is also the London gateway for several smaller no-frills operators, including Air Berlin and Germanwings.

The UK government has recently backed a radical expansion of the airport and BAA is working on a Pounds 2bn scheme to build a second runway and terminal at Stansted aimed at doubling capacity to 50m passengers a year within 10 years.

Traffic at Heathrow was marginally higher for the full year at 63.2m, an increase of 0.3 per cent, but was still clearly below the 64.3m achieved in 2000 before the three-year recession started in global air travel.

Volumes at Gatwick rose by 1.3 per cent to 29.9m but were also well below the 31.9m reached in 2000.

BAA said most of its main markets saw increases in December, with European scheduled traffic rising by 9.9 per cent year-on-year, North Atlantic volumes increasing by 2.1 per cent and other long-haul traffic showing an increase of 8.7 per cent.

Load-Date: January 13, 2004

EC urged to review state-aid rules; As decision on deal between Charleroi and Ryanair nears, airports body seeks framework for attracting carriers

Flight International

January 13, 2004

Section: News; Headlines; Pg. 4

Length: 299 words

Byline: Justin Wastnage / London

Body

The European Commission faces calls for a review of state-aid rules to enable regional airports to attract low cost airlines. It comes as a ruling is expected in February against Brussels South Charleroi airport over alleged illegal subsidies to Irish budget carrier Ryanair.

The European region of the Airports Council International (ACI) is lobbying the EC to publish a framework detailing rules for smaller airports in conjunction with any ruling in the Charleroi case. The airport's deal with Irish budget carrier Ryanair could be deemed illegal on three counts: the length of the 15- year deal, the exclusivity clause barring other low-cost airlines, and its alleged lack of transparency.

European state aid rules prohibit any form of assistance that could distort intra-European Union trade, including financial aid given by regional governments to attract airlines to regional airports. Ryanair has already switched its operations in the Alsace region of France to Baden-Baden airport in neighbouring Germany from Strasbourg after a ruling last December and has threatened similar action should the Charleroi judgement go against it. The EC is understood to be eager not to appear to be against consumer interests and is finalising its recommendation to the court.

ACI Europe wants the Commission to draw up a framework detailing the areas where regional governments can subsidise air services. This is likely to include a ban on exclusivity clauses, a requirement for a tender process and transparent reporting. ACI Europe believes there is scope within the existing rules for such a framework, says director of policy John Hume. "We want to see a clear framework that allows airports to do the business of attracting low-cost airlines in an open, up-front manner," he says.

Load-Date: January 20, 2004

Air Transport Justin Wastnage / London EC urged to review state-aid rules As decision on deal between Charleroi and Ryanair nears, airports body seeks framework for attracting carriers.

Flight International

January 13, 2004

Business and Industry

Section: Pg. 4; ISSN: 0015-3710

Length: 313 words

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Load-Date: February 2, 2005

Air Transport Justin Wastnage / London EC urged to review state-aid rules As decision on deal between Charleroi and Ryanair nears, airports body seeks framework....

End of Document

Ryanair passes low-cost rival in European race TRANSPORT:

Financial Times (London, England)

January 9, 2004 Friday

London Edition 1

Section: COMPANIES UK AND IRELAND; Pg. 21

Length: 352 words

Byline: By KEVIN DONE

Body

Ryanair has overhauled EasyJet to regain its position as the largest low-cost carrier in Europe.

The Irish no-frills operator carried 21.4m passengers in the 12 months to the end of December compared with the 21.1m carried by EasyJet.

EasyJet originally moved ahead of Ryanair through its takeover of Go in July 2002. Ryanair has re-established its lead as aresult of its takeover of Buzz in April last year and through its more rapid expansion of capacity in recent months.

But the good news for Ryanair was tempered by the recent strong recovery in the share prices of the network airlines, which means that the Irish group has lost its position as Europe's leading airline measured by market capitalisation to Lufthansa of Germany.

Lufthansa has a market capitalisation of about Euros 5.4bn (Pounds 3.76bn) compared with Euros 5.1bn for Ryanair, Pounds 2.92bn for British Airways and Pounds 1.32bn for EasyJet.

EasyJet said yesterday that its passenger volumes in December had risen by 16 per cent year-on-year to 1.7m.

Ryanair increased its passenger volumes by 53 per cent in December from 1.3m to 2m, which meant that for the second month in succession, it carried more passengers in Europe in a single month than British Airways at 1.7m.

Ryanair and EasyJet are aiming to overtake the traditional market leaders British Airways, Air France and Lufthansa to become the leading short-haul carriers in Europe during the second half of the decade.

Both are focusing the present expansion phase on markets in continental Europe. EasyJet is expected to announce the location of its next European base later this month following its recent move to Berlin- Schonefeld airport and the expansion of its presence at Paris-Orly.

Ryanair is opening two bases by early February in Italy and Spain at Rome Ciampino and Barcelona-Girona airports, its tenth and eleventh bases around Europe.

Ryanair passes low-cost rival in European race TRANSPORT:

EasyJet and Ryanair are planning to expand capacity by about 20 per cent in 2004.

The Irish group has a clear lead as the most profitable airline in Europe measured by its net profit margins, which have consistently been in excess of 20 per cent.

Load-Date: January 8, 2004

Ryanair overtakes EasyJet

Financial Times (London, England)

January 9, 2004 Friday

London Edition 1

Section: SHORTS; Pg. 19

Length: 25 words

Body

Ryanair overtakes EasyJet

Irish no-frills operator Ryanair has overhauled EasyJet to regain its position as the largest low-cost carrier in Europe. Page 21

Load-Date: January 8, 2004

Air Asia set to pick advisers for IPO MALAYSIA:

Financial Times (London, England)

January 8, 2004 Thursday

London Edition 1

Section: COMPANIES ASIA-PACIFIC; Pg. 27

Length: 443 words

Byline: By JOHN BURTON and FRANCESCO GUERRERA

Dateline: HONG KONG and SINGAPORE

Body

Air Asia is on the point of appointing advisers for a listing that could value the Malaysian low cost airline at up to Dollars 1bn. People close to the deal said Credit Suisse First Boston and UBS were the frontrunners to advise on the initial public offering, which will enable the company to raise an estimated Dollars 300m to buy aircraft and expand operations.

The move will spark increased concerns among flag-carriers in south-east Asia - including those in Singapore and Thailand - which have already been forced to set up low cost subsidiaries to counter Air Asia's success.

The fundraising could add impetus to talks between Air Asia and Sir Richard Branson over setting up a pan-Asian low cost airline similar to Europe's Ryanair. Sir Richard already operates two Australia-based no-frills carriers, Virgin Blue and Pacific Blue.

An IPO, likely to be on the Kuala Lumpur stock exchange, would give Tony Fernandes, the entrepreneur who bought the insolvent airline for MDollars 1 in 2001, the opportunity to sell part of his stake.

Tuneair, a company owned by Mr Fernandes and other investors, owns a 74 per cent stake in Air Asia, with the rest held by three private equity groups.

Air Asia, which last year recorded net profit of MDollars 21m (Dollars 5.5m), is expected to make a formal decision on the IPO and on its choice of advisers by the end of this month.

An Air Asia spokesman said no final decision on a flotation had been taken yet. Mr Fernandes was not available for comment yesterday, but people close to the deal said Air Asia could list up to a third of its shares for about Dollars 300m.

However, they cautioned that the exact size of the flotation and the amount to be raised would not be decided until investment banks had been appointed.

Air Asia set to pick advisers for IPO MALAYSIA :

CSFB is believed to be favourite as it advised Air Asia on the Dollars 26m sale of a 26 per cent stake to the three private equity funds - Islamic Development Bank, Bank Crescent Venture Partners and Deucalion Capital - in June last year. The Swiss investment bank also advised Air Asia on a recent joint venture in Thailand with Shin Corp, controlled by the Thai prime minister Thaksin Shinawatra.

UBS is also believed to be close to Air Asia. However, other investment banks are likely to mount last-minute offensives to try to steal the mandate away from CSFB and UBS. CSFB and UBS declined to comment. The IPO, which is likely to take place later this year, would allow it to expand its fleet of 18 Boeing 737-300s.

* Air China is believed to have appointed Merrill Lynch and local firm CICC to manage its IPO, which could raise up to Dollars 500m for the country's largest international carrier.

Load-Date: January 7, 2004

RYANAIR'S PASSENGER VOLUMES IN EUROPE AHEAD OF BA FOR SECOND SUCCESSIVE MONTH

Financial Times (London, England)

January 8, 2004 Thursday

London Edition 1

Section: COMPANIES UK & IRELAND; Pg. 23

Length: 157 words

Byline: By KEVIN DONE

Body

Ryanair, the Irish low-cost carrier, increased its passenger volumes by 53 per cent year-on-year in December, from 1.3m to 2m, reflecting its continuing rapid expansion in capacity, writes Kevin Done. For the second month in succession, it carried more passengers in Europe in a single month than British Airways, which carried 1.7m. It is aiming to become the biggest short-haul carrier in Europe during the second half of the decade, overtaking the traditional market leaders British Airways, Air France and Lufthansa.

It has set a target to more than double its passenger volumes within five years from just under 24m in the year to March to about 50m. It continues to struggle to fill all the available capacity - its load factor was 83 per cent in December, down from 85 per cent a year ago. However, the rate of capacity expansion is set to slow from more than 50 per cent this financial year to 20 per cent in the 12 months to March 2005.

Load-Date: January 7, 2004

Ryanair flies from Glasgow to Bergamo BUSINESS TRAVEL BRIEFING

Financial Times (London, England)

January 6, 2004 Tuesday

London Edition 1

Section: FEATURES; Pg. 12

Length: 106 words

Byline: By ROGER BRAY

Body

The Irish no-frills carrier Ryanair is scheduled to start operating daily round trips between Glasgow's Prestwick airport and the Italian city of Bergamo tomorrow.

Michael O'Leary, chief executive, claims it will be Scotland's first direct link with Milan, for which Bergamo, which is about an hour away by bus or train, serves as an alternative gateway.

Outbound flights will depart at 10.15am, arriving at 1.50pm. A return service will leave at 2.15pm, reaching the Scottish airport at 3.55pm.

This will be the airline's 12th route from Prestwick. Earlier this month it started a service between the Scottish airport and Shannon, in Ireland.

Load-Date: January 5, 2004

News in brief

AirFinance Journal

January 2004

Length: 696 words

Body

contributions a year are needed to top up both of its final salary schemes.

l The profits of Virgin Express, the Belgium low-cost carrier, slid in the third quarter as overcapacity led to price cuts. Net profits dropped to (EURO)1.7 million from (EURO)4.5 million in the same period a year earlier.

l Swiss International Airlines and BA have signed a formal codeshare agreement. The strategic alliance between the two airlines will spawn a joint flyer programme and the provision of SFr50 million for Swiss and BA.

l Atlantic Coast Airlines will change its name to Independence Air when it starts operating as a low-cost airline next year.

l Paul Stoddart, the Australian Formula One driver, might start up his own low-cost, no-frills airline. It would be based in Tullamarine. Possible names for the carrier include Oz Air and Eurojet.

l Delta Connection has taken delivery of Bombardier's 1,000th CRJ regional jet. Bombardier launched the CRJ programme in March 1989 with 56 firm orders. The first aircraft entered service in November 1992. Lufthansa CityLine was launch customer.l Emirates signed a $1.5 billion order for GE-P&W Engine Alliance engines at the Dubai Airshow. The engines will be used to power the 23 A380-800s the carrier ordered in June. Emirates is expected to use Ex-Im Bank support to finance the engines.

l The International Air Transport Association says October passenger traffic increased 2.5% and freight traffic was up by 1.5%, compared with October 2002. Passenger traffic in Europe was up 4%, with the Middle East up 20.6%. Asia-Pacific carriers were down 0.1%.l AirAsia, the Malaysian budget airline, plans to sell about a third of its shares to the public next year, raising as much as $300 million to buy new aircraft.

The company has set a target listing date of August, after it publishes its annual results in June. Credit Suisse First Boston and UBS are in the running for the mandate. The airline is due to report sales of $450M million ($118 million) for the year to June 30 and a profit of $60M million.l EasyJet chief Ray Webster has sent a letter to the head of the European Commission (EC) in support of rival Ryanair. In the letter, Webster argues that the EC should not conclude that Ryanair received illegal state aid from Belgium's Zaventem airport.

The lobbying on behalf of Ryanair is not surprising, because easyJet is also worried about regulators cracking down on advantageous deals that smaller airports are offering to low-cost airlines. "We would ask that the commission recognize that starting up new routes is high risk, and due regard needs to be given to risk-sharing in the early years," said Webster in his letter. But not all European airlines agree. Virgin Express, which flies out of Zaventem, has lobbied for the EC to rule the Ryanair deal illegal. In December, Ryanair is meeting with other European low-cost carriers in Dublin to form a new industry lobbying group. CEOs claim the Association of European Airlines does not properly represent their interests. Other airlines which were due to attend this meeting include Air Berlin, easyJet and Hapag Lloyd.

l Qatar Airways signed a firm contract with Airbus at the Dubai Airshow for up to 14 aircraft. The airline ordered two A380s with options for two more, as well as two ultra-range A340-600s, with options for a further eight.

l MyTravel, the UK travel company and charter airline, has announced a £910.9 million ($1.5 billion) loss for the year. Most UK analysts had predicted a loss of about £600 million. In September, the company's creditors agreed to refinance £1.3 billion of debt until 2006.

l Willis Lease Finance Corporation has signed an engine-sharing agreement with Air China, China Southwest, China Eastern Airlines, Shanghai Airlines and Shenzhen Airlines. The airlines will be able to lease their spare engines to each other under standardized terms.

l Orient Thai has launched a low-fare service carrier, One-Two-Go, flying between Bangkok and Chiang Mai with a leased 757-200.

l Airbus has almost completed the first A380 wing. The wings, weighing 35 tonnes each and measuring 46 metres from stem to tip, are the largest civil aircraft wings ever made.

Load-Date: October 4, 2007

News in brief

AirFinance Journal

January 2004

Length: 691 words

Body

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Load-Date: October 4, 2007

DBA goes alone

AirFinance Journal

January 2004

Length: 1657 words

Byline: Michael Marray

Body

After easyJet decided not to use its option to buy British Airways subsidiary dba, formerly Deutsche BA, many thought that the German airline would simply be shut down.

But on July 1, British Airways announced that it had sold the airline to Intro Verwaltungsgesellschaft investor group for (EURO)1.

Intro, led by Hans Rudolf Woehrl, made an immediate cash injection of (EURO)35 million to keep the carrier going.1

Woehrl has plenty of experience in the airline business. In 1974, having made money in the fashion and clothing retailing business, he set up Nuernberger Flugdienst. He sold his stake in 1992, and it became part of what today is Eurowings.

He also knows dba very well, having sat on its advisory board between 1994 and 2001.

Having acquired the carrier, and pushed through an initial cost-reduction plan, the next major task for Woehrl is to find a strategic partner. Woehrl, and his advisers, Barons Financial Services, which handled the acquisition of dba, are also considering a stock market listing.

"Dba is debt-free, with a strong balance sheet, and we are focused on seeking either an industrial/strategic partner or a financial partner, or a combination of both, to allow dba to expand the number of aircraft, the network and the airline," says Woehrl.

But the airline faces some stiff competition, with Germany the new battleground for European low-cost carriers. Between March 1992 and July 2003, when it was a British Airways subsidiary, dba never made a full-year profit, despite German consumers being used to high airfares.

Now dba must show that it can be profitable in an era of cut-price fares.

But the new dba does enjoy the advantage of having built up a good image as a quality carrier during its decade under British Airways ownership and will continue to seek out business travellers.

DBA goes alone

"BA had positioned Deutsche BA as a full-service carrier, and with easyJet's help during the period of the easyjet option, changed to a low-cost model," says Woerhl. He adds that, in spite of these changes, 70% of dba passengers are business-related.

The strategy will be to keep dba as a preferred carrier for business travellers within Germany, while also adding more international routes. "Dba is a value-for-money carrier, which last year had the best on-time record in Germany, which is crucial to business passengers," he says. "We see some growth in the German market, but believe that major European cities need to be added to the dba network, as we are essentially a business carrier. Weekends are the only time that leisure travellers are predominant."

Nor will dba be serving smaller airports such as those favoured by easyJet or Ryanair. "It is clear from our business model that dba is not interested in flying into secondary airports," says Woerhl.

Cutting costs

Dba has been trying to cut costs for more than a year. British Airways launched an initiative in April 2002, as part of the move from premium carrier to low-cost carrier. This process continued during the period beginning May 2002, when easyJet had an option to acquire dba and got involved in management decisions.

But easyJet failed to get sufficient concessions in areas such as salaries for pilots and cabin crew, and pulled out. After an anxious few months for the 800 employees Woehrl stepped in, and was able to win salary concessions that he found acceptable.

"All the staff of dba agreed for the first year to a reduction of 15% of their salaries, and some of their bonus, resulting in a 20% saving on salary costs," says Woehrl. "This was agreed by all employees rather than having redundancies on acquisition."

Woerhl says that dba is more competitive. "Deutsche BA, while owned by BA and with easyJet as an adviser, attempted cost reductions, but these were not radical enough and since its acquisition by Intro on July 1, 2003 dba has achieved substantial reductions in costs, overheads, administration, IT, and revenue accounting, with part of the savings coming from the separation of dba from BA systems and IT," says Woehrl.

There have also been savings on aircraft operating lease rates for the fleet of 16 737-300s, a process which once again had been started under easyJet, which held talks with lessors such as CIT, GE Capital Aviation Services, Deutsche Structured Finance and Boullioun Aviation Services.

"Since we took control of dba we have decided to keep a fleet of 16 aircraft," explains Woehrl. "Four of them are being returned to lessors and other aircraft have been procured to replace them. Most of our negotiations with the lessors have been completed."

Intro took over ownership of dba on July 1, and the company's financial year runs from April 1 to March 31, so he notes that the negotiations with lessors had no impact on the first six months of the current financial year, though they will be a contributing factor to reducing losses in the second half ending March 31, 2004.

Under British Airways, the strategy was to run the entire fleet on operating leases, but the new owners intend to change this. "We hope, subject to the performance of dba, to make a decision on a fleet-renewal during the next 18 months, and to look at placing new aircraft orders," says Woehrl. "As dba is a German company, there are tax advantages in owning aircraft, rather then having operating leases, and subject to availability of financing for dba, ownership would be our preferred route."

Changing the network

The German cities served by dba are Munich, Stuttgart, Cologne/Bonn, Düsseldorf, Hamburg and Berlin. In March 2003 a French route from Hamburg to Nice was added and, in November dba inaugurated a new service between Berlin Tegel and London Gatwick.

DBA goes alone

As an illustration of the high-level competition on routes out of Germany, there will soon be six carriers flying between the German capital and airports in or close to London.

Easyjet is stepping up its presence in Germany, and from next April will be flying between Berlin Schoenefeld and Luton Airport. In addition to easyJet and dba, there will also be flights offered by British Airways, Germania, Air Berlin and Ryanair - which has taken over the Berlin-Stansted route previously operated by buzz, after acquiring the carrier.

Lufthansa is conspicuously absent from the route. It discontinued direct flights in 2002, which were for a while taken over by its affiliate, Eurowings, on a codeshare basis, flying into London City Airport. But Eurowings dropped the route after it failed to meet targets.

Like other low-cost carriers, dba is trying to generate internet sales for some of its tickets, and the flydba website address is written on the fuselage of its aircraft, which since 2002 also have a new livery with a lime green tail carrying the dba logo.

The percentage of tickets being booked over the internet is at the moment about 40%, but dba still believes that travel agencies and call centres are an essential complementary source of business.

Germany changes

The change in ownership at dba comes at a time of real change in the German airline industry, with low-cost airlines starting to take hold.

Other carriers offering low-cost tickets include Germania and Air Berlin, which are both based in Berlin and are expanding out of their traditional charter niche. Low-cost carriers Germanwings (part of Eurowings) and Hapag Lloyd Express, owned by TUI, are also fighting for market share.

In November there were sudden resignations of top management at Thomas Cook, which is controlled by Lufthansa and KarstadtQuelle. The integrated package tour approach of owning travel agencies, hotels and airlines implemented at Thomas Cook has been struggling because of weak demand in the tourism sector, as well as a growing tendency for German travellers to book their own flights and hotels separately.

The departure of CEO Stefan Pichler and CFO Norbert Kickum from Thomas Cook is likely to result in tighter control from Lufthansa, and one London-based aviation analyst believes that there could be some capacity reductions on the way.

Meanwhile another sizeable carrier, Aero Lloyd, is in administration and seeking a new investor and a cash injection estimated by analysts of somewhere between (EURO)60 million to (EURO)70 million to get it operating again.

On October 16 Aero Lloyd filed for bankruptcy in the administrative court in Bad Homburg near Frankfurt, leaving 8,000 passengers stranded. Package tour operators such as TUI and Thomas Cook, which had passengers booked on to Aero Lloyd holiday flights, had to put their customers on other airlines.

The events at Aero Lloyd could at least be seen as a positive development for the German aviation industry, because there has been a long tradition of loss-making companies being propped.

The fact that the insolvency was greeted with surprise by the German media illustrates the continued expectations in Germany that the Landesbanks can usually be relied on to prop up struggling companies. Instead, principal shareholder Bayerische Landesbank (which owns 66% of the shares) decided that it could no longer pump more cash into the carrier, having spent several years on a cost-cutting programme that failed to meet its targets.

Aero Lloyd was a big operator, with about 12% of the German holiday charter market. It operated a fleet of nine A320s and 11 A321s (as well as having one more Airbus on order from ILFC), and its disappearance could help other carriers by removing some capacity from the market.

The Austrian subsidiary of Aero Lloyd was not affected by the bankruptcy filing and, in November, former Formula One racing driver Niki Lauda announced that he was getting back into the airline business, having acquired a majority stake in Aero Lloyd Austria.

Aero Lloyd Austria flies four A321s, and the plan is to implement a new low-cost business model and give the carrier a new name. He cannot use Lauda Airlines, having sold the rights to that name, together with his shares, to Austrian Airlines in 2000.

Load-Date: October 4, 2007

Growing pains;
The aviation industry cannot simply sit back and wait for governments to provide more airports to cope with the inevitable expansion of traffic

Flight International

December 23, 2003

Section: Regulars; Comment; Pg. 3

Length: 754 words

Byline: Staff

Body

With perfect timing, the dawning of flight's second century -- marked with a flourish in Kitty Hawk last week -- appears to coincide with the glimmerings of a real recovery in aerospace. With luck, any nascent recovery will not flounder like Wednesday's attempt to re-enact the first flight with a replica of the Wrights' machine.

New years are always a time for optimism, often misplaced. Both January 2002 and 2003 proved false dawns after the terrible impact of 11 September 2001. This time, however, the cautious confidence seems for real. The upbeat last quarter economic performance in the USA; the bullishness of Gulf carriers at the Dubai air show; the faster-than-expected post-SARS recovery of Asia's airlines; even the capture of Saddam Hussein: a slew of positive indicators is giving the industry hope that the first months of 2004 might mark the start of a sustained upswing.

The publication of the UK government's blueprint for expanding airport capacity last week was a reminder that, however painful managing the downturn has been, the real challenge facing the industry and governments from now is going to be coping with growth in demand. The good news is that more people wanting to fly means potentially busier production lines, more jobs and happy shareholders in aerospace businesses. The bad news is that, in countries such as the UK, that burgeoning demand is likely to increasingly hit the concrete wall of lack of capacity, environmental opposition and added costs.

Thankfully, the UK government has in its White Paper come down on the side of aviation and the national interest rather than caving in to the increasingly vociferous environmental lobby and the country's homeowning "nimbys" (who are all for development, only "not in my back yard"). It has acknowledged -- at least in part -- that the country's economic prospects in the 21st century depend on it having enough airport capacity around its capital city to allow London to compete for international business against not just Paris and Amsterdam, but New York, Hong Kong and

Growing pains; The aviation industry cannot simply sit back and wait for governments to provide more airports to cope with the inevitable expansion of traffic

Dubai. Throughout history, every prosperous city -- from Venice to Babylon -- has relied on transport links for its wealth. But the choice of Stansted, rather than Heathrow, for the first new runway has pleased low-cost leisure carriers such as Ryanair -- which is based there -- rather more than British Airways, BMI British Midland and Virgin Atlantic, who are desperate for capacity at the city's congested main airport.

And while publishing a White Paper is one thing, actually building the infrastructure the UK needs will be much harder thanks to complicated planning laws and a small but highly effective band of hardline green guerillas. When builders moved in to construct Manchester's second runway in the mid-1990s, they were delayed for months by tunnel-digging protesters. The go-ahead for a new terminal at Heathrow came only after a decade-long inquiry process. It is possible that a group of determined villagers in Essex could slow down Stansted's expansion for years by taking to the courts. Heathrow's eventual third runway may be blocked not by pollution caused by aircraft but by the government's inability to constrain car traffic around its perimeter by charging for road use.

Rather than simply shouting from the sidelines for more capacity, the industry -- airlines and manufacturers alike -- must work harder on its image, working with, rather than against, governments. Like the car industry has done successfully, aviation must acknowledge that there is a downside to air travel and huge dilemmas to be confronted in managing its growth. But it must also continue to convince public opinion that the benefits -- from cheaper holidays to opening faster trade and business routes around the world -- together with the strides being made in making engines quieter and cleaner and managing airspace more effectively and safely make expanding the sector not only possible but a vital national objective for any country.

The second century of powered flight will not see the dramatic technological step changes witnessed in the first 100 years. There will, at some stage, be another supersonic passenger aircraft and airliners that can carry 1,000 passengers non-stop to anywhere in the world. But unless the industry can find a way of convincing more people that more aircraft in the skies is a positive not a negative, then overcrowded airports in the UK and elsewhere could find themselves descending into gridlock.

Load-Date: December 31, 2003

Briefing

Flight International

December 23, 2003

FLIGHT INTERNATIONAL

Section: News; Headlines; Pg. 5

Length: 613 words

Byline: Staff

Body

FedEx MD-10 burns at Memphis

Staff

A FedEx Boeing MD-10 was seriously damaged after veering off the runway and catching fire on landing at the cargo carrier's Memphis hub. The National Transportation Safety Board says the aircraft's right main gear collapsed on landing at 12:30 on 18 December. The aircraft was en route from Oakland, California. All seven crew survived.
Ryanair loses Strasbourg appeal

Staff

The Nancy appeal court has confirmed an earlier decision that Ryanair has been illegally benefiting from state aid at Strasbourg airport, but chief executive Michael O'Leary says he will still fight the case. The carrier switched its Strasbourg services to Baden Baden airport 40km (25 miles) away during the legal challenge by Air France subsidiary Brit Air. The decision has larger implications for Ryanair; 20% of its traffic comes from state-owned airports where the airline has long-term discounted service deals.

JSF still overweight after fourth review

Staff

Lockheed Martin has confirmed to Flight International that the F-35 Joint Strike Fighter continues to exceed its weight target after a fourth bottom-up review of the structural design. The technical data is still being analysed, but the early results "showed we did not achieve the objectives we expected of the structural weight of the airplane at this point in the programme", says Lockheed Martin. Programme officials are studying alternatives to weight reduction measures, such as boosting in-flight performance and production schedules.

Prague to sign Gripen deal

Staff

The Czech cabinet on 17 December backed the recommendation of a government commission to lease 14 Saab/BAE Systems Gripen multirole fighters from 2005, after concerted US opposition failed to block the deal (Flight International, 9-15 December). The Czech government expects to complete contract negotiations on the potential 10-year deal with Sweden's Defence Materiel Administration by 28 February. The aircraft will be delivered between April and August 2005, several months before NATO ally Hungary receives its first of 14 leased Gripens.

Brazil accepts first Super Tucano

Staff

Embraer delivered the first A/AT-29 ALX Super Tucano light attack/trainer turboprop to the Brazilian air force at Gaviao Peixoto, northern Sao Paulo state on 18 December. The air force has ordered 76 aircraft, with options on a further 23 as part of a modernisation deal. Forty-nine single seaters will be used for daytime policing of the Amazon, 20 two-seaters will provide night time cover and a further 30 two-seaters will be used for training.

ATR closes major deal

Staff

Czech flag carrier CSA Czech Airlines has ordered seven new ATR 42-500s. Including retirements from its fleet of four ATR 72-200s, three ATR 42-300s and two ATR 42-400s, CSA will operate 12 ATRs by the end of 2005. Three -500s will arrive between March and July 2004, and four in 2005.

Flight International directory call

Staff

Entries are closing for free inclusion in the latest Flight International 2004 Maintenance Directory -- The Americas. This will include maintenance providers for aircraft weighing over 5,700kg [12,500lb] directly, or through subsidiary or associate companies (whether operating autonomously or under a parent company name). The directory does not cover companies that only provide avionics and spare parts overhaul, or parts maintenance and services. If you have not replied, or you have not received an entry form, please contact Fabrice Tacoun at Air Transport Intelligence. Tel: +44 20 8652 3847; fax +44 20 8652 3898 or email: fabrice.tacoun@rati.com

Load-Date: December 31, 2003

Fees and taxes on top of ticket price

Financial Times (London, England)

December 22, 2003 Monday

London Edition 2

Section: LETTERS TO THE EDITOR; Pg. 18

Length: 148 words

Byline: By PETER MORRELL

Body

From Dr Peter Morrell.

Sir, Your correspondent F. Bengsten's memory and analysis seem to be cloudy (Letters, December 19). He would have paid Pounds 13.33 in fees and taxes on top of the 1p ticket price.

Of this, Pounds 5 would go to the UK government, as part of the annual Pounds 949m that could be considered as a bill for environmental damage. Another Pounds 6.40 pays for the use of the airport facilities. Ryanair's average one-way ticket price over its latest financial year was just over Pounds 35, so a large number of passengers will be paying very much more than 1p.

But Mr Bengsten is correct in saying that his ticket is priced to keep the passenger figures in the clouds. No different from the supermarket loss leader that increases the sales figures, and environmental damage.

Peter Morrell, Director of Research, Air Transport Group, Cranfield University, Cranfield, Beds MK43 0AL

Load-Date: December 21, 2003

Challenge to airports operator's monopoly remains even with its friends in high places

Financial Times (London, England)

December 20, 2003 Saturday

London Edition 3

Section: NATIONAL NEWS; Pg. 4

Length: 538 words

Byline: By KEVIN DONE

Body

BAA may have been privatised in 1987 but is under increasing pressure to deliver most of the huge expansion of airport capacity announced by the government on Tuesday.

In return, BAA appears to have protected itself from any realistic threat of being broken up and losing its lucrative monopoly over London's three main airports for the foreseeable future.

As a result of the government supporting a strategy for strong growth in airport capacity and air travel over the next 30 years, BAA has become a vital tool for securing for the government the off-balance sheet financing to deliver the new runways and terminals.

BAA believes the task of raising finance would be-come far more complicated and that, at the very least, the borrowing costs would be much higher, if airports became independent entities.

Crucially, if a break-up of BAA were to be contemplated seriously, the group's bonds would probably have to be renegotiated.

BAA believes that could halt work on present projects, not least the fifth terminal at Heathrow - an outcome the government and British Airways in particular, would be desperate to avoid.

Last summer, an inquiry by MPs called for the break-up of BAA's monopoly. The transport select committee claimed the ownership structure of UK airports was "deeply flawed".

The call was swatted away by Alistair Darling, transport secretary, this week. He said the government had last stated its view in November 2000, namely that BAA should keep the three London airports, "and the question has not been revisited".

But the 2002 Enterprise Act puts the issue of a break-up more in the hands of the Office of Fair Trading and the Civil Aviation Authority, BAA's economic regulator for the London airports.

The CAA has put in place the requirement that the three airports be financed on a stand-alone basis with no cross subsidisation.

Regulatory officials believe BAA will have to listen very carefully to its airline customers at Stansted to ensure the facilities it builds meet their needs. A battle of wills is looming over charges to finance the second runway.

Mike Clasper, BAA chief executive, said: "Primarily people that use it will fund it." When pushed on the issue of cross-subsidisation by users at Heathrow and Gatwick, he said, however: "We are not ruling anything in or anything out".

Ryanair, the Irish low-cost carrier, has called for the break-up of the monopoly to stop BAA's "gold-plating" of facilities.

Ryanair and EasyJet and the other low-cost carriers at Stansted still face the prospect of much higher charges, however. Most of them are currently on some sort of discounted deal.

BAA is now charging Pounds 2.89 per departing passenger at Stansted compared with the regulatory price cap of Pounds 4.85. "We will remove discounts over time," said Mr Clasper, "and may also need more increases in charges."

The increase to reach the price cap would be "the price of a cup of coffee at Starbucks and the further increase could be a second cup of coffee," he said.

Ryanair and EasyJet are likely to remind him frequently that they do not serve coffee on their flights. The demand will be for no-frills facilities at Stansted, or the call for the break-up of BAA will return, whatever the government wishes.

Load-Date: December 19, 2003

Stansted outlines Pounds 2bn scheme to double capacity AIRPORT EXPANSION:

Financial Times (London, England)

December 19, 2003 Friday

London Edition 1

Section: NATIONAL NEWS; Pg. 4

Length: 336 words

Byline: By KEVIN DONE

Body

A Pounds 2bn scheme to build a second runway and terminal at Stansted airport aimed at doubling capacity to 50m passengers a year within 10 years was outlined yesterday by BAA.

The airport operator, which will be at the core of the effort to deliver the massive expansion of UK capacity announced by the government on Tuesday, said that the process to win planning permission for Stansted had already begun.

The group would need to gain approval within four years, so that construction could begin in 2008 with a second runway coming into operation in 2012.

It is an ambitious timetable given that BAA will have needed more than 20 years to take the project for a fifth terminal (and no runway) at Heathrow from concept to reality.

Mike Clasper, BAA chief executive, said that the Stansted expansion would be phased, with stage one - to build the runway, terminal and associated buildings, and rail and road infrastructure for a 50m passengers a year capacity - estimated to cost Pounds 2bn.

Full capacity for the existing single runway is estimated at 35m passengers a year, while the second runway and terminal would eventually allow this to rise to between 70m and 80m passengers a year in line with demand.

Passenger numbers jumped by 17.5 per cent to 18.4m in the 12 months to the end of November, making Stansted one of the fastest growing large airports in Europe, thanks chiefly to the rapid expansion of the low cost carriers led by Ryanair and Easyjet.

Mike Toms, BAA planning director, said that the company would press on with design and development work whatever legal actions were mounted to try to halt the project.

Any legal challenges would probably be mounted against the government, he said. "The prospects for successful challenges must be pretty low."

Mr Toms outlined a Pounds 350m scheme to develop the necessary rail infrastructure to serve a two-runway Stansted airport. This would require four miles of additional track and signalling work and platform development at Liverpool Street station in London.

Load-Date: December 18, 2003

End of Document

UK & IRELAND: Ryanair to appeal against French ruling NEWS DIGEST

Financial Times (London, England)

December 19, 2003 Friday

London Edition 1

Section: COMPANIES: UK & IRELAND; Pg. 24

Length: 144 words

Byline: By TOBIAS BUCK and KEVIN DONE

Body

Ryanair, the Irish low-cost airline, is to launch a further appeal to a higher court after it failed yesterday to overturn a French court ruling that it had received illegal financial aid at Strasbourg airport to establish a service between Strasbourg and London.

Michael O'Leary, Ryanair chief executive, said: "We have instructed our lawyers to appeal against this decision, which prevents the return of low fares air travel to Strasbourg."

The European Commission, in the midst of a separate state-aid investigation against Ryanair, said the decision would have no impact on its own inquiry. "This is about French administrative law and we are looking at breaches of European law."

It added, however, that the ruling underlined that it was "legitimate" to ask questions about the advantages granted to Ryanair by a number of European airports.Kevin Done and Tobias Buck

Load-Date: December 18, 2003

A 1p ticket won't help pay for much

Financial Times (London, England)

December 19, 2003 Friday

London Edition 2

Section: LETTERS TO THE EDITOR; Pg. 20

Length: 99 words

Byline: By F BENGSTEN

Body

From Mr F. Bengtsen.

Sir, Alistair Darling announced on Tuesday in his white paper on airport expansion that the airline industry would be paying for environmental damage and the proposed airport expansions.

I recently booked a flight on Ryanair to Denmark for 1p. Based on this, an aircraft load would generate revenue of less than Pounds 2. This would suggest that either the environmental damage is minuscule, the potential contribution from ticket sales is grossly overstated, or the ticket is priced to keep the passenger figures in the clouds.

F. Bengtsen, Bishop's Stortford, Herts CM23 5PE

Load-Date: December 18, 2003

Addicted to the wrong stuff: Few people enjoy air travel but we just cannot kick the habit

Financial Times (London, England)

December 18, 2003 Thursday

London Edition 1

Section: LEADER; Pg. 22

Length: 488 words

Body

When the Wright brothers launched the era of manned flight 100 years ago this week, their achievement was telegraphed back to the local newspaper in their home town of Dayton, where a breathless cub reporter relayed it to a grizzled news editor of the old school. "Son," came the reply, "man will never fly - and if he does, he will never come from Dayton."

Seldom has any prediction been so thoroughly confounded. Since the dawn of the jet age alone, 34bn people have travelled a total of 54,000bn kilometres on commercial flights. Falling prices have brought foreign holidays, often in exotic locations, within reach of countless people worldwide.

Except for the motor car, telephony and radio, no other century-old communications technology has failed to be superseded by subsequent innovations. Instead, air travel continues to transform the way we live and work. Indeed, cheap telephony and electronic communications appear to have increased demand for the face-to-face business meetings aviation makes possible.

However, utility has come at a price. The romance of air travel when it was the preserve of rich elites evaporated long ago. Its last hurrah was Concorde, which was taken out of service this year. For most passengers today, flying is an increasingly disagreeable experience that even the luxury of the first-class cabin does little to relieve.

On short-haul routes, travelling from home to departure gate can take longer than the flight, particularly since airport security was tightened after September 11 2001. Reduced schedules by many carriers mean economy-class passengers sit crammed tightly together, while cost cuts have led to ever less appetising food. Air travel has been linked to deep-vein thrombosis and the spread of diseases such as severe acute respiratory syndrome. And customers of Ryanair, Europe's leading no-frills airline, risk being verbally abused by its voluble chief executive.

Even Boeing, once the proud standard bearer of aviation manufacturing, appears to have succumbed to the utilitarian creed. Its fall from grace has been associated with the triumph of steely-eyed cost accountants and stern environmental regulators over a corporate culture that once thrived on bold risk-taking and the exhilarating quest for machines that flew ever higher, farther and faster.

Mercifully, perhaps, there are some incurable romantics still left in aviation, ever ready to believe that, somewhere over the rainbow, skies are blue and dreams really do come true. They are the people who set up airlines, work for them and invest in them.

So abysmal is the industry's long-term financial performance that Warren Buffett once called the Wright brothers' flight "one small step for mankind and one huge step backwards for capitalism". But those of us who have come to regard cheap air travel - for all its shortcomings - as a basic human right should be grateful that that Dayton news editor was wrong.

Load-Date: December 17, 2003

Low-cost airlines 'likely to resist higher fees to finance Stansted'

Financial Times (London, England)

December 18, 2003 Thursday

London Edition 2

Section: NATIONAL NEWS; Pg. 3

Length: 436 words

Byline: By KEVIN DONE

Body

BAA would face "significant resistance" from low-cost airlines to paying higher landing charges to finance a second runway at Stansted airport in Essex, Standard & Poor's, the leading US credit rating agency, warned yesterday.

Much of the financial burden for developing the new runways proposed by the government on Tuesday in the air transport white paper will fall on BAA, the UK airports group, which includes all three leading London airports - Heathrow, Gatwick and Stansted - as well as Edinburgh, Glasgow, Aberdeen and Southampton airports.

The white paper says that the government will not promote or pay for any of the expansion schemes and that "new airport capacity should be paid for by airport users".

S&P said that uncertainty remained about how a new runway at Stansted would be financed.

The low-cost airlines led by Ryanair and EasyJet, which have fuelled the rapid growth of passenger volumes at Stansted, had benefited from discounted airport charges and cross-subsidy from the higher charges paid by the airlines at Heathrow and Gatwick airports.

New requirements put in place in April this year by the Civil Aviation Authority, the airports economic regulator, mean that the airports must now be financed on a "stand-alone" basis, however, with no cross-subsidisation.

According to the CAA, prices at London airports should be set to reflect the market, costs and assets of each airport individually.

It would be prepared to depart from stand-alone regulation only if there was "compelling evidence to show that users in aggregate were genuinely better off as a result".

Ryanair, the Irish low-cost carrier, fired the first shots in the battle over airport charges by calling for the break-up of the BAA monopoly in order to stop BAA's "gold-plating" of facilities.

Low-cost airlines 'likely to resist higher fees to finance Stansted'

The airports group has come under attack from airlines for the estimated Pounds 4bn cost of building the fifth terminal at Heathrow airport and for forcing the airlines to pay higher charges in advance more than five years before the facility is ready.

"It is wrong that BAA would be proposing to charge its customers, the travelling public, upfront for facilities they will not be able to use for several years. It is like asking customers to pay in advance for a hotel that hasn't been built yet," said Ryanair.

BAA's credit ratings were already downgraded in the summer by both S&P (from AA- to A+) and Moody's (from A1 to A3) to reflect the size of BAA's existing 10-year Pounds 8.9bn capital expenditure programme, which has been swollen by the project for a fifth terminal at Heathrow and does not yet include any spending for runways.

Load-Date: December 17, 2003

AirAsia set to fly into south China

Financial Times (London, England)

December 18, 2003 Thursday

London Edition 2

Section: COMPANIES ASIA-PACIFIC; Pg. 32

Length: 447 words

Byline: By JOHN BURTON and IAN CHENG

Dateline: HONG KONG and SINGAPORE

Body

AirAsia, the Malaysian budget airline, is planning to start flights to south China next year, with Hong Kong, Macau or Guangdong province serving as a possible airport hub.

Flights to the Pearl River Delta area would represent the first expansion by Air-Asia outside of its south-east Asian base and is meant to tap a growing market of Chinese tourists travelling to Malaysia and Thailand.

Tony Fernandes, AirAsia's founder and chief executive, held talks with Macau International Airport this week about the plan. "We like Macau's enthusiastic management, although some problems remain, such as pricing. We are also looking at Hong Kong and Guangdong," he told the Financial Times. "Hong Kong is becoming very aggressive in terms of pricing."

The Hong Kong Airport Authority confirmed it had held discussions with Air-Asia while Macau airport also said it had met with an undisclosed budget carrier.

AirAsia, established in 2001, has led a recent surge in the growth of low-cost carriers in the region. It flies to 13 cities in Malaysia and last week began flights to Bangkok. It has recently established a joint venture with Thailand's Shin Corp, controlled by the family of Thaksin Shinawatra, the Thai prime minister, to operate domestic flights in Thailand.

AirAsia's success has prompted the formation of rival low-cost carriers in Singapore. Singapore Airlines (SIA) last week said it would start a new no-frills carrier, Tiger Airways, with the support of the founders of Ryanair, Europe's leading discount airline, in the second half of 2004.

Another Singapore consortium, led by a former SIA executive, plans to launch ValuAir in May, while Australia's Qantas Airways plans to launch budget carrier Jetstar.

Hong Kong's Cathay Pacific Airways this week confirmed it is studying launching a low-cost subsidiary.

Mr Fernandes refused to say whether a hub in south China would be part of a proposed alliance with Virgin Blue, Sir Richard Branson's Australian low-cost carrier.

AirAsia last week said it was in "early" discussions with Sir Richard about a new budget carrier in Asia.

Analysts said it would be difficult for AirAsia to launch a new service outside Malaysia without a local partner because of restrictive bilateral air service agreements that favour local players such as Air Macau.

However, Asian governments used to protecting incumbents are increasingly recognising the economic advantages of liberalising air rights, said Edmond Rose of GCW Consulting, an aviation consultancy.

Chan Wei Leong, Macau International Airport's chief executive, said he was confident Macau's airport - where landing fees are cheaper than in Hong Kong - could become a hub for low-cost airlines.

Load-Date: December 17, 2003

Airlines at biggest airport praise third runway plan HEATHROW:

Financial Times (London, England)

December 17, 2003 Wednesday

London Edition 1

Section: NATIONAL NEWS; Pg. 4

Length: 392 words

Byline: By REBECCA BREAM and FRIEDERIKE TIESENHAUSEN CAVE

Body

Heathrow-based airlines said they were encouraged by long-term plans to build a third runway at the UK's biggest airport, despite disappointment that Stansted was to be expanded first.

British Airways was optimistic about prospects for the expansion of Heathrow. "We congratulate the government on recognising the enormous benefits of a third runway at London Heathrow," said Rod Eddington, BA chief executive. "We will establish an immediate programme of action that add-resses the environmental issues at Heathrow, and we will engage with BAA and other interested parties to ensure the third runway is built as soon as possible."

Sir Michael Bishop, chairman of BMI, the second biggest airline at Heathrow, applauded the government for taking a proactive approach to using Heathrow's existing runways more effectively. He also said that BAA, the UK airport group, should be broken up and each airport have its own operator to avoid cross-subsidies. "Heathrow-based carriers are concerned about the way funding for the work at Stansted will be provided," he said.

The plans for expansion at Stansted pleased Irish low-budget airline Ryanair, which operates most of its services from the Essex airport.

BAA welcomed the white paper and said it would press ahead with work at Stansted.

But politicians and campaigners opposed to a second runway at Stansted threatened legal action as they vowed to continue their fight against government plans. Lord Hanningfield, leader of Essex county council, said: "We will be consulting lawyers over coming days to examine the possibility of mounting a legal challenge to this proposal. If central government thinks that Stansted is the site of least resistance they will soon be disabused of that notion."

Stop Stansted Expansion, the pressure group that has 5,000 members, threatened to exploit "all legal, regulatory and planning routes in the UK and the EU" to stop plans to open a second runway.

Norman Mead, SSE chairman, accused Alistair Darling, transport secretary, of ignoring the opposition of tens of thousands of people living in the area. "Mr Darling regards this as a sparsely populated area with a few spoiled nimbies in their chocolate box villages. This is totally not true," he said.

Airlines at biggest airport praise third runway plan HEATHROW:

Heathrow residents were angry that the government had failed to rule out additional runways for Europe's largest air hub.

Load-Date: December 16, 2003

Budget airlines take off across the Continent: BUSINESS TRAVEL: A rash of no-frills operators are taking on the national carriers in Europe, says Amon Cohen:

Financial Times (London, England)

December 17, 2003 Wednesday

London Edition 1

Section: FEATURES; Pg. 16

Length: 791 words

Byline: By AMON COHEN

Body

The cut-price airline revolution that transformed business travel in the UK and Ireland is spreading rapidly to continental Europe. Figures from OAG, the airline schedule publisher, for December 8-14 show the number of seats available on budget carriers in Europe (excluding the UK) was 65 per cent greater than in the equivalent week last year.

Not that the UK is slacking either - up 34 per cent. Compare that with the US, where low-cost airline seats rose by a modest 7 per cent. Statistics for the two-year period following September 11 2001 are even more pronounced. In that time, US no-frills seats increased 5 per cent, while the UK and Europe shot up 75 per cent and 176 per cent respectively. The US still has more budget seats than Europe and the UK combined, mainly thanks to the gigantic Southwest Airlines - but Southwest has been operating since the 1970s. Ryanair and easyJet brought low-cost flights to Britain in the mid-1990s and there were only a handful of such airlines in continental Europe at the beginning of this decade.

Europe's expansion truly began when a rash of airlines sprang up at Cologne/ Bonn airport a year ago. Now the end of 2003 is seeing another surge, most notably in Switzerland and Sweden. "We have seen a dramatic increase in the last couple of months," says Peter Schmid, a travel management consultant based in Zurich. He has benefited personally. Last month Mr Schmid and a colleague flew to Dusseldorf on a day trip with a new airline called Germania. The total bill for the two tickets was Euros 88 (Pounds 62). "A year ago that would have cost Euros 1,600," he says.

At the last count, there were 17 budget carriers in Switzerland. Some names, such as easyJet and Virgin Express, are familiar. Others are not. Anyone heard of Baboo (triangular route between Geneva, Lugano and Venice)? InterSky (Bern to Berlin, Paris and Vienna)? SkyEurope (Zurich to Bratislava and Budapest)?

Budget airlines take off across the Continent: BUSINESS TRAVEL: A rash of no-frills operators are taking on the national carriers in Europe, says Amon Cohen:

This extraordinary situation can be attributed to the travails of the national carrier, Swissair, which has continued to struggle since its reincarnation in October 2001 as Swiss. It has been forced to cut routes, creating an opportunity for new competition to move in.

However, national airlines are under threat on existing routes as well. In Scandinavia, Nordic Airlink, a start-up operation owned by Finnair, has struck at the heart of regional power SAS. It launched a Stockholm- Oslo service on 27 October with a lowest one-way fare of Skr273 (Dollars 37) and Stockholm-Copenhagen flight on 24 November from Skr278 one way. SAS cut its fares on Scandinavian routes at the beginning of October in anticipation of the assault but it remains significantly more expensive. "Our fares are on a different planet from those of SAS," says Nordic Airlink president Maunu Vonlueders. "It has had a long, profitable time exploiting these markets."

Brigitte Ringdahl, director of corporate travel management for Ericsson, the Swedish mobile telecommunications company, is delighted to see some competition: "It has long been the case that flying around Scandinavia is as expensive as flying to New York. Now our average fare is going down."

It is not only the price that Ms Ringdahl likes about Nordic Airlink. In contrast to the likes of Ryanair, the new carrier flies from the same primary airports as SAS. Furthermore, during the working week, Nordic

Airlink operates a Stockholm-Oslo service eight times daily and Stockholm-Copenhagen service seven times. Some services offered by low-cost carriers in recent years have been of questionable value for business travellers but the commitment of newcomers to issues such as location and frequency could win many over.

Much of the benefit for business travellers, as in the case of Sweden, has been the pressure on incumbent airlines to respond with price cuts. Mr Schmid estimates Swiss has cut its fares on European routes by 30-40 per cent. In the UK, which has enjoyed the deflationary effects of the budget carriers for longer, aviation analyst Chris Tarry says short-haul travellers pay an average 25 per cent less per mile than their counterparts in continental Europe.

A quick survey of which countries have significant low-cost competition is a reliable guide to what will happen to prices next year. "Where there is low-cost competition, fares will fall; where there is not, they will rise," says Matthew Davis, head of consulting for American Express Europe. France is the country that has shown most resistance to date.

The next region to embrace no-frills flying could well be eastern Europe. Polish carrier Air Polonia made its maiden flights from Warsaw and Katowice to London Stansted on Monday and from Poznan on Tuesday. Expect the bargain European air travel to continue.

Load-Date: December 16, 2003

Demand on EdF 'biggest of kind'

Financial Times (London, England)

December 17, 2003 Wednesday

London Edition 1

Section: COMPANIES EUROPE; Pg. 31

Length: 451 words

Byline: By PAUL BETTS, DANIEL DOMBEY and RAPHAEL MINDER

Body

Mario Monti, the European competition commissioner, yesterday described his call for Electricite de France to repay the French state Euros 1.2bn (Dollars 1.48bn) as the biggest decision of its kind.

Never before has Mr Monti ordered an individual company to pay back such a large amount in an illegal subsidies case.

But he seemed reticent yesterday. After a series of bruising encounters between the Commission and France, many of which are still to be resolved, neither side is spoiling for a fight.

Mr Monti went out of his way to praise the co-operative attitude of Francis Mer, the French finance minister, and the official announcement of the decision tucked away the small detail of the billion euro demand well down the page.

"Commission secures withdrawal of the unlimited guarantee granted to EdF, thereby encouraging competition in the energy sector," was its preferred description of yesterday's move.

There are many reasons for such a self-effacing approach.

Mr Monti has consistently argued that government guarantees that give companies access to capital on favourable terms are one of the most serious distortions of competition.

For that reason, his understanding with Mr Mer that EdF's guarantees will disappear by the end of next year took pride of place in the announcement - even if Paris was heading in that direction in any case.

The two sides also agreed that employees of other energy groups will cease to contribute to EdF's pension scheme, while pension rights will be transferred to a new fund. This move stands to relieve the company of billions of euros and puts the Euros 1.2bn in its proper context.

The amount of money is the only real point of dispute between Brussels and Paris. On the future development of EdF they almost think as one.

Paris is planning the part-privatisation of EdF, although it may not take place until 2006. The company itself wants the end of the special status that gives it its guarantees, since that would allow it to compete in the soon-to-be liberalised French gas market.

By contrast, a widely anticipated Commission decision on alleged subsidies to Ryanair could wreak havoc on the airline's business model by forcing it to renegotiate deals with airports - even though the sums involved are much smaller.

The Commission is already involved in high-profile conflicts with Paris over subsidies to Alstom, the engineering group, and Bull, the computer group. There is a certain understanding in high Brussels circles not to look for fresh fights.

But despite Mr Monti's hopes, the EdF dispute could become a new front. As he himself remarked yesterday: "If a member state does not agree with a decision on recovery of state aid, it can always go to court."

Load-Date: December 16, 2003

End of Document

SIA primes Tiger to spice up Asian low-fare market;
Tony Ryan among experienced outsiders brought in to add expertise to no-frills carrier

Flight International

December 16, 2003

Section: News; Air Transport; Pg. 17

Length: 339 words

Byline: Nicholas Ionides / Singapore

Body

The fledgling low-cost airline market in Asia is heating up, with Singapore Airlines (SIA) preparing to launch a no-frills carrier in partnership with the founder of Ryanair and US investor David Bonderman's Indigo Partners.

The new airline will be called Tiger Airways and from the second half of 2004 it will operate a "substantial fleet" from Singapore's Changi airport to destinations up to 4h away. One type of narrowbody will be leased or purchased, but no selection has been made.

SIA will hold the largest single stake of 49%. while its parent company, Singapore government investment vehicle Temasek Holdings, will have 11%. Indigo Partners, the aviation partnership between Bonderman and Bill Franke, will hold 24%, while Irelandia Investments, owned by the family of Ryanair founder Tony Ryan, will hold 16%.

"Singapore Airlines and Temasek will own a majority of the new airline, but Tiger will be separately certificated and operated independently by a team specially recruited for the low-cost airline," says SIA.

SIA adds that as it "does not have experience with the low-cost carrier business model", it felt it was necessary to bring in outside shareholders "who have the right credentials and a relevant track record of success".

The low-fare segment of the market is in its infancy in Asia, but there have been recent developments. Malaysia's AirAsia has launched international services and is starting a joint-venture carrier in Thailand, where other low-fare airlines are being established -- including by Thai Airways International.

In Singapore, a new privately owned carrier called ValuAir plans to launch services in the middle of 2004 with two leased Airbus A320s.

Ryan says Tiger can be a success despite the fact that the European low-fare carrier model cannot be directly applied to Asia, given bilateral air services rights issues and that there are fewer secondary airports near major cities. "Freedom of the skies evolves," says Ryan. "I think it will evolve in this region as well."

Load-Date: December 23, 2003

Tui sets up UK low-cost brand AIRLINES:

Financial Times (London, England)

December 16, 2003 Tuesday

London Edition 2

Section: COMPANIES EUROPE; Pg. 29

Length: 247 words

Byline: By KEVIN DONE and PETER JOHN

Dateline: LONDON

Body

Tui, Europe's largest travel group by sales, is entering the fiercely-contested UK scheduled low-cost airline sector with the launch of a first operating base at Coventry airport.

The German group will announce today the creation of a new business, Thomsonfly.com, to operate the UK business alongside its German low-cost scheduled carrier, Hapag-Lloyd Express.

Tui includes the UK charter airline Britannia Airways and the UK package holiday brands of Thomson Holidays and Lunn Poly.

Amid conflicting views in its top management, it has decided to launch a second low-cost brand in the UK rather than develop a single European name, despite Thomsonfly.com and Hapag-Lloyd Express operating to many of the same destinations.

Tui's launch of Thomson-fly.com follows the start-up a year ago of Hapag-Lloyd Express, which operates from three bases - at Cologne-Bonn, Stuttgart and Hanover airports.

The scheduled low-fare operations are part of the belated response by the package holiday groups to the success of the no-frills airlines, led by Ryanair and EasyJet, which have captured a growing share of the leisure travel market across Europe.

Thomsonfly.com will be launched with 11 initial routes from Coventry, mainly to southern European destinations. It will fly to Rome, Pisa and Venice in Italy, to Nice and Marseilles in France and to Valencia, Palma, Ibiza and Malaga in Spain, as well as to Jersey in the Channel Islands.

It will utilise part of the aircraft capacity of Britannia.

Load-Date: December 15, 2003

Low-cost carriers form lobby group

Flight International

December 16, 2003

Section: News; Air Transport; Pg. 18

Length: 190 words

Byline: Staff

Body

Rival low-cost carriers are burying their differences to form a new lobbying group to campaign on behalf of the low-cost industry.

The group, named the Low Fare Airlines Association (LFAA), met in Brussels on 5 December, and will be formally launched next month.
Ryanair chief executive Michael O'Leary says that, although he has condemned carriers such as EasyJet and Virgin Express as "high-fares carriers" in advertisements in the past, "they are still lower than rip-off merchants… like British Airways and Air France" and therefore have interests in common.

The association's aims are still unclear. The 10 member airlines, including Hapag Lloyd Express and Ryanair, were brought together when the Association of European Airlines (AEA) failed to represent them adequately in lobbying against increased passenger compensation laws, the association says (Flight International, 12-19 August). But they have yet to agree which issues the association will focus on. "No issues have been discussed...no airlines have signed the piece of paper yet," the LFAA says, although it adds that it will address "Europe-wide issues".

Load-Date: December 23, 2003

Leading low-cost airlines boycott Ryanair's European lobby group NO-FRILLS CARRIERS:

Financial Times (London, England)

December 13, 2003 Saturday

London Edition 3

Section: NATIONAL NEWS; Pg. 5

Length: 329 words

Byline: By KEVIN DONE

Body

Leading British low-cost airlines are boycotting a new European trade association for no-frills carriers founded by Ryanair.

Michael O'Leary, the voluble chief executive of Ryanair which has its main operating base at London Stansted airport, has been seeking for several months to establish a stronger lobbying presence in Brussels for the low-cost airline sector.

He recently dismissed the Brussels-based Association of European Airlines, chaired by Rod Eddington, chief executive of British Airways, as "a waste of space" and a haven for the "high fare, rip-off" airlines and has pushed instead for the creation of a new lobby group.

Ryanair will be joined by five other operators: FlyBE, the UK regional low fares airline; the Volare group of Italy; Sterling, the airline owned by the Fred Olsen group of Norway; Hapag-Lloyd-Express, part of Tui, the German travel group; and SkyEurope, the Slovakian no frills airline based in Bratislava.

EasyJet, which leads the low-cost sector with Ryanair, is a notable absentee from the list. Also missing are BMIbaby, part of the BMI British Midland group controlled by Sir Michael Bishop, and Virgin Express, the Brussels-based low-cost carrier owned by Sir Richard Branson. Germanwings, an affiliate of Lufthansa through its minority stake in Eurowings and a rival of Hapag-Lloyd-Express, has also declined to join the lobby group, which will be called the European Low Fares Airlines Association.

Toby Nicol, head of corporate affairs at EasyJet, said: "Our interests are best served by being able to decide on our own, which battles we fight and which we don't."

Mr O'Leary said that all the squabbling between the low-cost carriers was "just public relations and marketing". Some rivals beg to differ, however. Virgin Express is now flying in and out of Brussels with "Stop subsidies!" painted on its aircraft in reference to the European Commission probe of Ryanair's alleged illegal state subsidies in its deal with Charleroi airport.

Leading low-cost airlines boycott Ryanair 's European lobby group NO-FRILLS CARRIERS:

Load-Date: December 12, 2003

SIA to release Tiger in Asia LOW-COST AIRLINES:

Financial Times (London,England)

December 10, 2003 Wednesday

London Edition 1

Section: COMPANIES ASIA-PACIFIC; Pg. 32

Length: 421 words

Byline: By JOHN BURTON

Dateline: SINGAPORE

Body

Singapore Airlines (SIA) yesterday said it would start a new budget airline, Tiger Airways, with support from the founders of Ryanair, Europe's leading no-frills carrier.

The move to launch the carrier in the second half of next year is seen as an effort to block the expansion of Malaysia's Air Asia and protect the status of Singapore's Changi Airport as south-east Asia's aviation hub.

SIA, one of the most profitable global airlines and the world's second-largest by market capitalisation, will hold a 49 per cent stake in Tiger. Temasek Holdings, the state investment agency that owns 56.8 per cent of SIA, will have an 11 per cent stake.

Irelandia, the investment vehicle of Tony Ryan, the founder of Dublin-based Ryanair, will have a 16 per cent stake, while Indigo Partners, a US private equity fund, will have a 24 per cent interest.

Competition in the region's highly-regulated aviation market increased with the launch of Air Asia in 2001. The low-cost carrier this week began services to Thailand.

Virgin Blue, the Australian budget carrier, has suggested it may extend services to south-east Asia. And Australia's Qantas Airways recently decided to launch a low-cost airline, Jetstar, next May to fend off competition.

Increased budget activity poses a threat to SilkAir, SIA's regional subsidiary, rather than to SIA, which mainly flies international routes to Europe and the US.

Singapore officials are worried that the use of secondary airports in neighbouring Malaysia by budget carriers could take away business from Changi.

Cheong Choong Kong, who led SIA for 19 years before retiring in June, recently said it was normal to try to neutralise emerging competition. "If a threat emerges on (SIA's) home ground, it should not hesitate to deliver a swift response; go for the knock-out."

SIA said it had called on the support of Ryanair since it had no experience in operating a no-frills carrier.

Charlie Clifton, a former director of operations for Ryanair, will help establish operations for Tiger Airways, which will be independent from SIA. Air Asia has also relied on the advice of a former Ryanair executive.

The launch of Tiger Airways could throw into doubt prospects for a third no-frills airline, Singapore-based ValuAir, which is being formed by former SIA executives and is due to start next year.

Analysts questioned Tiger Airways' plans to use Changi as its hub airport since it is more congested than secondary airports, which means it might be difficult to achieve the quick turnrounds that help save costs.

Load-Date: December 9, 2003

FlyBE negotiates to join the big league: Kevin Done finds the short-haul airline, based at Southampton airport, is preparing to expand into the low-cost market

Financial Times (London,England)

December 10, 2003 Wednesday

London Edition 1

Section: COMPANIES UK; Pg. 30

Length: 580 words

Byline: By KEVIN DONE

Body

FlyBE, formerly known as British European, has opened discussions with both Boeing and Airbus on an order for new short-haul aircraft as part of the renewal of its fleet and its ambitious transformation into a UK regional low fares airline.

The group is preparing for a stock market flotation or trade sale during the next three years.

It was built up by Jack Walker, the former steel stockholding millionaire and owner of Blackburn Rovers, and is still privately owned by one of the Walker family trusts.

FlyBE is seeking to build a route network in the provinces to compete with the leading no-frills airlines as it restructures and overcomes two years of heavy losses at the start of the decade.

The negotiations on new aircraft will pitch Boeing against Airbus in the latest of a series of fierce contests between the two aircraft makers in the fast-growing low-cost airline sector.

In previous moves, Ireland's Ryanair and Australia's Virgin Blue have chosen to base their expansion on the Boeing 737-800, while EasyJet has chosen the Airbus A319.

Qantas, the Australian flag carrier, recently chose the A320 for Jetstar, its low-cost subsidiary that will be launched next year.

Jim French, FlyBE managing director, said the group was considering the 148-seat Boeing 737-700 against the 156-seat Airbus A319 to replace its ageing fleet of 15 112- and 98-seat BAe 146s. The group has already ordered 17 Bombardier 78-seat Q400 turbo-prop aircraft for its shorter routes this year. The move from the BAe 146s to Boeing or Airbus aircraft will represent a big jump in both capacity and ambition for FlyBE, and its success will be an important factor in influencing the timing of an initial public offering of the airline.

The group suffered heavy pre-tax losses totalling Pounds 28m in the two years to March 2002 but recovered to a Pounds 302,000 pre-tax profit this year as it transformed its business model from traditional high-yield business airline to low-cost carrier.

The Walker family trusts have had to inject Pounds 22.5m in fresh capital in the past two years to support the restructuring and provide for the airline's survival.

Mr French said the group could slip back into a loss of Pounds 2m to Pounds 3m this year under the burden of the costs of renewing the fleet, but he forecast a return to profit next year.

The airline established Southampton airport as one of its main operating bases from March this year and expects to fly 1m passengers through the airport this year rising to 1.4m in 2004-05.

The airline's total passengers are forecast to rise from 3.9m this year to 4.5m in the year to March 2005, making FlyBE one of the largest independent regional airlines in Europe.

Mr French said the group was increasing seat capacity in its FlyBE branded operations by 30 per cent next year. This will be because of the introduction of the larger Q400 aircraft combined with the shrinking of its franchise operations flying for Air France, which could be ended altogether, when the present contract runs out in 2005.

Southampton is becoming the airline's main base, followed by Belfast City and Birmingham airports.

It is adding 16 new routes from next April from these airports, as well as from Exeter and Bristol. They will include services from Exeter to Alicante, Malaga and Faro, Belfast City, Edinburgh and Glasgow.

Mr French said: "We are enabling the population living outside London and the south-east to enjoy the same benefits of low-fare travel as the city dwellers."

Load-Date: December 9, 2003

Brussels looks poised to clear BA-Iberia link

Financial Times (London,England)

December 10, 2003 Wednesday

London Edition 3

Section: FRONT PAGE - COMPANIES & MARKETS; Pg. 25

Length: 419 words

Byline: By DANIEL DOMBEY

Dateline: BRUSSELS

Body

A commercial alliance between British Airways and Iberia is poised to win antitrust immunity from the European Commission today and Brussels has also indicated that it is likely to back a similar agreement between Alitalia and Air France.

Last year, the Commission said the initial code-sharing proposal between Alitalia and Air France would damage competition because of a virtual monopoly on many routes between France and Italy.

But its probable approval of a revised deal and the expected clearance of the BA-Iberia agreement could help smooth the way towards a consolidation of Europe's fragmented aviation sector.

The Commission has also voiced its broad support for a proposed merger between KLM and Air France, although that is not expected to be formally submitted until early next year.

The Commission has consistently argued that the European Union no longer needs flag-carriers for each of its member states and that airlines should aim to become either EU-wide or scaled down regional operators.

But some European Union officials argue this stance will be compromised by new rules setting compensation payments for cancellations and denied boardings, and a widely expected demand that Ryanair, the Irish low-cost carrier, repay alleged subsidies.

BA and Iberia are today set to receive antitrust immunity for up to six years for their agreement, having offered to give up take-off and landing slots in Britain and Spain to their competitors.

The deal is part of the two airlines' drive to deepen their alliance. BA already owns 9 per cent of the Spanish carrier and has two members on its board.

However, the Commission has long considered that the Alitalia-Air France code-sharing deal represented greater problems.

It told the two companies in June last year that it had "serious doubts" about whether they deserved antitrust exemption.

But it now intends to consult third parties for 45 days on the acceptability of the airlines' new offer to divest slots and spaces on frequent flyer programmes.

"We think we have remedies which have safeguarded competition and allowed new competitors to emerge," said a spokeswoman for Mario Monti, the EU competition commissioner. But she stressed that the Commission had not yet taken a formal decision and that there was no deadline for a final decision.

Brussels is also continuing negotiations with the US over revising the network of treaties with individual nation states that plays a principal role in fragmenting Europe's airline sector. SIA to release Tiger, Page 32

Load-Date: December 9, 2003

Briefing

Flight International

December 9, 2003

Section: News; Headlines; Pg. 5

Length: 621 words

Byline: Staff

Body

Twin Squirrel crash cause unknown

Staff

The UK Air Accident Investigation Branch has begun an inquiry into the crash of a Eurocopter AS355F Twin Squirrel near Andover, UK last week in which the three occupants were killed. The Thruxton-based FAST Helicopters aircraft (G-XCEL), crashed out of control at about 14:30 local time on 2 December. Non-expert witnesses reported a separation of the main rotor or blades, although the UK Civil Aviation Authority has not issued any warnings or advice to operators of the type.

Chinese Embraer ready to fly

Staff

Harbin Embraer is to roll out its first Chinese-assembled ERJ-145 this week and may name Sichuan Airlines as launch customer. A roll-out ceremony is planned for 16 December. The first aircraft is being prepared for a brief flight-test programme, and Embraer expects Brazil's CTA and the Civil Aviation Administration of China to certificate the aircraft by the end of the month. Sichuan is understood to have tentatively agreed to take the first aircraft, and is considering follow-on orders.

Two more bases for Ryanair

Staff

Ryanair is to open two European bases to ease growth pressure at its main hub at London Stansted. From 28 January it will operate flights from Rome Ciampino airport to eight destinations using four new Boeing 737-800s. The second base at Girona, Spain will operate 16 routes from 5 February. Ryanair chief executive Michael O'Leary says the expansion to 11 operating bases will reduce the airline's dependence on Stansted.

Tyre failure caused Antonov loss

Staff

The crash of a military Antonov An-26 into a marketplace at Boende, Democratic Republic of Congo last month was caused by a tyre failure during the aircraft's second take-off attempt. All six crew, 14 of the 18 passengers and 13 people on the ground were killed when the Congolese air force aircraft, departing for Kinshasa, crashed into the market at the end of the 1,400m (4,600ft) runway. The aircraft was loaded with 670kg (1,480lb) of cargo. In 1996 a Scibe Airlift An-32 operated by Moscow Airways crashed into a marketplace in Kinshasa after an aborted take-off, killing 250 on the ground.

Air Madrid start-up to lease Airbus aircraft

Staff

Spanish long-haul start-up Air Madrid is to lease up to five Airbus A330s and A340s from International Lease Finance, having selected the types over the Boeing 777. Two A330-200s will be delivered in May next year for initial operations to Caribbean and South American destinations, with a third -200 or -300 following in 2005. An A340-300 will also be introduced in 2005, with either a -300 or -600 in 2006.

Italian SF260 deal confirmed

Staff

Aermacchi has signed a contract with the Italian air force for the purchase of 30 SF260EA primary trainers under which it will take back 21 older SF260AMs. Delivery of the first new aircraft is set for the beginning of 2005. The contract includes training and integrated logistics support provided directly to the air force's 71st Wing at Latina, where the aircraft will be based. The contract brings the number of SF260s sold by Aermacchi worldwide to 880.

Australia announces security measures

Staff

The Australian government has announced a raft of aviation security measures in a A$93 million ($68 million) programme, the bulk of which will be funded by surplus money from the A$10 Ansett ticket levy which was introduced after the airline collapsed. The package will be implemented in the first half of 2004. Security measures will be introduced at all of the country's 180 airports handling passengers, with a $A14 million government grant programme introduced to help smaller airports.

Load-Date: December 16, 2003

Little sign of productivity from the queues

Financial Times (London,England)

December 8, 2003 Monday

USA Edition 1

Section: LETTERS TO THE EDITOR; Pg. 12

Length: 509 words

Byline: By DOUGLAS BRUCE

Body

From Mr Douglas Bruce.

Sir, You report (December 4) that the productivity of US companies rose at its fastest pace in 20 years in the three months to September. Since the underlying statistics are part of a litany that emerges almost every quarter to similar effect, my own experiences on a visit last month to the US - when I looked around for anecdotal evidence of such productivity growth - may be of interest.

Regrettably, I did not get to visit the factories that must be churning out millions of widgets - compared with Europe's hundreds of thousands - on 10 per cent lower headcount than last year (who purchases them all, against the current scenario of trade imbalance, is another question). But I did stand for some 20 minutes in a check-in queue in San Francisco's brand-new international airport terminal where Alaska Airlines were, at best, processing their waiting passengers at about two-thirds of the speed one would expect of a European check-in queue (and about a quarter of the tempo of EasyJet or Ryanair) and this long before we reached the very onerous security routines. The traveller behind me seemed quite unperturbed by the lethargic pace of things and simply remarked that it he found the speed of check-in far more expeditious than that at the American Airlines desk.

Some days later I joined a queue of six people - waiting for service at two manned counters - at San Francisco's Pine Street post office. It took about 15 minutes before I was served, which struck me as considerably less productive than one might expect at a European post office - unless a larger proportion of easy purchases such as stamps is outsourced in the US to other points of sale. (The observed productivity level was similar to that at Mount Auburn post office beside Harvard where, a week later, a queue of six before me, waiting for service at four manned counters, took eight minutes to process).

The scene of my third and final observation was the Barnes and Noble bookshop at Fisherman's Wharf, San Francisco, where I picked up the day's FT from the newspaper rack and took it to the cashier's desk at the front of the shop. This time there were only five waiting customers but the queue took so long to process that by the time I arrived at the counter I had read all that interested me in the paper (with the exception of Lucy Kellaway's column, so it must have been a Monday) and was able to return it to the sales rack (sorry, Lucy!) and walked out of the shop no poorer financially than I had entered it.

It did strike me that here - in the event that the shop managed later to sell the copy I had carefully handled - was an example of high productivity, in that twice as many customers as in the UK could absorb the wisdom of the day's FT without any increase in costs (or decline in profit) at Barnes and Noble. Indeed, maybe an even higher multiple of waiting customers was able to emulate my example, of whom some - if the queue had been even longer - may have got through Lucy's article as well.

Douglas Bruce, CH-4144 Arlesheim, Switzerland

Load-Date: December 7, 2003

Virgin Blue THE LEX COLUMN:

Financial Times (London,England)

December 8, 2003 Monday

London Edition 1

Section: LEX COLUMN; Pg. 22

Length: 338 words

Body

Blue skies, slim blondes: with such a fetching prospectus it is little wonder Virgin Blue's share offer flew off the shelves. Yet Sir Richard Branson should be congratulated for not demanding a price upgrade; hefty retail participation points to promiscuous trading in the early days.

There are two broad issues that could bring shareholders down to earth. One, Virgin Blue is not a low cost carrier as most of the world knows the concept. Just a few examples: roomier seats, premium lounges and "significant" bookings made through travel agents. That bumps up selling and marketing expenses, which - at 7.5 per cent of sales last year - are well ahead of low-cost peers. Australia's main cities lack secondary airports, locking Virgin Blue into the big hubs. All this bloats costs. Margins at the level of earnings before interest, tax, depreciation, amortisation and rental leases of under 30 per cent are around 10 percentage points lower than Ryanair. Some costs, like maintenance, will accelerate as the fleet ages. More flights into the congested Sydney airport could extend the 30 minute (non money-making) turnround time.

Secondly, the industry is awash with risks and two airlines have been grounded in Australia in the past few years. On top of exposure to oil and currency risk (40 per cent of Virgin Blue's costs are US dollar linked, while all its receipts are in Australian dollars) are the big threats like terrorism. Sars cost big Asian carriers around Dollars 3m-Dollars 5m a day - although IPO proceeds and lower costs mean Virgin Blue's fleet could sit on the tarmac for six months before the money ran out.

Competition is a big issue in a 20m-strong marketplace, despite a burgeoning leisure market. True, Qantas risks cannibalisation with its embryonic Jetstar, and the track record of incumbents launching low-cost alternatives is not good. But Jetstar ticks a lot of the right boxes. Virgin Blue devotes less space to risks than pictures in its prospectus, but don't be fooled into thinking it's all blue skies.

Load-Date: December 7, 2003

Irish Ryanair To Operate Alghero-Barcelona Route Feb 2004

ANSA English Corporate Service

December 8, 2003

Section: NEWSWIRE

Length: 173 words

Dateline: Milan, December 8

Body

(ANSA) - Milan, December 8 - Irish-based low-cost airline Ryanair will operate everyday flights from Alghero on Sardinia island, southern Italy, to Barcelona, Spain, from February 5, 2004.

The price of the Alghero-Barcelona flight ticket will be 19. 99 euro ($ 24. 3) and the flights will start from Alghero at 1730 local time.

Ryanair expects some 100, 000 passengers to fly to Barcelona every year.

Ryanair manages a total of 135 routes in 16 European countries. The company has 68 airplanes, of which 62 are Boeing 737.

Ryanair expects to transport some 24 million passengers between March 2003 and March 2004. (ANSA).

Ryanair posted a net profit of 43. 8 mln euro ($ 53. 2 mln) for the first quarter of the fiscal 2003/2004, ending March 31, 2004, up 12 pct year-on-year. The airline's revenue rose to 245. 2 mln euro ($ 298. 1 mln), while its average fare decreased by 14 pct to 41. 71 euro ($ 50. 7). The air carrier's passenger traffic totalled 5. 1 million for the first quarter of the fiscal 2003/04, a year-on-year increase of 45 pct.

Load-Date: February 20, 2004

End of Document

UK: Ryanair reveals expansion plan

Financial Times (London,England)

December 5, 2003 Friday

London Edition 2

Section: COMPANIES: UK; Pg. 22

Length: 277 words

Byline: By KEVIN DONE

Body

Ryanair, the Irish low-cost airline, is opening two new bases in Italy and Spain in early 2004, in the next wave of its expansion across Europe.

It is aiming to become the largest short-haul carrier in Europe during the second half of the decade, overtaking the traditional market leaders: British Airways, Air France and Lufthansa.

In November, Ryanair carried 2m passengers in Europe, more than British Airways at 1.8m. It is aiming to more than double its passenger volumes within five years from just under 24m this year to 50m.

Michael O'Leary, Ryanair chief executive, flamboyantly dressed as the Pope for the occasion, yesterday announced additional bases at Rome Ciampino and Barcelona-Girona airports, which would become the group's 10th and 11th European bases.

In a challenge to the European Commission - which is investigating Ryanair's financial arrangements at Brussels-Charleroi airport - Mr O'Leary declared that both deals with Ciampino, which is privately owned, and Girona, which is publicly owned, were "long term and deeply discounted".

Mr O'Leary said he still expected the Commission to rule against it over Charleroi and vowed to fight such a decision through the courts.

The regional government of Wallonia was considering a privatisation of Charleroi airport to circumvent the issue of state aid and had received 15 expressions of interest, he said.

Ryanair had no interest in investing in airports but could take a nominal 5 to 10 per cent stake at Charleroi for a short period, he said, if that would give potential investors confidence that it would continue flying from the airport.

The Rome base opens on January 28 and Girona on February 4.

Load-Date: December 4, 2003

Hochtief interest pushes TBI 17% higher AIRPORTS:

Financial Times (London,England)

December 5, 2003 Friday

London Edition 1

Section: COMPANIES EUROPE; Pg. 30

Length: 440 words

Byline: By KEVIN DONE and TONY MAJOR

Dateline: LONDON and FRANKFURT

Body

Shares in TBI, the UK regional airports group, jumped 17 per cent yesterday, as Hochtief, Germany's biggest construction group, disclosed that it was considering a possible takeover bid.

TBI operates London Luton, Belfast International and Cardiff airports in the UK as well as Stockholm-Skavsta airport in Sweden, and has been seeking to expand by attracting growing business from low-cost airlines.

In the summer of 2001, Vinci, the French construction group, launched a 90p-a-share hostile bid valuing TBI at Pounds 517.3m (Dollars 893.6m), which the company initially dismissed as "wholly inadequate".

The deal subsequently collapsed in the wake of the September 11 2001 terrorist attacks in the US, which led to a steep fall in aviation and airport stocks around the world.

Hochtief Airport, the airport management arm of Hochtief - which in turn is majority controlled by German power group RWE - said yesterday it was "considering the merits of a potential acquisition of TBI".

It was "in the business of examining airport investment opportunities, with partners, on a continuous basis". The review of TBI was "at a preliminary stage". It said it had made no approach and any offer would be "likely to be solely in cash".

Vinci retains a 14.9 per cent stake in TBI. It said yesterday it had no response to the Hochtief statement, but repeated its announcement of earlier this year that its TBI stake was not a strategic holding and was for sale at the right price.

TBI shares jumped 17.1 per cent yesterday to close at 72p, valuing the group at Pounds 402.4m.

TBI said last night it had noted the announcement by Hochtief and confirmed that no discussions had taken place between the two groups.

The dominant shareholdings in TBI are held by the Thomas family with about 19 per cent: Stanley Thomas, non-executive chairman, has a personal holding of 9.4 per cent.

TBI has developed into an integrated airport group with interests in Europe, and North and South America. The business has been restructuring with the loss of charter and scheduled traffic and a rapid rise in traffic volumes from low-cost carriers.

Ryanair has established one of its continental European operating bases at Stockholm-Skavsta, EasyJet has its headquarters at Luton airport, while BMIbaby has established one of its UK operating bases at Cardiff.

A Hochtief executive said: "Everything is at a very early stage. We have not talked to TBI. But we are interested. We think TBI could be a good fit with our airports business."

Hochtief holds stakes in Dusseldorf, Hamburg, Athens and Sydney airports. An executive said the airport unit was expected to be profitable by 2005.

Load-Date: December 4, 2003

BAA break-up would end cross-subsidisation and open way to fair competition for airlines

Financial Times (London,England)

December 5, 2003 Friday

London Edition 1

Section: LETTERS TO THE EDITOR; Pg. 18

Length: 322 words

Byline: By RICHARD BRANSON

Body

From Sir Richard Branson.

Sir, Michael O'Leary loves picking a fight, even with those who mostly agree with him (Letters, December 3). It must be the Irish in him.

He is absolutely right that a new runway should be built at Stansted if the demand there justifies it. He is right also that, given the typical airline now using Stansted, there can be no justification for building the type of marble palace some airport operators have produced in the past. And I would certainly have no objection to the BAA being broken up as a means of introducing more competition.

But I hope that Mr O'Leary would equally accept that if it is right to build a new runway at Stansted when demand justifies it, it must be equally right to build one at Heathrow and Gatwick under the same circumstances. The absence of capacity at Heathrow and Gatwick has held back the growth of Virgin Atlantic for many years and allowed others to prevent us from providing the level of competition Mr O'Leary says he welcomes.

The break-up of the BAA would have an additional benefit. It would remove once and for all any chance that the development of one of the BAA's airports might be cross-subsidised by the users of another airport, as Stansted is at present to the tune of Pounds 40m a year by long-suffering Heathrow passengers. With his commitment to open competition, I cannot believe that Mr O'Leary would support the cross-subsidisation of Ryanair by the likes of Virgin Atlantic. Fair competition requires a level playing field.

Finally, I was amused by his description of Virgin Atlantic as a high-fare airline. If only that were true we might be making higher profits! Suffice it to say that in Virgin Atlantic's Economy our passengers pay less than 2.5p per kilometre to fly with us, compared to Ryanair's figure of some 4.3p. If that's not better value for money I don't know what is.

Richard Branson, Chairman, Virgin Atlantic, Crawley, West Sussex RH10 9NU

Load-Date: December 4, 2003

Italy Ciampino Airport Forecasts 1.8 Mln Passengers 2003

ANSA English Corporate Service

December 5, 2003

Section: NEWSWIRE

Length: 191 words

Dateline: Rome, December 5

Body

(ANSA) - Rome, December 5 - Italian Ciampino airport in Rome is expected to register some 1. 8 million passengers in 2003, about 100 pct year-on-year increase, the airport's operator AdR's executive, Riccardo Raimondi, said.

The airport forecast big rise in the number of registered passengers in 2004 due to the five new flights from Ciampino, which will be introduced by Irish low cost carrier Ryanair, Raimondi added.

The passenger traffic of each Ryanair flight is estimated at about 100, 000 persons a year and if the estimation is correct the number of passengers to be registered at Ciampino in 2004 will reach 2. 6 million, Raimondi also said.

The airport is currently under reconstruction targeted at raising its capacity to three million passengers a year.

AdR will transfer all charter flights to the Rome Fiumicino airport, the manager said.

Ryanair operates 40 flights at 14 airports in Italy and has transported more than 10 million passengers since the start of its operations. The airline has registered some five million passengers in Italy since the beginning of 2003.

(Alternative/Original name: Roma, Aeroporti di Roma) (ANSA).

Load-Date: February 20, 2004

New bases for Ryanair

Financial Times (London,England)

December 5, 2003 Friday

London Edition 1

Section: SHORTS; Pg. 21

Length: 20 words

Body

The Irish low-cost airline Ryanair is opening two new bases in Italy and Spain early next year. Page 22; Observer, Page 18

Load-Date: December 4, 2003

O'Leary changes his habit OBSERVER COLUMN

Financial Times (London,England)

December 5, 2003 Friday

London Edition 1

Section: OBSERVER; Pg. 18

Length: 178 words

Body

Having spent years losing friends and alienating people, Michael O'Leary performed a dramatic mid-air U-turn yesterday.

The modest Irishman, dressed as the Pope to launch a new Ryanair route to Rome, said he had invited other low-cost airlines to Dublin next week to set up a trade association.

O'Leary has discovered rudeness can only get you so far. He has been getting lost in the Brussels labyrinth, caught out by EU moves to impose mandatory compensation for overbooking and the investigation into alleged illegal state aid in Ryanair's cut-price airport deal with Charleroi. So he wants some allies.

"We don't know for sure whether anyone will come," he said honestly of the meeting, but hinted that EasyJet might turn up.

"No, we are not attending," EasyJet's Toby Nicol told Observer. "We would only end up arguing."

Virgin Express, Sir Richard Branson's no-frills carrier, is also unlikely to show.

It is flying from Brussels with "Stop Subsidies!" helpfully painted on all its aircraft.

At least it will be a low-cost meeting. O'Leary could just rent a telephone box.

Load-Date: December 4, 2003

Rumsfeld's prize OBSERVER COLUMN

Financial Times (London,England)

December 4, 2003 Thursday

Europe Edition 1

Section: OBSERVER; Pg. 14

Length: 212 words

Body

To Brussels' 16th-century Egmont Palace for the annual "Europeans of the year" awards run by European Voice magazine - which showed brilliantly just how complex or confused the mind of the European remains.

How else to explain, after the collapse of the Cancun trade meeting, why Pascal Lamy, EU trade commissioner, was "Commissioner of the year" in the online readers' poll? Or, when EU/US relations are worse than for perhaps 50 years, why Javier Solana, EU foreign policy chief, was "diplomat of the year"?

Other results: European of the year was Eddie Fenech Adami, Malta's premier (worrying evidence of how effectively the tiny new EU member can swing a vote?).

Valery Giscard d'Estaing, former French president who wrote the EU's draft constitution, was "visionary of the year" but, though not there to collect his gong, apparently sees himself more as a statesman.

Businessman of the year was Ryanair's Michael O'Leary - maybe deservedly, but did he have to bang on about just how brilliant he is?

And "non-EU citizen of the year"? Who else but Donald Rumsfeld, the US defence secretary so loved in Brussels? Strangely, although he was in town for Nato meetings, Rumsfeld decided not collect his award in person.

Observer hears he feared what reception he would actually get.

Load-Date: December 3, 2003

UK & IRELAND: Ryanair to announce 10th European base NEWS DIGEST

Financial Times (London,England)

December 4, 2003 Thursday

London Edition 1

Section: COMPANIES: UK & IRELAND; Pg. 26

Length: 49 words

Byline: By KEVIN DONE

Body

Ryanair is expected to announce today the location of a 10th European operating base, to be opened next year. Yesterday, the Irish airline announced significant changes to its network with the termination of nine routes with effect from January 14 and the launch of nine other services. Kevin Done

Load-Date: December 3, 2003

Ryanair in court over wheelchair fee TRAVEL:

Financial Times (London,England)

December 3, 2003 Wednesday

London Edition 2

Section: NATIONAL NEWS; Pg. 6

Length: 279 words

Byline: By NIKKI TAIT

Body

A disabled man has taken Ryanair, the low-cost airline to court, claiming that the practice of charging Pounds 18 for the use of a wheelchair at its Stansted airport base was discriminatory.

Robert Ross, who is being backed by the Disability Rights Commission, told Central London County Court yesterday that he generally prefers to use crutches or sticks to a chair, but that walking was painful.

"The distance at Stansted is such that it is totally impossible for me to get from the check-in desk to the aeroplane without using a wheelchair," he said.

Mr Ross was charged for the wheelchair use last year, when he flew with the airline to France, and again on his return journey - but stressed yesterday that the use of a wheelchair was "necessary" and not "a matter of choice".

The commission first warned Ryanair and Stansted airport that it planned to back the case last autumn. It said that the Disability Discrimination Act requires that a disabled person does not receive "less favourable" treatment than a non-disabled person - and that this should cover paying an additional charge for a specific service.

Ryanair has pointed out it provides free assistance to those disabled passengers who arrive at the airport with their own wheelchairs. However, there was a dispute between the airline and the airport over who was responsible for those asking for wheelchair assistance at the airport - leading the claimant to name both Ryanair and Stansted airport in the lawsuit.

Stansted says that after the check-in desk, it is the responsibility of the airline to get people to their flights. But Ryanair says airports usually provide wheelchairs free of charge.

The case continues.

Load-Date: December 2, 2003

Darling should give the go-ahead for second runway at Stansted and let competition begin

Financial Times (London,England)

December 3, 2003 Wednesday

London Edition 2

Section: LETTERS TO THE EDITOR; Pg. 20

Length: 432 words

Byline: By MICHAEL O'LEARY

Body

From Mr Michael O'Leary.

Sir, Loath though I am to argue with an august editorial in the FT, you could not be more wrong about the second runway at Stansted ("Settling for second best at Stansted", December 2).

Should the government decide to proceed with a second runway at Stansted it would be the most forward-looking decision on behalf of British consumers and visitors in more than 50 years. An additional runway at Stansted would provide a platform for development of more routes and additional frequencies for low-fare, point-to-point airlines which is finally forcing the high-fare airlines at Heathrow to lower fares and offer a better deal to the travelling public. The further expansion at Stansted would also end the oppression of point-to-point passengers who have been forced through the hell-hole that is Heathrow for the past 20 years just to fill up the empty seats on the connecting flights of the high-fares carriers.

A second runway at Stansted would increase competition, increase choice and lower fares for British consumers and visitors. This is precisely why high-fare airlines such as British Airways and Virgin oppose it. We urge transport secretary Alistair Darling to take the brave decision on behalf of British consumers and visitors, approve a second runway for Stansted and let the competition begin!

Finally, Mr Darling should go further in the interests of competition and consumers. Let us break up the BAA monopoly into three separate companies running Heathrow, Gatwick and Stansted independently in the interests of the users of those airports. This would bring about a new era of low-cost facilities development at these airports, allowing each of the three airports to build additional runway facilities as they independently require them, and would at last usher in some badly needed competition between the main London airports. It is only with competition that UK consumers and visitors can look forward to lower fares and improved services, something that they have been denied for many years by the high-fare airlines and inefficient facilities at London Heathrow, and the BAA monopoly.

Darling should give the go-ahead for second runway at Stansted and let competition begin

By all means let us build a second runway at Stansted, but let us go further and break up the BAA monopoly and allow Heathrow and Gatwick to build additional runways should they so wish. Who knows, in time Heathrow may even build a low-cost, consumer-friendly Terminal 5, and not the multi-billion pound white elephant presently proposed, and being subsidised by higher charges on passengers and airlines at Gatwick and Stansted.

Michael O'Leary, Chief Executive, Ryanair

Load-Date: December 2, 2003

Ryanair in court

Financial Times (London,England)

December 3, 2003 Wednesday

London Edition 1

Section: SHORTS; Pg. 1

Length: 21 words

Body

A disabled man has taken Ryanair to court over its practice of charging Pounds 18 for the use of a wheelchair at Stansted. Page 6

Load-Date: December 2, 2003

End of Document

Low-cost carriers must bear cost of expansion

Financial Times (London,England)

December 3, 2003 Wednesday

London Edition 2

Section: LETTERS TO THE EDITOR; Pg. 20

Length: 153 words

Byline: By FRANK KNOWLES

Body

From Mr Frank Knowles.

Sir, Your editorial "Settling for second best at Stansted" (December 2) suggests you have mislaid your usual capacity for rational economic analysis.

You normally (and rightly) deplore uneconomic infrastructure spending, but you applaud the suggestion that uneconomic expansion of Stansted should be funded by charges at Heathrow. If Ryanair and other low-cost airlines want to increase flights at Stansted, let them and their passengers bear the cost.

What happened to your support for the "polluter pays" principle? Whatever the white paper may say, the environmental and economic arguments against expansion at Stansted are insurmountable on a standalone basis, and another runway there cannot be justified or funded economically without precisely the sort of cross-subsidy the FT usually abhors. You should stick to your free-market principles and change your stance.

Frank Knowles, Clavering, Essex

Load-Date: December 2, 2003

Winning friends;
This year's Dubai air show will give the industry the opportunity to sway buyers in a still buoyant region

Flight International

December 2, 2003

Section: Special Section; Dubai Special; List of Exhibitors; Pg. 71

Length: 3622 words

Byline: Murdo Morrison / London

Body

Dubai may not have the prestige of Paris, Farnborough or Singapore when it comes to major announcements, but its status as the key air show in one of the world's few economically buoyant regions clearly means the event is taken very seriously by the industry. Dubai -- a tiny city statelet which is part of the United Arab Emirates -- has, like Singapore, taken on an importance in the aerospace market well beyond its size.

This is largely thanks to a ruling family that -- faced with a long-term decline in oil revenues -- has adopted a strategy to build on the emirate's centuries-old tradition as a cosmopolitan trading hub. It has seen Dubai flourish as both a tourist and convention destination in its own right and as one of the world's fastest-growing hubs for travel between Europe and the Asia-Pacific region.

Dubai's success as an aviation gateway has been largely due to the UAE's open skies policy which has allowed airlines from dozens of countries to use one of the most modern airports in the world. At the same time -- contrary to accepted wisdom -- Dubai's own flag carrier Emirates has been growing almost exponentially despite the competition.

Aside from the low-cost carriers such as Ryanair and Southwest Airlines, it has been one of only a handful of carriers which have seemingly defied the downturn, continuing to fill its growing fleet of aircraft and becoming the biggest customer by far for Airbus's A380. At this year's Paris air show Emirates added 21 A380s to its existing order for 24. In addition, there were signatures for 20 A340-600s, two more A340-500s and 26 Boeing 777-300ERs.

The airline's activity has left many in the industry wondering whether Emirates' ambitions are sustainable. Founded only in 1985, the airline will, at its current rate of growth, become one of the world's biggest airlines by the end of the decade (it is currently 27th) and its strategy depends on capturing huge amounts of market share from its competitors. The wave of suicide bombings and other terrorist activity in Saudi Arabia and Turkey -- which has so far left Dubai unscarred -- could also damage its tourism sector in which the ruling Al-Maktoum family have staked billions of dollars.

Start-ups emerge

Emirates' success alone has made Dubai a must-attend show for aerospace companies keen to impress its cheque-writing executives, but it is not the only airline distributing favours. While the region's other big players, Gulf Air and Qatar Airways, are looking to expand, the past few months have seen the emergence of a number of smaller start-ups. The key development is the arrival of another UAE government-backed airline, Etihad Airways (see P46). The business aviation market in the Gulf also ensures the appearance at Dubai of several manufacturers with Bombardier in particular this year with a strong presence (see P51).

Despite worries over terrorism in Saudi Arabia, a number of key order announcements could be in the offing. This year's show will also have a dedicated helicopter pavilion, with manufacturers targeting the thriving tourism and VIP sectors. Although Dubai is no longer predominantly a defence show, the threat of al-Qaeda and other regional tensions will mean governments looking at their procurement requirements through different eyes. The UAE is the first customer for the E/F Block 60 upgrade of Lockheed Martin's F-16 and Dubai could see its first flight (see P60). At the same time, other manufacturers will be keen to influence future purchasing decisions in the region, with Saab/BAE Systems' Gripen making its debut and Dassault's Rafale taking part in the flying display.

Dubai 2003's likely success is a far cry from two years ago when many US and other companies stayed away or drastically reduced their presence because of security fears after 11 September. This time, many of these companies are determined to win back friends who saw their refusal to show up as a snub to Dubai, the UAE and the region. And if the Gulf's aviation sector continues to grow at its present pace, these could be very costly friends to lose.

A & B Aviation	E420
AIAD and MoD - Italy	E210
Aabe Textiles	W850
AAR	E550, C8
AAXICO	W756
Adams Rite Aerospace	E663
Advanced Communication System	W880
Advanced Electronics	E742
Advanced Training Systems International	E710
Aventure International Aviation Services	E440
Aermacchi	A50
Aero Vodochody	E560
Aerokool	E440
Aerolux	E662
Aeronautical Accessories	E329
Aeronet	W922
Aerospace Industries Association	A63
Aerospace Testing Expo	E427
Aerosud	E640
Aerosystems International	W760
Aerotech World Trade	E663, E406, C2

Winning friends;This year's Dubai air show will give the industry the opportunity to sway buyers in a still buoyant region

Aerovista	E754
Aglo	W414
AgustaWestland	E300, A4
AIAC - Canada	E750
Air BP Middle East	E660, A35
Air France Industries	W410
Air New Zealand Engineering Services	E407
Air Transport Intelligence	W861
Air Transport Publications	E223
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Aircraft Electric Motors	E440
Aircraft Maintenance & Engineering	W624
Aircraft Sales and Services	E440
Airdata	E431
Airfreight Aviation	E668
Airlift Technologies International	E705
Airline Business	W861
Akzo Nobel Aerospace Coatings	W850
Al Bayan	W704
Al Fulaij	E910
Al Jundi Journal	E417
Al Matta Service	E844
Al Rumaithy Group	E840
Alan Dick	W645
Alcan	W922
Alcoa Fastening Systems	W422
Alenia Aeronautica	E200
Almulla Jewellery	E416
Alsalam Aircraft	E530
Altama Footwear	E703
AME Info	EF1
Amfuel	E705
Ancore Detection Systems	E412
Aquascutum Corporate Gifts	W754
Aquiline International	E432
Arab Defence Journal	W936
Armada International	E111
Associated Sales International	E422
Association of the German Trade Fair Industry	W840
Autoflug	W731
AVECS	E850
Aventure International Services	E440

Winning friends;This year's Dubai air show will give the industry the opportunity to sway buyers in a still buoyant region

Aviaexport	E850
Aviall	E600
Aviarus Publishing House	E850
Aviasalon	E854
Aviatechmas	E432
Aviation Business	W440
Aviation Gifts	W220
Aviation International News	Office
Aviation Week	W703
Aviation Week Show News	B8
Aviator & Aviation	E902
Avio-Diepen	W850
Aviointeriors	E324
Avionics	E640
Avitronics	E640
Azairtechservice	W320
BAE Systems	W870
BAE Systems Int'l Programmes	E755, A57, A23
Bahrain Executive Air Services	E848
Bardawil Aviation	W528
Baseops/World Fuel Services	E431
Battlespace	W260
Belgraver Aircraft Interiors	W850
Bell Helicopter Textron	E326, E329, E330
BGT	W740
Boeing	E625, E510, A17, A18, A19
Bombardier Aerospace	E818, A15, A16
Botany Weaving Mills	E663
BRE	W755
Britannic Aviation	W636
Broadcast Microwave Services	W330
C&C Flying	W904
CAE	E846
Callington	E620
Caltex	C6
Canadian Forces	E750
Canadian government	E750
Canard Aerospace	E902
Cargo Village News	W902
CERT - Higher Colleges of Technology	W506
Cessna	E915, A10
CFM International	W540

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CGC Global Cargo	E705
Chernyshev Moscow Machine-Building	E764, A59
Chevron Texaco Global Aviation	C6
China National Aero Technology	W824, A11
CMC Electronics	E902
Cobham	W560
Cohemo	E105
Commerce Overseas	E906
Commercial Application of Military Airlift Aircraft	E625
Council for Logistics Research,	E625
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Crystal Gallery	W635
CTT Systems	W714
Dar al-Handasah Consultants	W710
Dart Aviation	E440
Darwish bin Ahmed (Aviation Division)	E842
Dassault Aviation	W400, A31, A32
DCI-Airco	W210
Defense News	E107
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Denel Aviation	E640
Derco Aerospace	E408
Deschamps	W210
Deso	W643
DHL Worldwide Express	Outdoor, A38
Dimo	E904
DME	E705
DNATA	W500, A55
Doha International Airport	E844
Drager Safety Fire Training Systems	W906
Dubai Airport Free Zone Authority	A39
Dyncorp International	E715, A14
EADS	W530, A47, A48, A49
Economic Development Commission of Florida's Space Coast	E705
EDO	E500
Eduard Wille	W732
EHAG	W903
Elettronica	E320
Elta	E663
Emarat	W937, A43
Embraer	W310

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Embry-Riddle Aeronautical University	E705
Emirates Airline	W520, A25, A26, A27
Emirates Aviation	W330
Emirates Bank Group	W940, B1
Emirates Flying School	W945
Emirates National Oil	W610, C3, C4
Emojet	W937, A43
Empire Test Pilots School	W644
Energy Group	E850
Engine Alliance	E824
Engineering Systems Solutions	E705
Ensil International	E603
Enterprise Florida	E705
Eurep Industries	W210
Eurofighter	Outdoor
Evans & Sutherland	W702
Everest	W883
Evergreen International Airlines	W718
Execujet	E818, A15, A16
Executive Air Charter	E640
Exxon Mobil	W937, A43
FR Aviation	W560
FR Countermeasures	W560
Fairchild Fasteners	W422
Fairs & Exhibitions UAE	A22
Faros	W105
FED	W229
Flight Group	W861
Flight Pak	W935
Flight Refuelling	W560
Flight International	W861
Flight Daily News	East Hall
FLIR Systems	E403
Fluke	E506
FMC Airport Systems	E705
Fokker Services	W850
FP Aeroparts Middle East	E422
France Telecom	W223
French Ministry of Defence	W210
Fujairah International Airport	W860
GA Buyer Europe	W601
Garsite	E711

Winning friends;This year's Dubai air show will give the industry the opportunity to sway buyers in a still buoyant region

GE Aircraft Engines	E520, A24
GE Druck	W758
GE Ion Track Instruments	W642
General Exhibitions	E534, A6
German Aerospace Industries Association	W840
German Ministry of Economics and Technology	W840
German Trade Information	W840
GIE Rafale International	W405
GIFAS	W210
Global Aerospace	E440
Global Defence Review	E220
GMF Aero Asia (Garuda)	W600
Goldhofer Aktiengensellschaft	W734
Goodrich	W751
Goodyear	E600
Gripen International	W430
GSE 'r' Us	E440
Gulf Aerospace	W706
Gulf Aircraft Maintenance (GAMCO)	W620, A30
Gulf Aviation Guide	E221
Gulf Defence Magazine	E110
Gulf Technical Trading and Services	A33, A34
Gulfstream	E718, A12
Hadid International Services	E720
Hamilton Sunstrand	E217
Haris al Afaq	E506
Hawker Pacific Airservices	E327
Hellenic Aerospace Industry	E540
Hipage	E440
Honeywell	E816
HP Middle East	EF2, B6
HR Smith	W200, A8
Huntsman	E620
Hycom	W604
Hydraulics International	E840
Hydro-Geratebau	W885
IAR Brasov	W426
LEC	W223
IBM	W720
ICM Airport Technics	W708
Idex	W534, A6
IEC	E400

Winning friends;This year's Dubai air show will give the industry the opportunity to sway buyers in a still buoyant region

ILA 2004 Messe Berlin	W735
IMP	W845
Indal Technologies	E750
Inmarsat UAE	W223
Inmarsat UK	E400
Integrated Defence Systems	E721
Integrated Dynamics	W102
Interami	W230, B4
International Aerospace Magazine	W104
International Air Charter	E624
Intertec Systems	W810
Intervestnik Publishing House	E768
Invision Technologies	E112
Iran Air Show 2004	W705
ITP	W440
Ivema	E640
Jane's Information Group	E675
Jeppesen	E325
Jet Aviation Management	E908, A13
Jet Finances	W411
Jet Group	W412
Jordan Aeronautical Systems	E409, C5
Jordan Aerospace Industries	E340
Jordan Aircraft Maintenance	E409, C5
Jordan Airmotive	E409, C5
Motor Sich	W110
Karl Storz	W730
Kazan Helicopters	E677
Kellstrom Industries	E727
Kentron Dynamics	E640
Kentron UAV Systems	E640
Kharkov State Aircraft Manufacturing	W230, B4
Kish Free Zone Oorganisation	W705
KLM Engineering & Maintenance	C7
KnAPPO	E665, B7
KNM Media	W245
Kotlas Electromechanical Plant	E850
Krasny Octiabr	E764, A59
Kuehne & Nagel	W881
Kyiv State Aviation Plant Aviant	W109
L-3 Communications	E717, A5
Leni's	W603

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Lewis & Saunders	E663
Lockheed Martin	E832, A20, A21
Longhaul Technologies	W106
Lufthansa Technical Training	W525
Lufthansa Technik	W525
M/S Sedana	W732
Matrix Aviation	E422
MBDA	W300
Mechtronix	E750
Media Factory	W602
Media One	E221
MEED	E222
Mercator	W500
Messier Services UK	W757
Metorex Security Products	E412
Michelin Aircraft Tire	E505
Micropilot USA	W102
Middle East Aviation & Aircharter Guide	W240
Middle East Aviation Journal	E428
Middle-East Optronics	W330
MiG	E764, A59
Mil Moscow Helicopter Plant	E680
Milkor Marketing	E640
Miloco	W922
Mobil	W937, A43
Monch Publishing Group	E426
Monogram Systems -- Zodiac	W322
Moscow Power Engineering Institute	E850
Motor Sich	W110
MSI Aircraft Maintenance	W843
Muller Machines	E913
Napo	E665, B7
National Air Service	E610, A44
Netjets Middle East	E700
Netherlands Aerospace Group	W850
Netherlands Foreign Trade Agency	W850
Nexjet Aviation	E440
Normal	E850
Northop Grumman	E630, A1, A2, A3
Novosibirsk Aircraft Repair	E668, C1
Nyco	E432
Oakenhurst	W200, A8

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Oerlikon Contraves	E414
Ogma	E441
Olympus Industrial	W934
Oxley UK	W706
Pace	E506
Pacific Scientific	W759
Paulstra	W210
Phazotron	E680
Piaggio Aero Industries	E330
Pilatus Aircraft	W930, B5
Popov	E850
Powervamp UK	W706
PPG Aerospace	E620
Pratt & Whitney	E622
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Proair-Charter-Transport	W886
Progress Design Bureau	W110
PSA France	E422
Qatar Airways	E844
Qatar Aviation College	E755, A57
Qatar Duty Free	E844
Rapiscan Security Products	E412
Raytheon	E732
RBI -- Hawker Pacific	E326, E330
Recon/Optical	W565
Relli Technologies	E705
Remote Diagnostic Technologies	W423
Reynold Rings	W638
Rockwell Collins	E813, B2
Rohde & Schwarz	W841
Rolls-Royce UK	W750, A36
Rolls-Royce USA	E600
Rosoboronexport	E680
Rossair	E640
Rotor Blades	E326
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Royal Jet	W924, A37
Royal Jordanian Air Academy	E916
Royal Jordanian Air Force	E409, C5
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Russell Adams	E404
Russian Air Force	E850
Saab	W331
SAFA	E400
SAFA UAE	W223
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Saft	E600
Salut	E684, A61
SAS Flight Academy	W319
Saturn	E665, B7
Scandinavian IT Group	W391
Schreiner Components Overhaul Group	E440
Scientific Production	W229
Scott Health & Safety	W901
SD (Middle East)	W830
Seabird Aviation	E916
Seal Dynamics	W753
Sennheiser Electronic	W844
Serco	W641
Shell Aviation	E524, B3
Sicma Aero Seat	W322
Siemens Airports UAE	E830
Siemens Dematic	W830
Sigma Aerospace	W752
Sikorsky	E217
Site Technology	E211
Skyline	W240
Slingsby Aviation	W560
Smart Approach	E412
Smartsquare	W720
Smiths Aerospace	W638, A7
Smiths Detection	W640
Snap-on Tools International	E910
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Winning friends;This year's Dubai air show will give the industry the opportunity to sway buyers in a still buoyant region

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Winning friends;This year's Dubai air show will give the industry the opportunity to sway buyers in a still buoyant region

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7-11 December 2003

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Opening hours: 9:00 - 18:00

Monday - Thursday (8-11 December)

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Please check with your hotel about visas when booking accommodation. For advice on hotels and air travel please visit the Dubai 2003 website: www.dubaiairshow.org

Load-Date: December 9, 2003

Software tools to assist travellers BUSINESS TRAVEL BRIEFING

Financial Times (London,England)

December 2, 2003 Tuesday

London Edition 1

Section: FEATURES; Pg. 16

Length: 218 words

Byline: By ROGER BRAY

Body

Two software developments promise to make it easier to find the best air fare on the internet and to track down staff quickly in a crisis. Carlson Wagonlit, the travel management group, is on the point of launching a tool called Spyderweb, which will enable its consultants in Europe, the Middle East and Africa to make faster comparisons between fares published by conventional carriers, those offered by low-cost airlines and deals negotiated on behalf of individual or all corporate clients.

They will be able to see all the main options on the same reservations screen and customers will get information on bookings, whichever airline their staff elect to fly on.

Carlson Wagonlit says this will help travel managers to overcome problems caused by staff who book cheap flights independently, and may be hard to locate in an emergency.

Meanwhile, self-booking technology from GetThere, part of the Sabre computer reservations group, now allows travellers to book flights on EasyJet and Ryanair entirely within its system, reducing the risk that they will stray from corporate travel policy and similarly improving the likelihood that their travel manager will know immediately where they all are, in the event of a terrorist attack. The software already covered a number of North American no-frills carriers.

Load-Date: December 1, 2003

Shareholders not blue after IPO.

Airfinance Journal

December 2003

Section: Pg. 14; No. 266; ISSN: 0143-2257

Length: 374 words
Highlight: Deals News

Body

Shares of Virgin Blue rose 8% as the stock made its debut on the Australian Stock Exchange after a successful initial public offering.

Credit Suisse First Boston and Goldman Sachs managed the sale.

The IPO raised A$666 million ($492 million) at the A$2.25 final bookbuild price, the top end of its A$1.80 to A$2.25 indicative range.

Investors applied for more than 10 times the shares on offer and the stock closed at A$2.43 on its debut.

Bankers say Virgin Blue has assembled an estimated 23,000 retail and 250 institutional shareholders. About a third of the offering was allocated to retail investors and staff.

Australian transport group Patrick Corp is retaining about 45% of Virgin Blue after listing.

Richard Branson, who invested $10 million to set up the airline four years ago, will retain about 25%. The listing values the company at A$2.5 billion.

Analysts say that shares were not cheap. The issue priced at 15.4 times forecast profits for the year to March 2004. Qantas trades at less than 12 times.

However, as Ryanair is valued at about 18 times and Southwest Airlines and JetBlue Airways Corp are trading at 40 times and 28 times, respectively, the deal was popular with international investors.

Branson was in Sydney for the opening bell. After soaking six scantily dad Virgin Blue staff with champagne, he also took a sideswipe at Qantas, saying that they had "obviously tried everything they could to derail the float over the last three weeks".

Load-Date: February 3, 2005

BA threat to sue if Stansted gets runway AIRPORT EXPANSION:

Financial Times (London,England)

December 1, 2003 Monday

London Edition 1

Section: NATIONAL NEWS; Pg. 4

Length: 441 words

Byline: By ROBERT WRIGHT

Body

British Airways has said it will consider legal action if the government chooses to build new runways at Stansted instead of Heathrow, where it is the heaviest user.

The threat follows a Financial Times report on Saturday that Alistair Darling, the transport secretary, was set to refuse permission for a third Heathrow runway in the short term.

Mr Darling will instead give permission for expansion at Stansted, London's third-busiest airport, when he publishes an aviation white paper this month. The extra capacity is needed for an expected rise in air passenger journeys into the UK from 117m at present to 300m by 2030.

British Airways said it believed that BAA, operator of the UK's main airports, could not fund Stansted expansion without increasing landing charges at Heathrow. Since British Airways operates at Heathrow but not Stansted, it argues that its landing charges would be used to cross-subsidise the building of capacity for its competitors. Stansted is particularly popular with low-cost airlines such as EasyJet and Ryanair.

British Airways believes it would have a clear legal case to have such cross-subsidy prevented.

Virgin Atlantic, the other UK transatlantic operator from Heathrow, also maintained its stance that its favoured option was expansion at Heathrow.

The government is thought to have been persuaded against allowing a third Heathrow runway by the pollution levels in the area. Permission may be given later, if cleaner aircraft and car engines reduce the pollution levels.

Concern about pollutants around Stansted, in Essex, is less grave because it is not as busy as Heathrow and the surrounding area less densely populated.

The second choice for expansion of both British Airways and Virgin Atlantic would be Gatwick, south of London. Both airlines already operate there.

However, expansion there has been ruled out because Gatwick's local county council, West Sussex, has won assurances that there would be no further expansion at the airport until 2019.

In the run-up to the decision on where to expand capacity, the airline industry has argued that the market would prefer expansion at Heathrow and that any decision not to expand there would handicap the UK air travel industry.

Residents' groups around Heathrow have opposed any expansion, however, and welcomed news of Mr Darling's decision.

During consultation Eurostar, the international train operator, argued against any airport expansion. It said many short-haul journeys could be eliminated after 2007, when the fast line to the Channel tunnel is completed. High-speed train services have reduced demand for air travel in many parts of continental Europe.

Load-Date: November 30, 2003

Dba goes alone: German carrier dba has been under new ownership since the summer and, after another round of cost cutting, including salary reductions, the Intro Verwaltungsgesellschaft investor group hopes to start making profits soon.

Airfinance Journal

December 2003

Section: Pg. 20; No. 266; ISSN: 0143-2257

Length: 1787 words
Highlight: Deutsche BA Luftfahrtgesellschaft mbH

Body

After easyJet decided not to use its option to buy British Airways subsidiary dba, formerly Deutsche BA, many thought that the German airline would simply be shut down.

But on July 1, British Airways announced that it had sold the airline to Intro Verwaltungsgesellschaft investor group for 1 [euro].

Intro, led by Hans Rudolf Woehrl, made an immediate cash injection of 35 million [euro] to keep the carrier going.1

Woehrl has plenty of experience in the airline business. In 1974, having made money in the fashion and clothing retailing business, he set up Nuernberger Flugdienst. He sold his stake in 1992, and it became part of what today is Eurowings.

He also knows dba very well, having sat on its advisory board between 1994 and 2001.

Having acquired the carrier, and pushed through an initial cost-reduction plan, the next major task for Woehrl is to find a strategic partner. Woehrl, and his advisers, Barons Financial Services, which handled the acquisition of dba, are also considering a stock market listing.

"Dba is debt-free, with a strong balance sheet, and we are focused on seeking either an industrial/strategic partner or a financial partner, or a combination of both, to allow dba to expand the number of aircraft, the network and the airline," says Woehrl.

Dba goes alone: German carrier dba has been under new ownership since the summer and, after another round of cost cutting, including salary reductions, the Intr....

But the airline faces some stiff competition, with Germany the new battleground for European low-cost carriers. Between March 1992 and July 2003, when it was a British Airways subsidiary, dba never made a full-year profit, despite German consumers being used to high airfares.

Now dba must show that it can be profitable in an era of cut-price fares.

But the new dba does enjoy the advantage of having built up a good image as a quality carrier during its decade under British Airways ownership and will continue to seek out business travellers.

"BA had positioned Deutsche BA as a full service carrier, and with easyJet's help during the period of the easyjet option, changed to a low cost model," says Woehrl. He adds that, in spite of these changes, 70% Of dba passengers are business related.

The strategy will be to keep dba as a preferred carrier for business travellers within Germany, while also adding more international routes. "Dba is a value-for-money carrier, which last year had the best on-time record in Germany, which is crucial to business passengers," he says. "We see some growth in the German market, but believe that major European cities need to be added to the dba network, as we are essentially a business carrier. Weekends are the only time that leisure travellers are predominant."

Nor will dba be serving smaller airports such as those favoured by easyJet or Ryanair. "It is clear from our business model that dba is not interested in flying into secondary airports," says Woehrl.

Cutting costs

Dba has been trying to cut costs for more than a year. British Airways launched an initiative in April 2002, as part of the move from premium carrier to low-cost carrier. This process continued during the period beginning May 2002, when easyJet had an option to acquire dba and got involved in management decisions.

But easyJet failed to get sufficient concessions in areas such as salaries for pilots and cabin crew, and pulled out. After an anxious few months for the 800 employees Woehrl stepped in, and was able to win salary concessions that he found acceptable.

"All the staff of dba agreed for the first year to a reduction of 15% of their salaries, and some of their bonus, resulting in a 20% saving on salary costs," says Woehrl. "This was agreed by all employees rather than having redundancies on acquisition."

Woehrl says that dba is more competitive. "Deutsche BA, while owned by BA and with easyJet as an adviser, attempted cost reductions, but these were not radical enough and since its acquisition by Intro on July 1, 2003 dba has achieved substantial reductions in costs, overheads, administration, IT, and revenue accounting, with part of the savings coming from the separation of dba from BA systems and IT," says Woehrl.

There have also been savings on aircraft operating lease rates for the fleet of 16 737-300s, a process which once again had been started under easyJet, which held talks with lessors such as CIT, GE Capital Aviation Services, Deutsche Structured Finance and Boullioun Aviation Services.

"Since we took control of dba we have decided to keep a fleet of 16 aircraft," explains Woehrl. "Four of them are being returned to lessors and other aircraft have been procured to replace them. Most of our negotiations with the lessors have been completed."

Intro took over ownership of dba on July 1, and the company's financial year runs from April 1 to March 31, so he notes that the negotiations with lessors had no impact on the first six months of the current financial year, though they will be a contributing factor to reducing losses in the second half ending March 31, 2004.

Under British Airways, the strategy was to run the entire fleet on operating leases, but the new owners intend to change this. "We hope, subject to the performance of dba, to make a decision on a fleet-renewal during the next 18 months, and to look at placing new aircraft orders," says Woehrl. "As dba is a German company, there are tax advantages in owning aircraft, rather then having operating leases, and subject to availability of financing for dba, ownership would be our preferred route."

Changing the network

The German cities served by dba are Munich, Stuttgart, Cologne/Bonn, Dusseldorf, Hamburg and Berlin. In March 2003 a French route from Hamburg to Nice was added and, in November dba inaugurated a new service between Berlin Tegel and London Gatwick.

As an illustration of the high-level competition on routes out of Germany, there will soon be six carriers flying between the German capital and airports in or close to London.

Easyjet is stepping up its presence in Germany, and from next April will be flying between Berlin Schoenefeld and Luton Airport. In addition to easyJet and dba, there will also be flights offered by British Airways, Germania, Air Berlin and Ryanair--which has taken over the Berlin-Stansted route previously operated by buzz, after acquiring the carrier.

Lufthansa is conspicuously absent from the route. It discontinued direct flights in 2002, which were for a while taken over by its affiliate, Eurowings, on a codeshare basis, flying into London City Airport. But Eurowings dropped the route after it failed to meet targets.

Like other low-cost carriers, dba is trying to generate internet sales for some of its tickets, and the flydba website address is written on the fuselage of its aircraft, which since 2002 also have a new livery with a lime green tail carrying the dba logo.

The percentage of tickets being booked over the internet is at the moment about 40%, but dba still believes that travel agencies and call centres are an essential complementary source of business.

Germany changes

The change in ownership at dba comes at a time of real change in the German airline industry, with low-cost airlines starting to take hold.

Other carriers offering low-cost tickets include Germania and Air Berlin, which are both based in Berlin and are expanding out of their traditional charter niche. Low-cost carriers Germanwings (part of Eurowings) and Hapag Lloyd Express, owned by TUI, are also fighting for market share.

In November there were sudden resignations of top management at Thomas Cook, which is controlled by Lufthansa and KarstadtQuelle. The integrated package tour approach of owning travel agencies, hotels and airlines implemented at Thomas Cook has been struggling because of weak demand in the tourism sector, as well as a growing tendency for German travellers to book their own flights and hotels separately.

The departure of CEO Stefan Pichler and CFO Norbert Kickum from Thomas Cook is likely to result in tighter control from Lufthansa, and one London-based aviation analyst believes that there could be some capacity reductions on the way.

Meanwhile another sizeable carrier, Aero Lloyd, is in administration and seeking a new investor and a cash injection estimated by analysts of somewhere between 60 million [euro] to 70 million [euro] to get it operating again.

On October 16 Aero Lloyd filed for bankruptcy in the administrative court in Bad Homburg near Frankfurt, leaving 8,000 passengers stranded. Package tour operators such as TUI and Thomas Cook, which had passengers booked on to Aero Lloyd holiday flights, had to put their customers on other airlines.

Dba goes alone: German carrier dba has been under new ownership since the summer and, after another round of cost cutting, including salary reductions, the Intr....

The events at Aero Lloyd could at least he seen as a positive development for the German aviation industry, because there has been a long tradition of loss-making companies being propped.

The fact that the insolvency was greeted with surprise by the German media illustrates the continued expectations in Germany that the Landesbanks can usually be relied on to prop up struggling companies. Instead, principal shareholder Bayerische Landesbank (which owns 66% of the shares) decided that it could no longer pump more cash into the carrier, having spent several years on a cost-cutting programme that failed to meet its targets.

Aero Lloyd was a big operator, with about 12% of the German holiday charter market. It operated a fleet of nine A320s and 11 A321s (as well as having one more Airbus on order from ILFC), and its disappearance could help other carriers by removing some capacity from the market.

The Austrian subsidiary of Aero Lloyd was not affected by the bankruptcy filing and, in November, former Formula One raring driver Niki Lauda announced that he was getting back into the airline business, having acquired a majority stake in Aero Lloyd Austria.

Aero Lloyd Austria flies four A321s, and the plan is to implement a new low-cost business model and give the carrier a new name. He cannot use Lauda Airlines, having sold the rights to that name, together with his shares, to Austrian Airlines in 2000.(c) Euromoney Institutional Investor PLC This material must be used for the customer's internal business use only and a maximum of ten (10) hard copy print-outs may be made. No further copying or transmission of this material is allowed without the express permission of Euromoney Institutional Investor PLC. Mail to: publisher@euromoney.com Copyright 2003 Euromoney Institutional Investor PLC1616

Load-Date: February 3, 2005

Ryanair has mandated Royal Bank of Scotland to arrange the sale/leaseback for 10 737-800s.

Airfinance Journal

December 2003

Section: Pg. 14; No. 266; ISSN: 0143-2257

Length: 166 words

Body

* Ryanair has mandated Royal Bank of Scotland to arrange the sale/leaseback for 10 737-800s. The bank has also closed the sale/leaseback of two A321s for Asiana.

The aircraft were delivered in October and November.(c) Euromoney Institutional Investor PLC This material must be used for the customer's internal business use only and a maximum of ten (10) hard copy print-outs may be made. No further copying or transmission of this material is allowed without the express permission of Euromoney Institutional Investor PLC. Mail to: publisher@euromoney.com Copyright 2003 Euromoney Institutional Investor PLC(c) Euromoney Institutional Investor PLC This material must be used for the customer's internal business use only and a maximum of ten (10) hard copy print-outs may be made. No further copying or transmission of this material is allowed without the express permission of Euromoney Institutional Investor PLC. Mail to: publisher@euromoney.com Copyright 2003 Euromoney Institutional Investor PLC35

Load-Date: February 3, 2005

TBI encounters turbulence at US airport operations

Financial Times (London,England)

November 26, 2003 Wednesday

London Edition 3

Section: COMPANIES UK; Pg. 26

Length: 349 words

Byline: By SHARLENE GOFF

Body

TBI's interim profits took a nosedive as the airports operator revealed a Pounds 6.3m goodwill write-down relating to its US airport services business.

The group, which was hit by the collapse in air travel after September 11, yesterday said pre-tax profit fell 52 per cent to Pounds 7.2m in the six months to September 30. It was also affected by increased recurring costs, such as air traffic control fees and pension and insurance charges.

Keith Brooks, chief executive, said the group would consider selling the US business, providing the timing and circumstances were right.

He added that the company's focus on providing services to low-cost airlines had helped lift revenues by 4 per cent. Passenger numbers also increased, from 8.71m to 9.95m, of which 68 per cent flew with low-cost carriers.

The refinancing of its debt facilities at Luton incurred a one-off charge of Pounds 1.8m but it was expected to provide an annual interest saving of Pounds 1.6m.

The number of charter passengers at the London airport fell by 15 per cent as MyTravel withdrew some of its routes.

But Mr Brooks said Luton was a big opportunity for growth, especially since EasyJet had launched a thrice-daily route from Luton to Berlin Schonefeld this month.

Ryanair had also established a base at TBI's Stockholm Stavsta airport, which more than tripled passenger traffic, but costs in the development of terminal facilities led to operating losses of Pounds 656,000 (profit of Pounds 166,000). Sales were Pounds 103.5m (Pounds 99.7m). Earnings per share fell from 1.34p to 0.01p and the interim dividend was maintained at 0.7p. The shares fell 2 1/4p to 60p.

FT Comment

* The increase in costswas greater than anticipated and triggered a spate of downgrades. Oriel Securities reduced its estimate for full- year pre-tax profit before exceptionals by Pounds 3m to Pounds 23.1m. The shares, which have rallied 34 per cent since March, are trading on a p/e of about 24.5 compared with BAA on about 15. Evidence of tighter cost control and an upturn in passenger numbers might be needed before this premium can be justified.

Load-Date: November 25, 2003

Virgin Express attacks Ryanair deal NEWS DIGEST

Financial Times (London,England)

November 25, 2003 Tuesday

London Edition 3

Section: COMPANIES INTERNATIONAL; Pg. 29

Length: 242 words

Byline: By KEVIN DONE

Dateline: LONDON

Body

Virgin Express, the Brussels-based low cost airline controlled by Sir Richard Branson, yesterday attacked the financial deal of its rival Ryanair with Charleroi airport.

It said it "looked forward" to the European Commission ruling on the legality of the Ryanair contract and said that "state subsidies of all forms must stop, whether made to the benefit of full-service carriers or low-fare operators."

Virgin Express disclosed a big fall in pre-tax profit for the third quarter to Euros 1.7m from Euros 4.5m last time and blamed its performance on a combination of industry overcapacity with consequent uneconomic discounting of fares and "illegal subsidies".

David Hoare, executive chairman, said that full-service operators in other countries had been slow to cut their capacities.

"They are pricing well below their full cost on many routes and therefore loss making on these routes ... We do not believe this situation can continue for long, assuming of course that carriers are not receiving any illegal state subsidies."

Michael O'Leary, Ryanair chief executive, said that the problem for Virgin Express was that their fares were "much too high, and they can't compete with real low fares airlines. All they can do is complain about the competition."

Mr Hoare said that talks were continuing between the Virgin group and the shareholders of SN Brussels Airlines, its local rival, about a possible merger of Virgin Express and SNBA. Kevin Done, London

Load-Date: November 24, 2003

Airport lands in runway wrangle JOHN MURRAY BROWN VIEW FROM DERRY

Financial Times (London,England)

November 25, 2003 Tuesday

London Edition 1

Section: NATIONAL NEWS; Pg. 4

Length: 599 words

Byline: By JOHN MURRAY BROWN

Body

The launch of a Ryanair service from Londonderry to London has done wonders for the embattled economy of this corner of Northern Ireland and for the Donegal hinterland across the border in the Irish Republic.

However, the low-cost airline is demanding that Derry city council, owners of the airport, extend the runway. The Irish airline argues that a longer strip is needed to accommodate its fleet of 737-800s due to come into service next year.

Michael Cawley, a Ryanair director, forecasts the number of passengers using its service will rise from 150,000 to 210,000 with the new aircraft. However, he warns that the company will withdraw its service if the runway work is not done.

He insists the company's only consideration is the safety of passengers. He says there are numerous airports in Europe that the company will not use because the strips are too short or too narrow.

Some local residents suspect Ryanair's main reason for wanting a longer strip has more to do with fuel efficiency - the longer it is, the less fuel you need for take-off.

But what rankles with Kieran O'Brien, and others who live near the airfield and face eviction if the development gets the go-ahead, is that the council acceded to Ryanair's demand without first seeking independent advice from aircraft manufacturers and other airlines.

Mr O'Brien points out that Belfast City airport, 30-odd metres shorter, is able to use similar aircraft. Officials there confirm that Maersk ran a private charter to Scandinavia using such an aircraft.

Mr O'Brien's house and funeral director's business are set for demolition if the runway project gets the final green light. With other residents, he is considering whether to seek a judicial review of the council's decision.

Even if such a challenge were unsuccessful, the council's plans could still come unstuck. Any extension would have to secure planning permission.

But perhaps the biggest hurdle is the financing. Derry ratepayers already pick up the annual financial shortfall - about Pounds 1.3m. This is the gap between the revenues raised and maintenance, air traffic control and other costs.

Mr Cawley declines to discuss the financial deal Ryanair enjoys. He says it is similar to the arrangements with other airports, but a council official says ratepayers cover some of the marketing costs.

Mr O'Brien wonders whether this might constitute an unfair state subsidy. The council is, after all, a public body. "If its illegal in France and Belgium, I don't see why it should be allowed in Derry," he says, referring to Ryanair's dispute at Charleroi over whether marketing support provided by the local Walloon government constitutes unfair state subsidy.

Derry council is looking to the Treasury in London - or to a future Northern Ireland regional assembly - to fund the development, estimated at more than Pounds 20m.

Nial Birthistle, president of the Derry chamber of commerce, argues the neighbouring councils of Limavady and Coleraine, and Letterkenny in the Irish Republic, should be asked to contribute to the cost.

"We feel that's right and proper," he says, pointing out that passenger surveys suggest half those using the service are from Donegal.

If the project does secure official funding, it is likely to be challenged by Ryanair's competitors.

Austin Smyth, professor at the Dublin-based Institute for Transport and Logistics, says: "If one airline is seen to benefit, you can be sure other airlines will cry foul." He says Belfast International airport, only 50 miles away, will also probably demand support if the government were to award grant money to Derry.

Load-Date: November 24, 2003

Sanguine in south of France: Ryanair's fight with the EU isn't causing panic everywhere, finds Faith Glasgow:

Financial Times (London,England)

November 22, 2003 Saturday

London Edition 1

Section: FT WEEKEND - HOUSE & GARDEN; Pg. 12

Length: 1169 words

Byline: By FAITH GLASGOW

Body

When the British turn their sights to holiday homes abroad, France is second only to Spain in the popularity stakes: almost 250,000 Britons now have properties there. The market has boomed in the past five years because many have bought cheaply in previously little visited regions that have been opened by Ryanair's cheap flights to provincial airports.

But recent events at Ryanair suggest that France's popularity among the UK's second-home buyers - particularly in more remote areas of the country - could be in line for a knock. Buyers in other countries could also find themselves caught out if they place too much reliance on the services of a single low-cost airline.

Ryanair's core strategy is based on striking good deals with under-utilised regional airports and local chambers of commerce, which hope to reap substantial economic benefits from a stream of well-heeled foreign visitors. However, the airline is wrangling with the European Commission over the legality of its subsidised arrangements with the publicly owned Charleroi airport, south of Brussels. Rival airlines have complained that the benefits offered to Ryanair by the airport put them at a disadvantage and breach EU competition rules.

If the Commission decides that the arrangements are unlawful - and Ryanair believes it will - then the airline says it will mount a legal challenge. That could take years but if the carrier loses there will be implications for its flights to other publicly owned airports. This could be particularly troublesome for the 18-centre French network, because (unlike other European countries) France has almost no privately owned airports for Ryanair to use instead. It makes for uncertain times for British homeowners who depend on the carrier's cheap and convenient French network.

To add to the uncertainty, Michael O'Leary, Ryanair's chief executive, has added to these concerns by making it clear that the routes that fail to generate demand will be axed. "We don't have an obligation to second homeowners," he announced. "It's called caveat emptor."

But Paul Fitzsimmons, head of communications, defends the airline's position: "We've launched an explosion of 50-plus new routes in the last 12 months, so of course we're going to keep them under review."

Sanguine in south of France: Ryanair's fight with the EU isn't causing panic everywhere, finds Faith Glasgow:

Sound business sense, no doubt - but how much of a concern should this and the legal probe in Brussels be for overseas owners of French homes? It depends on the region. Ryanair says three French services - unnamed by O'Leary but believed to be Brest, Clermont-Ferrand and Saint-Etienne, are under threat if demand fails to pick up. But Liz Oliver, of UK-based estate agent Francophiles, argues the closures would have little impact: she says northern France is well served by ferries (though Brest is a long drive from the quick Channel crossings), and Saint-Etienne is near Lyon airport (served by EasyJet). UK home owners in Clermont-Ferrand, without nearby alternatives, would be more likely to struggle.

The loss of certain routes, such as Bergerac in the Dordogne, would undoubtedly be an irritant for many British property owners, although its popularity was well established before Michael O'Leary made his mark. Bordeaux international airport is a two-hour drive away but Flybe flies there cheaply from Southampton.

On the whole, the most vulnerable areas are the south-western enclaves where Ryanair's advent played a key role in opening the relatively affordable property market to UK buyers. If the Ryanair flights stop, existing owners will have to come up with alternative strategies, all of which will take longer and could cost more.

"We're concerned, but not overly so," say Martin and Helen Grimes, two former accountants who left their City jobs to open a bed and breakfast/gite business between Biarritz and Pau in south-west France last year. They chose the area because it offered sunshine and greater value for money than better-known areas further east. Their seven-bedroom maison de maitre (including the shells of a five-bedroom coach house and a two-bedroom smaller house) cost about Pounds 200,000.

They are less than an hour's drive from both Pau and Biarritz airports - both Ryanair destinations - but as Martin Grimes points out, there are alternatives if the worst happens. "Bordeaux is only two hours away, and both Toulouse and Bilbao in Spain are about two and a half hours' drive," he adds. The latter airports are also served by Ryanair rival EasyJet, so relatively cheap flights are still feasible.

Worst-hit, if the nearby airports cease their services, will be the short break and golfing holiday trade, for whom quick and easy access counts for much.

At FPD Savills, Charles Weston Baker optimistically observes that while the problems may be real for existing homeowners in these single entry-point areas, prospective buyers are adjusting their expectations to take account of the fallback position. "We are working on a 1,000 unit, 18-hole golf course project, 15 minutes from Carcassonne airport," he says. "But if Ryanair pulled out, then Toulouse airport is only 50 minutes away. It would be a bore for everyone if the Carcassonne route closed, but not insurmountable."

"New clients are being cautious and looking for a secondary access route, including the cheap and reliable French TGV train service," says Maurice Lazarus, of UK-based agent Domus Abroad. "But if your job depended on frequent travel back and forth to the UK, you'd really have to pay higher property prices and buy near to the established international airports served by BA and Air France."

Looking further afield, there are other localities where heavy dependence on a single carrier could cause problems if the service was deemed uneconomic to run.

James Price, who deals with Italy in estate agent Knight Frank's international department, picks out Ancona in Le Marche as vulnerable. "A lot of the recent popularity of the area is due to the Ryanair link, because people have realised they can buy so much more than in Tuscany or Umbria," he says. For example, a four-bedroom farmhouse in Umbria might cost Pounds 350,000 to Pounds 400,000; in comparison, Sei Camini near the Sibillini mountains, a fully refurbished, seven-bedroom house with 2.8ha of land and a three bedroom cottage in the garden, is for sale (through www.italianpropertysales.com) at Pounds 308,000.

"But when the market is uncertain, as it has been this year, buyers look for safer areas where there will always be demand, and those tend to be areas with good communication links, which means well established prices," Price adds.

Sanguine in south of France: Ryanair's fight with the EU isn't causing panic everywhere, finds Faith Glasgow:

It is easy to speculate and scaremonger: this is a fluid situation and there are many unknowns. Ryanair's French network may continue undiminished; even if some routes are cut, other low-cost carriers may step in. But potential buyers would do well to check out all available transport options and ensure they are not too reliant on any one, because, as Michael O'Leary is happy to remind us, there are no lifetime guarantees of cheap fares.

Load-Date: November 21, 2003

A high price to pay for lower air fares

Financial Times (London,England)

November 21, 2003 Friday

USA Edition 2

Section: LETTERS TO THE EDITOR; Pg. 14

Length: 250 words

Byline: By ANDRE CLODONG

Body

From Mr Andre Clodong.

Sir, The controversy about Ryanair's alleged subsidies at Brussels South Charleroi airport has opened up a debate on how low air fares should be.

Ryanair says that without incentives air fares will go up. There is no dispute that high air fares are a thing of the past. Air travel has become a commodity and fares must reflect this.

Very low air fares are not new. Southwest in the US has shown that scheduled air services can be profitable while offering basement prices to consumers. And of course charter airlines have always sold cheap fares to their leisure market.

The question therefore must be whether "subsidised" air fares are legitimate because they create wealth downstream through higher volumes of business and leisure travel. The question must be answered because subsidisation has an impact on those carriers that do not have access to it. It is inconceivable that all carriers could receive incentives. This would be both unaffordable and self-defeating.

By and large, air travel pays its way. This shows that there must be some distortion of competition between "subsidised" carriers and the others.

The solution may simply be in more transparency in the relationship between airports and regional authorities and the airlines. An auction-based market, offering some security of tenure for the carriers, would bring substantial benefits to consumers and the regions involved without hurting the carriers that do not participate in it.

Andre Clodong, 1380 Lasne, Belgium

Load-Date: November 20, 2003

Why domestic flights make more sense

Financial Times (London,England)

November 20, 2003 Thursday

London Edition 2

Section: LETTERS TO THE EDITOR; Pg. 20

Length: 376 words

Byline: By A. J LUCKING

Body

From Mr A. J. Lucking.

Sir, K. R. Moore (Letters, November 17) has inverted the cost equation. Domestic passengers already pay more than the costs of the CO emissions they generate, whereas long-haul passengers do not.

Annex C to the Department for Transport report "Aviation and the Environment" shows a Boeing 747 flying 4300 statute miles incurring climate change costs of Pounds 12,021 - more than Pounds 40 per passenger, one way - versus Pounds 566 for a Boeing 737 flying 690 miles. This is Pounds 4.80 each for an EasyJet load of 119 passengers and Pounds 6.40 for BA, (air passenger duty Pounds 5, premium passengers Pounds 10). Domestic passengers pay both ways, and their average flight is only 260 miles. Some 37 per cent of them fly over water and 53 per cent of the passengers at the five London airports are associated with oil business, versus only 14 per cent of the total on international flights, including charters etc.

During a mid-1990s survey of business users, notably US and Japanese inward investors, the British Chambers of Commerce asked about substituting trains for aircraft on the UK regional routes and, with one exception, were told that "if we cannot fly there, we cannot get there" and "in Texas, only cattle travel on trains" and so on.

This is why the French have 46 public service obligations and a national policy that everywhere must be within two hours of the Paris airports. A German plan to withdraw air service on the 97-mile Stuttgart to Frankfurt route was cancelled, and there are still six air services daily.

The airlines are claiming that the latest aeroplanes have achieved fuel consumption parity with the trains. We should ask also if long-haul rail (over 200-250 miles) is still viable. The west coast mainline needs subsidy of 6.5p per pass-km and I estimate the total cost at 17.5p, versus 4.2p for Ryanair - and Glasgow is 401.5 miles from Euston, versus 345 from Heathrow. The east coast line cost is about 9p but the more frequent, heavier, faster trains will wear it out in less than BR's 40 years.

At present transport policy seems to be geared to our sentimental attachment to things that run on rails, as transport expert Prof John Hibbs put it, rather than doing the sums.

Why domestic flights make more sense

A.J. Lucking, London WC2B 5QN

Load-Date: November 19, 2003

End of Document

In defence of the low-fare airline revolution: MICHAEL O'LEARY:

Financial Times (London,England)

November 20, 2003 Thursday

London Edition 1

Section: COMMENT; Pg. 21

Length: 750 words

Byline: By MICHAEL O'LEARY

Body

The European Commission will shortly complete its investigation into Ryanair's low cost base at Brussels Charleroi Airport in Belgium. Will the Commission allow publicly owned airports to compete on a level playing field against privately owned airports? Or will the Commission prevent government-owned airports from competing and end the low-fare revolution pioneered by Ryanair at underused airports such as Charleroi?

The chief beneficiary of the Ryanair revolution has been the European consumer, who can now travel right across Europe at prices that start from less than Euros 10 (Pounds 7). This year, Ryanair's 24m passengers will pay an average one-way fare of just over Euros 40 before tax. Consumers are not the only beneficiaries. Secondary and regional airports in the UK have enjoyed rapid traffic and profit growth over the past decade. So have those airports in continental Europe where Ryanair and EasyJet, among others, have expanded rapidly. This case is not just about Ryanair: it is about promoting more competition between private and public airports to lower costs for the benefit of the consumer.

Southwest Airlines of the US has a 30-year record of growth, in part based on encouraging local communities and airports to bid against each other for the enormous benefits that flow from the carrier's investment in their local communities. Developers of out-of-town shopping malls compete to attract the big retailers such as Tesco, J. Sainsbury and Ikea. What Ryanair has done at Brussels Charleroi is no different.

In 2001, Brussels Charleroi was an unused, empty airport, competing against a number of privately owned airports such as Glasgow Prestwick, Frankfurt Hahn and Stockholm Skavsta to be selected as Ryanair's next European base. Charleroi was successful and, as a consequence, Ryanair traffic at the airport has grown in just two years from zero to more than 2m passengers. It is only because of this success that high-cost competitors like Brussels International Airport are now asking the Commission to take action that would block Ryanair's growth, limit competition and force up air fares.

If the Commission does not allow competition between public and private airports, high fares will return to many other European airports and the surrounding regions. At Strasbourg, a court case brought by Air France recently succeeded in blocking Ryanair's low-cost deal, forcing us to move services to Baden-Baden. Air France/Britair has replaced Ryanair's Euros 19 return fares to London with a midweek lowest fare of Euros 780 return, over 40 times more expensive than Ryanair. As a result, traffic to London has collapsed. Is this really the future for air travel in Europe?

European integration and the free movement of people depend on low-cost air travel. Air travel should not be the preserve of the rich. But if the Commission rules against Ryanair's Charleroi operation, that will be the inevitable consequence. EasyJet's deal at Berlin will be the next to be challenged by its high-cost competitors. Costs will rise and consumers will be forced to pay higher fares.

Ryanair's deal at Charleroi complied with the European Union's state aid rules. First, Ryanair pays a fee for every passenger - we are not, as some have claimed, net recipients of subsidies. Second, the agreement, which was offered to all our competitors, is already the most widely publicised airport deal in history. It could not be more transparent. Third, if competitors think the cost base at Charleroi is so low, they should stop complaining and move there. Charleroi has offered them a similar deal, so there is no question of distorting competition. Fourth, the state aid rules allow the Walloon government to use lower prices to stimulate traffic at an unused airport facility in exactly the same way that every private airport reduces its charges if it wishes to grow its business.

Europe's passengers have been ripped off for more than 40 years. Before Ryanair, airports, airlines and regulators conspired to protect national carriers at the expense of consumers. We negotiate hard but fair deals with underused airports. They cut their charges; we deliver low fares and enormous traffic growth. Above all, we then pass on these lower costs to passengers and force our high-fare competitors to reduce their prices. What we do is great for passengers and good for Europe. If the Commission wants the interests of consumers to come first, it must support us.

The writer is chief executive of Ryanair

Load-Date: November 19, 2003

Briefing

Flight International

November 18, 2003

Section: News; Headlines; Pg. 7

Length: 667 words

Byline: Staff

Body

Ryanair could ditch Charleroi

Staff

Ryanair chief executive Michael O'Leary has threatened to stop flying from Brussels South Charleroi airport if the European Commission decides the financial agreement between the airport and Ryanair is a hidden subsidy. The EC is due to decide this month whether Charleroi and the Walloon regional government offer Ryanair unfair subsidies, as alleged by Ryanair's competitor at Charleroi, Virgin Express, and the operators of Brussels Zaventem airport. Charleroi is Ryanair's European hub and accounts for 10% of the airline's turnover. O'Leary says he already has two unnamed airports he can move to, although he has ruled out Liege Bierset, Belgium; Lille, France; and Maastricht, the Netherlands. The EC may suggest that the Walloon government privatise Charleroi, making any deal between the airport and Ryanair a purely commercial arrangement.

Tahiti considers A340-600s

Staff

French Polynesia's Air Tahiti Nui is considering adding two Airbus A340-600s, as it seeks board approval to acquire its fifth A340-300 in May 2005. The airline is looking at future orders for the larger -600 as early as 2007, possibly to coincide with the return of a -300, which could be followed by a second -600 12-18 months later. The airline had considered the ultra-long-range A340-500 for non-stop services to Paris but this was deemed unviable.
International changes for JSF

Staff

Lockheed Martin is to study air vehicle changes on the F-35 Joint Strike Fighter (JSF) sought by international customers, as part of a $602 million contract announced on 10 November. The USA and UK will lead a team of eight international partners including Australia, Canada, Denmark, Italy, the Netherlands, Norway, and Turkey. An international compatibility analysis conducted last year compiled the design changes proposed by international customers, and led to a research and development plan during the system design and development (SDD) phase. The project will be funded from the $4.5 billion that the eight partners have committed to the SDD phase.

Chinese boost for Boeing orderbook

Staff

China has firmed up an expected order for 30 Boeing 737s for five carriers. The aircraft will be delivered in 2005 and 2006. Air China will be allocated five 737-700s; Hainan Airlines eight 737-800s; Shandong Airlines three 737-700s and four -800s; Shenzhen Airlines five 737-900s; and Xiamen Airlines five 737-700s. The 737-900 order represents Boeing's first for the model from China. The bulk order precedes Chinese premier Wen Jiabao's visit to Washington, under US pressure over China's trade surplus with the USA.

Fleet decision for low-cost Qantas

Staff

Qantas is expected to select an aircraft type for its new low-cost subsidiary this week. The airline has been discussing proposals with Airbus, Boeing and lessors concerning Airbus A320s and Boeing 737-800s. The low-cost carrier will operate a minimum of 23 aircraft by mid-2005. The carrier's name and identity will also be decided and a home base may be selected. Qantas is negotiating with Australian state governments. Adelaide, South Australia, and Brisbane, Queensland, are believed to be favourites.

Ireland extends control of Atlantic

Staff

The Irish Aviation Authority (IAA) is to control an additional 95,000km2 (36,700 miles2) of North Atlantic airspace, following an agreement with the UK National Air Traffic Services (NATS). The IAA will acquire control of the Northern Oceanic Transition Area from 1 January 2005, while NATS will continue to control the Shanwick area further west for another 25 years. The deal, which increases the IAA's control area to 450,000km2, means that 90% of all transatlantic flights will pass through the three Irish air traffic control zones -- the Shannon Flight Information Region and southern and northern transition areas. Last year the IAA earned 85% of its revenue from overflying transatlantic traffic.

Load-Date: November 25, 2003

Briefing.

Flight International

November 18, 2003

Business and Industry

Section: Pg. 7; ISSN: 0015-3710

Length: 670 words

Body

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COMPETITION Ryanair chief executive Michael O'Leary has threatened to stop flying from Brussels South Charleroi airport if the European Commission decides the financial agreement between the airport and Ryanair is a hidden subsidy. The EC is due to decide this month whether Charleroi and the Walloon regional government offer Ryanair unfair subsidies, as alleged by Ryanair's competitor at Charleroi, Virgin Express, and the operators of Brussels Zaventem airport. Charleroi is Ryanair's European hub and accounts for 10% of the airline's turnover. O'Leary says he already has two unnamed airports he can move to, although he has ruled out Liege Bierset, Belgium Lille, France and Maastricht, the Netherlands. The EC may suggest that the Walloon government privatise Charleroi, making any deal between the airport and Ryanair a purely commercial arrangement.

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PLANNING French Polynesia's Air Tahiti Nui is considering adding two Airbus A340-600s, as it seeks board approval to acquire its fifth A340-300 in May 2005. The airline is looking at future orders for the larger -600 as early as 2007, possibly to coincide with the return of a -300, which could be followed by a second -600 12-18 months later. The airline had considered the ultra-long-range A340-500 for non-stop services to Paris but this was deemed unviable.

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LAUNCH Qantas is expected to select an aircraft type for its new low-cost subsidiary this week. The airline has been discussing proposals with Airbus, Boeing and lessors concerning Airbus A320s and Boeing 737-800s. The low-cost carrier will operate a minimum of 23 aircraft by mid-2005. The carrier's name and identity will also be decided and a home base may be selected. Qantas is negotiating with Australian state governments. Adelaide, South Australia, and Brisbane, Queensland, are believed to be favourites.

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Load-Date: February 2, 2005

UK & IRELAND: Ryanair denies 'desperation' offer NEWS DIGEST

Financial Times (London,England)

November 18, 2003 Tuesday

London Edition 1

Section: COMPANIES: UK & IRELAND; Pg. 24

Length: 114 words

Byline: By MARK ODELL

Body

Ryanair yesterday denied its latest promotional offer - which could cost it an estimated Pounds 1m - was a desperate measure to fill excess capacity.

The Irish no-frills airline is offering 1m free seats on all routes across its network as part of a promotion "to pay people to fly with us".

But it also promised to cover the first Pounds 1 of airport charges and passenger taxes on each seat it is giving away. The offer covers travel from November 20 to December 20 and must be taken up before midnight on Thursday.

Michael O'Leary, chief executive, said the decision was in line with the company's forecast that yields would fall between 10 and 15 per cent in the second half. Mark Odell

Load-Date: November 17, 2003

Virgin berth? OBSERVER COLUMN

Financial Times (London,England)

November 18, 2003 Tuesday

London Edition 1

Section: OBSERVER; Pg. 20

Length: 95 words

Body

Michael O'Leary, boss of no-frills airline Ryanair, has recently mixed threats with doom-and-gloom prophecies ahead of the European Commission's expected clampdown on airport subsidies.

But the clouds are clearly not yet gathering over Charleroi airport, Ryanair's Belgian fiefdom, since authorities are pressing ahead with plans to add a new building, which will almost double the airport's capacity.

Sheer bravado? Or is the airport management simply preparing the red carpet for Sir Richard Branson, boss of Brussels-based Virgin Express, to replace Ryanair in Charleroi?

Load-Date: November 17, 2003

Virgin berth OBSERVER COLUMN

Financial Times (London,England)

November 18, 2003 Tuesday

Europe Edition 1

Section: OBSERVER; Pg. 14

Length: 90 words

Body

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But the clouds are clearly not yet gathering over Charleroi airport, Ryanair's Belgian fiefdom. The airport's authorities have just launched a plan to add a new building, which will almost double the airport's capacity.

Sheer bravado, or is the airport simply preparing the red carpet for Richard Branson, boss of Brussels-based Virgin Express, to replace Ryanair?

Load-Date: November 17, 2003

Easyjet flies into results on a high note

Financial Times (London,England)

November 14, 2003 Friday

London Edition 2

Section: FT MARKETS; Pg. 46

Length: 248 words

Byline: By STEVE JOHNSON and PHILIP STAFFORD

Body

Budget airline Easyjet reports its full-year results next week with the company's share price at its highest point since January after yesterday's 2.9 per cent rise to 291 3/4p.

In the past two years, it has gone through a period of rapid expansion, including the acquisition of former BA subsidiary Go.

In common with Irish rival Ryanair, Easyjet also suffered from a sharp fall in yields, or average fare levels, as both airlines expanded.

However, the successful execution of Go soothed nerves, as did walking away from a potential acquisition of Deutsche BA and hedging fuel costs. The rough trading conditions of the first half appear to have passed, with the decline in yield at 2.8 per cent in the third quarter compared with 10.7 per cent In the first six months.

It has also avoided the problem of airport subsidies that has bedevilled Ryanair. "We're just coming to the end of its 'strategic' year," said Chris Avery of JP Morgan, which put the stock on its European Focus list yesterday. "Then we'll go back to its low-cost carrier model, where 20 per cent capacity growth generates more than 20 per cent growth rates."

Analysts are also encouraged by Easyjet's low price/ earnings ratio. Ryanair is trading on a 2004 p/e of 19, while Easyjet's p/e to Sept 2004 is only 13.5, according to JP Morgan's valuations.

But not all were convinced. "It will continue to grow at a profitable rate, but probably not at the same rate as a couple of years ago," said Andrew Lobbenberg of ABN Amro.

Load-Date: November 13, 2003

Ryanair vows to fight on over Charleroi TRANSPORT:

Financial Times (London,England)

November 13, 2003 Thursday

London Edition 1

Section: COMPANIES UK & IRELAND; Pg. 27

Length: 400 words

Byline: By DANIEL DOMBEY

Dateline: BRUSSELS

Body

Ryanair, the no-frills airline facing a subsidies probe by the European Commission, conceded yesterday that "substantial parts" of its operations at Belgium's Charleroi airport would probably be "found unlawful". However, it vowed to continue its fight.

Last week, the Financial Times reported that the Commission was expected to rule that several of the benefits offered by the state- owned airport were illegal - and would order Ryanair to make a repayment.

A final decision by the full Commission is expected by early December.

The company said yesterday: "A draft report from the Commission indicated that substantial parts of Ryanair's arrangements at Brussels Charleroi will be found unlawful." Ryanair has not seen the draft, but said that in the event of a negative verdict it would seek to appeal to the European Court of Justice.

It would also push the Wallonian regional government in Belgium to privatise Charleroi airport.

It added: "If neither of these options are possible, then Ryanair will be forced, temporarily, to close the base at Brussels Charleroi."

A representative for Loyola de Palacio, the European Commissioner in charge of the case, said: "A decision has not yet been taken. We do not have any comment to make about the business policy of Ryanair."

However, officials within the Commission believe their findings could have significant implications for Ryanair's business plan.

The company argues that "ordinary consumers will be mystified that the Commission would rule against Charleroi just because it is state-owned, when many other privately-owned airports are free to enter into these deals."

However, some Commission officials maintain that there may also be illegal public subsidies in privately-owned airports, because of "sweetheart deals" on airport taxes - particularly if they are only available to one carrier.

Brussels has received formal complaints with regard to Ryanair's operations in Pau and Strasbourg and could be tempted to look at other Ryanair locations, including Germany. Most of the airports it flies to in France are publicly-owned.

The airline has estimated that in the event of a negative decision, it may have to repay Euros 4.8m (Pounds 3.3m) to the regional government for each of the two years it has been flying to Charleroi - although this would not make much of an impact on its profits, which totalled Euros 239.4m after tax in 2003. Lex, Page24

Load-Date: November 13, 2003

Ryanair THE LEX COLUMN:

Financial Times (London,England)

November 13, 2003 Thursday

London Edition 1

Section: LEX COLUMN; Pg. 24

Length: 252 words

Body

The Charleroi airport case is turning nasty and Ryanair is getting worried. In an about-turn, Michael O'Leary, chief executive, has acknowledged that the European Commission might rule his airline received illegal state aid.

Previously, Ryanair insisted it might get a slap on the wrist. In the bleaker scenario Mr O'Leary is now painting, Ryanair might well have to repay Euros 4.8m for each of the two years it has been flying to Charleroi. The Commission has not, in fact, decided yet. But Mr O'Leary's threat to quit Charleroi - one of Ryanair's base airports - is more likely to harden the Commission's stance.

Would a negative ruling threaten Ryanair's business model, or those of rivals? The state-aid question appears to be specific to Ryanair, despite Mr O'Leary's efforts to broaden it. State-aid probes centre on whether funds are transferred from airport to airline. EasyJet, Ryanair's main rival, says none of its airport deals involve such a net flow of money. The fact that it has 20-year deals with public sector airports such as Berlin does not mean these contracts are illegal.

Ryanair's business would not collapse from this blow - most of its traffic is through private airports. But the airline is likely to have some income from similar deals with other small public sector airports. A setback could also curb expansion plans, particularly in France and Spain. Ryanair's management is already stretched by the last year's extraordinary expansion. This is a headache that could well last a while.

Load-Date: November 13, 2003

Ryanair vows to fight on

Financial Times (London,England)

November 13, 2003 Thursday

London Edition 1

Section: SHORTS; Pg. 25

Length: 23 words

Body

Ryanair, the no-frills airline facing a subsidies probe by the European Commission, has vowed to fight a negative ruling. Page 27; Lex, Page 24

Load-Date: November 13, 2003

End of Document

BAA's seven airports see recovery in North Atlantic passenger traffic TRANSPORT:

Financial Times (London,England)

November 12, 2003 Wednesday

London Edition 1

Section: COMPANIES UK; Pg. 28

Length: 329 words

Byline: By KEVIN DONE

Body

North Atlantic passenger traffic through BAA's seven UK airports rose in October for the first time since February.

The group, which includes Heathrow, Gatwick and Stansted airports, said that traffic volumes in nearly all markets were continuing to improve.

North Atlantic traffic rose by 1 per cent and supported the rise in volumes at Heathrow, where traffic increased by 2.6 per cent, the strongest month since January. Other long-haul traffic increased by 4.6 per cent in October.

Demand for air travel is gradually recovering from the impact of the war in Iraq and the Sars outbreak in the early months of the year.

Volumes are also beginning to benefit from stronger economic growth.

BAA forecast last week an increase of 4 per cent in passenger traffic across its seven UK airports in the financial year to the end of March. Overall BAA passenger volumes rose by 4 per cent in October to 11.8m and by 4.6 per cent in the latest 12 months to 129.9m.

The weakest sector is European charter traffic, where travel operators are facing growing pressures from low-cost airlines, as independent travel becomes increasingly popular.

European charter traffic in October fell by 7.6 per cent year-on-year with charter volumes at Gatwick declining by 14 per cent. Overall traffic at Gatwick fell last month by 2.4 per cent.

Passenger volumes at Stansted airport, the biggest base in Europe for low-cost airlines, led by Ryanair and EasyJet, rose in October by 17.9 per cent year-on-year with a rise of 18.4 per cent in the latest 12 months to 18.2m.

BAA's seven airports see recovery in North Atlantic passenger traffic TRANSPORT:

The opening of a base at Southampton by FlyBE, the regional low-fares airline formerly known as British European, has led to a big jump in passenger volumes at the south coast of England airport with a rise of 68.1 per cent in October, albeit from a low base.

BAA's Glasgow and Edinburgh airports are making progress in attracting direct international connections with US Airways announcing a daily service between Glasgow and Philadelphia.

Load-Date: November 11, 2003

Repainting the picture: CORNWALL: A real transformation is at last under way in the county, saysClare Gascoigne

Financial Times (London,England)

November 11, 2003 Tuesday

Section: FT REPORT - SOUTH WEST ENGLAND; Pg. 1

Length: 578 words

Byline: By CLARE GASCOIGNE

Body

Cornwall, geographically speaking, is an ugly picture in a pretty frame. But a lot of money and effort are being put into repainting the picture.

"An amazing transformation is going on," says Dr Tim Williams, chief executive of CPR Regeneration, the Camborne, Pool and Redruth urban regeneration company.

"People tend to look at Cornwall through the prism of the past. So they say this area has no future because of the loss of its traditional industries. But a real change is going on."

Much results from the Objective One status granted under the European Structural Fund Programme; that means Cornwall will receive Pounds 340m between 2000 and 2006 to regenerate the economy.

It needs it. The decline and collapse of Cornwall's traditional industries of agriculture, mining and fishing has left a huge gap in the economy that cannot be filled just by tourism (the county's 5m visitors account for 25 per cent of its GDP.

Stephen Bohane, head of operations for Cornwall and the Isles of Scilly at the regional development agency, is helping bring about change. "A lot of things have come together to transform perceptions of Cornwall," he says.

The Eden project - the enormous "garden" near St Austell - is usually the first to be cited as a transforming force. It attracts almost 2m visitors a year.

And the Tate gallery at St Ives, originally designed for 75,000 visitors a year a decade ago, now welcomes 300,000 people through its doors, a quarter of whom would not have visited St Ives without it. A Pounds 28m National Maritime Museum has just opened at Falmouth.

"The whole tourist industry has shifted," says John Berry, managing director of Cornwall Enterprise.

"It used to be just bucket-and-spade holidays in August, but we are aiming at more specialist tourism, and extending the season. The average stay is now less than seven days because the county has become much more accessible."

Transport remains a big issue, although daily flights into Newquay from Stansted by Ryanair and from Gatwick by Air Southwest make it much easier to spend a short break.

Plans to convert the few miles of single rail track outside St Austell are due next year. The A30, the main road artery into Cornwall, should become dual carriageway all the way by 2007. But improving transport is a double-edged sword.

"There are some really difficult choices ahead," says Mr Bohane. "The last thing anyone wants is to destroy what makes Cornwall beautiful, or cover the county with roads. But traffic is an issue."

But the county is still short of two crucial elements for economic renaissance: business space, and affordable housing. Low commercial property values make it uneconomic for the private sector to build; the value of a completed factory or office building is less than the cost of building it. So Mr Bohane says public sector money is required to bridge the gap.

The RDA is tackling the problem with a land acquisition programme. Housing is more intractable. Cornwall's population is growing; up from 440,000 to 500,000 in a decade.

A second problem is weekenders. "We have a perverse economy, where there is huge pressure at the top from second home ownership, but the lowest wages in the UK," says Dr Williams. "We have to intervene."

CPR Regeneration plans to build 2,000 houses, for both rental and purchase, at subsidised prices. The RDA is also behind a development outside St Austell already dubbed the "Cornish Poundbury", after the Dorset village built by the Prince's Trust.

Load-Date: November 11, 2003

Assessing Ryanaid: EU test case looms for airport subsidies to airlines

Financial Times (London,England)

November 10, 2003 Monday

London Edition 2

Section: LEADER; Pg. 20

Length: 494 words

Body

The European Commission is facing a difficult dilemma. It is keen to foster low-fare airlines as proof that its deregulation of the aviation sector has benefited travellers throughout Europe. Yet it is also having to rule on a complaint that Europe's leading low-cost carrier, Ryanair, has benefited from unfair state aid from the publicly owned airport of Charleroi in Belgium.

The Charleroi decision, expected this month, will be a test case. It will influence the outcome of similar complaints against Ryanair, and Brussels intends to follow it up with general guidelines. The task for the Commission will be to strike down whatever is clearly unfair at Charleroi without compromising competition in the sector.

Ryanair has become Europe's largest low-fare airline by using the techniques pioneered by South West Airlines in the US. It has done so by cutting out frills, using one type of aircraft and flying them more frequently than traditional carriers. But in contrast to EasyJet, which competes on routes between big airports, Ryanair focuses mainly on under-used regional airports, which offer quicker turnaround times and discounts.

In Charleroi's case, these discounts come in two main forms. One is a 50 per cent reduction in landing fees given by the airport's owner, the Walloon regional government, which also promised to indemnify Ryanair for any change in this over 15 years. The Walloon government granted Ryanair these conditions without any publicity, claims the Commission. In addition, the airport managers contribute in money or kind to Ryanair's local hotel, office, training and marketing costs. Ryanair has indicated that the value of all this aid is Euros 4.8m (Pounds 3.3m) for each of the two years it has been flying to the airport. In return, Ryanair guarantees Charleroi a certain level of business for 15 years.

The Commission has two main issues to weigh up. One is whether the aid is non-discriminatory. Though Ryanair insists its Charleroi deal was on offer to other airlines, the lack of publicity raises doubts. The other question is whether the Belgian airport passes the test of behaving like a rational private investor. It probably fails this test on landing fees, simply because few private investors have the right to set them. However, much of the other aid or rebates, paid to Ryanair in return for volume commitments, is probably akin to the perfectly justifiable discounts that accompany bulk transactions in any business.

More broadly, it is important airports as well as airlines be able to compete against each other, fairly. It might be nice if all airports were privatised. But in certain big markets such as France, they are not, and the EU has no power to change this. There should be no bar to public as well as private airports giving airlines discounts for volume, provided they do so openly and equitably. Such aid might even prove a more effective form of regional promotion than standard tourist advertising.

Load-Date: November 9, 2003

UK: A nasty spot of turbulence from Brussels: Ryanair faces tough challenge from EU MARTIN DICKSON LOMBARD

Financial Times (London,England)

November 8, 2003 Saturday

London Edition 1

Section: COMPANIES: UK; Pg. 2

Length: 631 words

Byline: By MARTIN DICKSON

Body

It might be tempting, particularly for anyone of a theatrical temperament, to see Ryanair's topsy-turvy week as a case of hubris before nemesis. Tempting but wrong.

The week began well enough, with the Irish low-cost airline announcing record interim results - though the impact was marred somewhat by Michael O'Leary, the outspoken chief executive, who said he would have no sympathy for the owners of second homes in France if he decided to axe the routes that served their weekend retreats. Not, perhaps, ideal customer relations.

Yesterday, however, came bad news as the FT revealed that the European Commission is likely to take a tough line in a landmark state aid case against the airline, which has created a cloud above its share price for weeks. The Commission is expected to rule that several of the subsidies that Ryanair received for setting up a base in the Belgian town of Charleroi are illegal. The company is likely to be ordered to repay some of the benefits.

The fallout for Ryanair could be wider: about 20 per cent of its traffic goes through other publicly owned airports where it gets price concessions and these deals could also face pressure. So is the cocky upstart about to fall flat on its face?

Well no, actually. Even if the Commission makes a tough final ruling on Charleroi - and the decision could yet be modified - it is unlikely to be a crippling blow to the airline. It is likely to appeal; it could switch business to privately owned airports, albeit with some disruption to staff and passengers; it is possible that state-owned airlines that want to keep its business might try to privatise themselves or could try to get round the ruling by other means.

Furthermore, airport costs are only 19 per cent of Ryanair's total. So while an adverse ruling would certainly raise its cost base - Chris Avery of JP Morgan reckons this could knock a couple of points off its ebit (earnings before interest and tax) margin - it is not going to threaten the airline's favourable underlying economics.

UK: A nasty spot of turbulence from Brussels: Ryanair faces tough challenge from EU MARTIN DICKSON LOMBARD

By cutting costs to the bone, eliminating travel agents, utilising the internet and flying point to point without conventional airlines' costly hub systems it, and EasyJet, its low-cost rival, have business models capable of strong growth in Europe for many years to come, provided their strategy is well-executed.

That said, Charleroi uncertainty plus short-term concern over Ryanair's declining yields in a particularly rapid expansion phase are likely to weigh on the share price in the short term. But these factors might also highlight the undeservedly wide discount to Ryanair at which EasyJet trades. The former is on a prospective p/e (to a March year-end) of 20; the latter on 13 (to a September 2004 year end).

EasyJet shares have underperformed Ryanair's by about 40 per cent in the past year. EasyJet upset the market with a first-half loss of Pounds 48m, due to the Iraq war and its rapid expansion after the takeover of rival Go. And it has frightened investors with its bulk purchase of Airbus aircraft to go alongside its Boeings: a mixed fleet is supposed to be cost-inefficient heresy in the budget sector.

EasyJet still does not have Ryanair's keen cost base - and its low Irish rate of corporation tax - but nor does it rely on the same airport subsidies as its rival since it has a distinctly different business strategy, flying mainly to well-established airports. It is currently producing better load factors than Ryanair and concerns about its mixed fleet look exaggerated.

EasyJet's preliminary results on November 18 should show that, with a traumatic year behind it, it is poised to resume the standard low-fare airline growth profile - still in its infancy in Europe but with a strong 30-year record in the US. The shares look undervalued.

Load-Date: November 7, 2003

UK: Ryanair's chief warns of Charleroi withdrawal TRANSPORT:

Financial Times (London,England)

November 8, 2003 Saturday

London Edition 1

Section: COMPANIES: UK; Pg. 2

Length: 459 words

Byline: By KEVIN DONE

Body

Michael O'Leary, Ryanair's chief executive, warned yesterday that the airline "may well" be forced to withdraw altogether from its base at Charleroi, Belgium, if the European Commission rules that several of the benefits granted to the Irish low-cost airline constitute illegal state aid.

A negative finding by the Commission would be "damaging for competition, low-fare air travel and millions of consumers all over the European Union", he said.

The final decision in the case will only be announced this month, but people familiar with the preliminary ruling say the carrier will also be ordered to repay some of the benefits it received in return for setting up a base in Charleroi.

The ruling could still be modified in the weeks ahead before a final decision is taken at a meeting of all European commissioners, probably this month.

However, people close to the case say the Commission's transport directorate, which drafted the preliminary ruling, is confident it will withstand scrutiny both by other directorates and in court.

It will argue that while Brussels remains a strong supporter of a healthy no-frills aviation sector, there can be no exceptions to European state-aid rules.

Mr O'Leary said that if the final ruling by the Commission was "as negative" as the transport directorate's preliminary ruling reported in the Financial Times, the airline would appeal to the European courts.

He said: "It may well force Ryanair to withdraw altogether from Brussels Charleroi airport, close down 10 routes, remove low-fare air services that are presently used by 2m passengers a year, and have a devastating effect on an airport and hundreds of jobs in Charleroi and the Walloon region - all because the high-cost main Brussels airport (Zaventem) wants to prevent competition and choice."

Charleroi became the airline's first operating base in continental Europe, when it was launched in April 2001, after stiff competition against several other European airports. Ryanair currently flies 12 routes to and from Charleroi.

Mr O'Leary said it was "wrong" that the Commission could "impose artificial constraints on the growth of low-fare air travel and/or competition in Europe simply to appease high-fare airlines and high-cost airports".

He sought to draw EasyJet, the rival no-frills operator, into the controversy over airport deals by drawing attention to what he called the "20-year low-cost arrangement" it announced this week with the publicly-owned Berlin Schonefeld airport.

Ray Webster, EasyJet's chief executive, said the group aimed to strike "long-term, sustainable deals which provide shareholder value for both the airline and the airport".

"We don't believe that anything apart from a win-win for both parties is sustainable in the long term."

Load-Date: November 7, 2003

Brussels set to rule against Ryanair

Financial Times (London,England)

November 7, 2003 Friday

London Edition 1

Section: FRONT PAGE - FIRST SECTION; Pg. 1

Length: 294 words

Byline: By TOBIAS BUCK and KEVIN DONE

Body

The European Commission is expected to take a tough line in a landmark state-aid case against Ryanair, by ruling that several of the benefits granted to the Irish low-cost airline are illegal.

The final decision in the case is expected this month but people familiar with the preliminary ruling say the carrier will also be ordered to repay some of the benefits it received in return for setting up a base in the Belgian town of Charleroi.

While details of the ruling remain unclear and the decision could still be modified, the findings could deal a blow to one of the biggest success stories in European aviation.

It could not only raise the carrier's famously low cost-base but also make it more difficult to negotiate favourable deals with the small, regional airports it uses across Europe.

The ruling could also set off a series of similar probes by the Commission. Brussels has already received formal complaints with regard to Ryanair's operations in the French airports of Pau and Strasbourg.

Ryanair has insisted in the past that it would be able to weather any adverse ruling.

Michael O'Leary, chief executive, said this week that Ryanair would challenge any Commission attempt to reclaim money from the airline or to increase its charges at Charleroi.

A final decision on the case must be taken at a meeting of all European Commissioners, expected this month.

The Commission said in January that Ryanair and the Walloon region (the area surrounding Charleroi) signed an agreement under which the carrier pays landing fees 50 per cent below the official rate.

Mr O'Leary said this week that the Walloon government was considering privatising the airport if the Commission should rule that the deal represented illegal state aid.

The Commission declined to comment.

Load-Date: November 7, 2003

O'Leary's no-frills approach to Brussels: Ryanair chief has a tough battle with the European Commission ahead of him, write Andrea Felsted andTobias Buck

Financial Times (London,England)

November 7, 2003 Friday

London Edition 2

Section: COMPANIES UK; Pg. 26

Length: 499 words

Byline: By TOBIAS BUCK and ANDREA FELSTED

Body

Ryanair is well-known for doing away with the frills that other airlines cherish. According to Michael O'Leary, chief executive, its approach to the European Commission's inquiry into its relationship with Charleroi airport is no different.

It does not have an army of bureaucrats lobbying on its behalf.

The Commission is now planning to take a tough line in its state aid case against the airline. It is expected to rule that at least several of the benefits granted to Ryanair are illegal.

The carrier is also expected to be ordered to repay some of the benefits it has received, a more stringent outcome than many - including the airline itself - had expected. It comes at a delicate time for the airline, which is adding capacity to its fleet and struggling to fill its aircraft.

Mr O'Leary vowed on Monday that Ryanair would not pay back a penny of the support. If ordered to do so, it would take its case to the European Court. "This is our money," he said.

According to Ryanair's most recent filing with the US Securities and Exchange Commission, the airline estimated that in the "unlikely event" that the European Commission found against the airline, it may have to repay Euros 4.8m (Pounds 3.3m) for each of the two years it has been flying to Charleroi airport.

The discount off the published landing fees - one of the items believed to have been ruled illegal by the Commission - is worth Euros 2.6m a year.

Even if Ryanair were forced to pay back the full amount, this would not make much of a dent in its profits, which totalled Euros 239.4m after tax in 2003.

However, the ruling could adversely affect Ryanair's deals with other publicly-owned airports across Europe. It could make it more difficult to negotiate such favourable deals in the future, which could adversely affect Ryanair's cost base.

Moving to privately-owned airports, a way to escape the Commission's ruling, could also interfere with Ryanair's expansion plans, which require it to add new routes to its network.

Legal sources suggest that any deals Ryanair has negotiated with publicly-owned airports would need to comply with the Commission's ruling, as will any future deals it strikes.

According to a senior manager at a rival airline, regional airports are already worried about the implications from the Commission's inquiry. "Airports are very nervous and are waiting with considerable bated breath to what the outcome will be," he says.

The ruling could also set off a series of similar probes by the Commission. Brussels has received formal complaints with regard to Ryanair's operations in the French airports of Pau and Strasbourg and could be tempted to look at other Ryanair locations in Europe, including Germany. Most of the airports it flies to in France are publicly-owned.

It will also determine the outcome with regard to Strasbourg airport. Ryanair has lost a court case brought by Air France on whether subsidies paid to Ryanair by the state-owned airport are legal and is appealing against the decision.

Load-Date: November 7, 2003

Tough state aid ruling expected against Ryanair

Financial Times (London,England)

November 7, 2003 Friday

USA Edition 2

Section: COMPANIES EUROPE; Pg. 18

Length: 352 words

Byline: By TOBIAS BUCK and KEVIN DONE

Dateline: BRUSSELS and LONDON

Body

The European Commission is planning to take a tough line in a landmark state aid case against Ryanair, and is expected to rule that several of the benefits granted to the Irish low-cost airline are illegal.

Though the final decision in the case, which involves Ryanair's base in the Belgian town of Charleroi, will only be announced later this month, people familiar with the preliminary ruling say the carrier will be ordered to repay some of the benefits it received.

While details of the ruling remain unclear and the decision could still be modified in the weeks ahead, the findings could deal a significant blow to one of the biggest success stories in the European aviation sector, modelled closely on the success of Southwest Airlines.

It could not only raise Ryanair's low cost base, but also make it more difficult to negotiate favourable deals with the small, regional airports it uses across Europe. The airline has insisted in the past that the ruling will not affect its deals with privately owned airports and that it will be able to weather any adverse decision without difficulties.

A final decision on the case rests with the Commission later this month.

However, people close to the case say the Commission's transport directorate, which drafted the preliminary ruling, is confident that its decision will withstand scrutiny both by other directorates and in court.

The directorate will argue that while Brussels remains a strong supporter of a healthy no-frills aviation sector, there can be no exceptions to European Union state-aid rules.

The current case centres on allegations that Ryanair received illegal state aid in return for setting up a hub in Charleroi, just south of the Belgian capital Brussels. The Commission said in January that Ryanair and the Walloon region (the area surrounding Charleroi) signed an agreement under which the carrier pays landing fees some 50 per cent below the official rate.

This reduction in landing fees is believed to be among the items ruled illegal by the Commission and could therefore be among the items subject to recovery.

The Commission declined to comment.

Load-Date: November 7, 2003

EasyJet launches base in Berlin

Financial Times (London,England)

November 6, 2003 Thursday

London Edition 3

Section: COMPANIES UK; Pg. 26

Length: 342 words

Byline: By KEVIN DONE

Body

EasyJet is making its most aggressive move yet into continental Europe with the opening of an operating base in Berlin.

The UK low-cost airline will operate from Berlin Schonefeld airport and is planning to launch 11 routes from the city from the beginning of May next year.

Berlin will become the group's third operating base in continental Europe after Geneva and Paris-Orly and will be connected to existing destinations in the EasyJet network.

The airline has never before attempted such a rapid launch at a new base. It and is planning to locate five aircraft at Schonefeld in the first phase, with a sixth operating through Berlin from one of its UK bases.

The opening of a base in Berlin marks EasyJet's first concerted entry into the German market, where at present it flies only one route between London Stansted and Munich.

It follows the airline's decision to abandon its plans to take over Deutsche BA, the former subsidiary of British Airways, which would have made it the second-largest scheduled airline in Germany after Lufthansa.

The choice of Schonefeld followed a survey by EasyJet of 80 potential airports around Europe.

Initially it will fly between Berlin and Luton, Liverpool, Bristol and Newcastle in the UK, Paris and Nice in France, Palma and Barcelona in Spain, and Naples, Copenhagen and Athens.

EasyJet is in the process of more than doubling its fleet from 75 aircraft at the end of September to 164 by September 2007. It took delivery in late September of the first of an order for 120 Airbus A319s.

EasyJet is adding 16 new aircraft to its fleet in the current financial year to the end of September and could announce another new base in continental Europe before the start of next summer.

EasyJet launches base in Berlin

Its arrival in the German capital will sharply increase competition among the low-cost carriers, which have been expanding quickly in the German market.

Air Berlin, Germania and DBA already have operations in Berlin, and Ryanair flies to Schonefeld from London Stansted. Ryanair flies to seven German airports and has a base at Frankfurt-Hahn.

Load-Date: November 5, 2003

Testing times lie ahead: AIRLINES: No-frills carrier faces court challenge. Tobias Buck reports

Financial Times (London,England)

November 5, 2003 Wednesday

Section: FT REPORT - BELGIUM; Pg. 3

Length: 774 words

Byline: By TOBIAS BUCK

Body

Somewhat improbably, over the past few years, Belgium has turned itself into a stronghold for low-cost airlines. Two of Europe's biggest no-frills airlines have important operations there, in spite of the fact that Belgium offers a comparatively small market and that carriers face strong competition from high-speed rail services linking Brussels with London, Paris and Cologne.

Low-cost carrier Ryanair, Europe's most valuable airline by stock market value, has developed Charleroi airport, south of Brussels, into one of its main European hubs. Charleroi was once a small and largely neglected regional airport, but now Ryanair flies 2m passengers annually into and out of the hub on 13 routes.

Virgin Express, the Belgian carrier majority-owned by Richard Branson's Virgin Group, has pursued a different strategy. It uses Brussels' main Zaventem airport, which is just a short ride from the city centre. It, too, has seen substantial growth in passenger numbers, and now flies more people out of Belgium's biggest airport than any other airline. The company employs 850 people and has its headquarters just outside Brussels.

That both companies have picked Belgium as one of their main springboards has, it is said, a lot to do with chance. In Ryanair's case, the airport approached the airline, offering its services. Virgin Express, meanwhile, was created in 1996, when Virgin Group decided to acquire a 90 per cent stake in a small Belgian charter carrier and turn it into a no-frills airline.

However, it is striking that their growth stories ran in parallel with the demise of Belgium's former flag carrier, Sabena. The carrier went into bankruptcy in 2001, after the European Commission pulled the plug on state subsidies that had propped up the ailing airline.

Yves Panneels, corporate communications manager at Virgin Express, says Sabena's collapse did play a role. "Suddenly we were the only airline flying to certain cities so passenger became familiar with our product and stayed with us," he says.

Any thought that Ryanair's rise is linked to Sabena's demise or even the location in Belgium itself are, however, quickly dismissed by Michael O'Leary, Ryanair's chief executive. He says many passengers flying into and out of

Charleroi hail from as far as Luxembourg or southern Germany. He argues that there could easily be a switch to another airport across the border in Germany or France.

It is a move he might have to consider seriously later this month, when the European Commission is expected to announce the outcome of its investigation into whether Ryanair received illegal state subsidies from the airport, part-owned by the region of Wallonia.

The commission argues that the regional government of Wallonia has granted tax breaks and other benefits to Ryanair which might constitute illegal state aid. It adds that payments such as Euros 250,000 for Ryanair staff hotel and subsistence costs place the airline in a more advantageous situation than its competitors.

Mr O'Leary insists that the commission will not force his airline out of Charleroi. "We and the Walloons can simply restructure the deal. And if the European Commission requires that the cost base goes up, we will have them in the European courts."

Should the commission indeed reach a decision that would force Ryanair out of Charleroi, Mr O'Leary insists the airline could relocate "by lunchtime the next day".

For Charleroi and the Walloon region, however, the consequences would be dire. Ryanair claims it has created 2,000 jobs in the region, and brings in 1.3m tourists every year.

Virgin Express, meanwhile, has difficulties of its own. Five years ago, it tried unsuccessfully to relocate its operations to Ireland, citing high labour costs and excessive government and union interference.

While Mr Panneels makes the point that the demise of Sabena introduced new customers to Virgin Express, it also presented serious drawbacks. The Belgian flag carrier had, after all, provided more than 40 per cent of Virgin Express's business through a block sale contract.

Since then, Virgin Express has scaled back its operations and, earlier this year, disclosed a sharp increase in losses which it blamed on discounting by rivals such as SN Brussels, the successor to Belgium's now-defunct Sabena.

There are some who believe that Zaventem airport is too small to support both carriers, and Virgin Express was in September studying a plan to merge with SN Brussels.

However, regardless of the outcome and of the Commission probe into Ryanair's position in Charleroi, one thing is clear. Belgium's unique position in the market for no-frills airlines is facing testing times.

Load-Date: November 4, 2003

Ryanair predicts expansion will slow next year

Financial Times (London,England)

November 4, 2003 Tuesday

London Edition 1

Section: FRONT PAGE - COMPANIES & MARKETS; Pg. 21

Length: 379 words

Byline: By KEVIN DONE

Body

Ryanair, the Irish low-cost airline, will slow its hectic rate of expansion next year, signalling an end to a two-year dash for exceptional growth.

Ryanair and rival EasyJet have taken advantage of the turmoil in the aviation industry in the wake of September 11 to grab market share at the expense of lossmaking European flag carriers. But Michael O'Leary, Ryanair chief executive, said yesterday that the group's rate of capacity growth next year would slow to about 20 per cent from this year's jump in seat capacity of over 50 per cent year-on-year.

He forecast a rise in 2004/05 of about 25 per cent in passenger volumes, the group's long-term growth target, compared with the jump of 45 per cent in the first six months of the current financial year to the end of September.

Ryanair remains by far the most profitable airline in Europe, but the dash for growth has come at the expense of its previously very high profit margins.

Mr O'Leary said the airline expected net profits to grow "materially" in the full year, with net margins still over 20 per cent but sharply down from last year's 28 per cent margin. Ryanair shares closed yesterday 14 cents or 1.9 per cent lower at Euros 7.16.

He said the group was "confident" traffic growth would "continue to be strong" in the second half, but only as a result of sharply lower fares. After a drop of 12 per cent in yields or average fare levels in the first half - of which six percentage points was caused by sterling's weakness against the euro - Mr O'Leary forecast a continuing fall of 10-15 per cent in the second half.

Ryanair has struggled to fill all its extra seats, and as a result its load factor - the share of available seats filled - fell from 82 per cent to 77 per cent in the first half and from 87 to 82 per cent in the second quarter. The airline was still able to announce record profits for its first half to the end of September, however, with net profits up 11.9 per cent, from Euros 150.9m to Euros 168.9m (Pounds 116m). Turnover rose by 28.4 per cent from Euros 464.6m to Euros 596.4m.

Ryanair predicts expansion will slow next year

Net profits rose by 14.7 per cent in its second quarter from Euros 112m to Euros 128.4m, a slower rate than the 29.9 per cent jump in turnover from Euros 270.3m to Euros 351.2m. Secret under the bed, Page 17 Lex, Page 20

Load-Date: November 3, 2003

Stunt pilots THE LEX COLUMN:

Financial Times (London,England)

November 4, 2003 Tuesday

London Edition 1

Section: LEX COLUMN; Pg. 20

Length: 323 words

Body

Ryanair's latest stunt of selling 1m seats at Pounds 1 each to celebrate its results is not the loss-leader it appears to be. Even "free" seats generate revenues for the European low-cost airline. Money is made through credit card charges on tax payments - JP Morgan estimates the margin on this fee probably covers fuel costs. Selling cheap seats early means remaining seats are sold at a higher price.

Ryanair is also making more out of selling other services on its website, particularly hotels and car rental. These ancillary revenues are up 57 per cent in the last quarter (excluding charter services, which Ryanair no longer operates) and much of this is pure commission income with little cost for Ryanair. In fact, Ryanair's half-year results show that its low-cost business model is not yet running out of steam despite two years of aggressive capacity growth.

There are two areas of focus for doubters. First, it may be harder to sustain this good run in the winter months. Michael O'Leary, chief executive, expects average yields to decline by 10 per cent and 15 per cent. Second, the spat between Ryanair and the European Union on whether or not its deals with state-owned airports constitute state aid is not yet resolved.

It seems unlikely that the ruling, due this month, will substantially increase costs - regional airports like Charleroi do not want to lose Ryanair's business. In any case, airport costs are only 19 per cent of Ryanair's total.

However, the outcome may influence where Ryanair expands in the future. Although 80 per cent of its traffic goes through private airports, these are heavily concentrated in France and Spain. With some Scandinavian, French and Dutch routes performing below expectations and facing the chop, it is clear that not every destination makes money.

Mr O'Leary has shown he can make the low-cost model work, but the key to maintaining this is finding further profitable routes across Europe.

Load-Date: November 3, 2003

Rapid growth brings Ryanair record profits AIR TRANSPORT:

Financial Times (London,England)

November 4, 2003 Tuesday

USA Edition 2

Section: COMPANIES EUROPE; Pg. 16

Length: 429 words

Byline: By KEVIN DONE

Body

Ryanair, the Ireland-based low-cost airline, announced record profits for its first half yesterday despite a sharp fall in average fare levels resulting from its rapid capacity growth.

The airline, one of the top two no-frills operators in Europe, warned that its yields or average fare levels would continue to fall by between 10 and 15 per cent in the second half to the end of March. The group said its net profits had risen by 14.7 per cent in its second quarter from Euros 112m (Dollars 130m) to Euros 128.4m, a slower rate than the 29.9 per cent jump in revenue from Euros 270.3m to Euros 351.2m.

Its profit margins are being squeezed from the very high levels achieved in recent years, but the group remains by a wide margin the most profitable airline in Europe.

In the first six months to the end of September Ryanair increased its net profits by 11.9 per cent from Euros 150.9m to Euros 168.9m, while turnover rose by 28.4 per cent from Euros 464.6m to Euros 596.4m.

Passenger volumes in the first half rose by 45 per cent from 7.8m to 11.3m, reflecting the addition of 18 new Boeing 737-800 aircraft to the fleet, the opening of new operating bases at Milan-Bergamo and Stockholm-Skavsta and the launch of more than 50 new routes.

Ryanair increased its capacity by more than 50 per cent in the summer season compared with the same period a year ago, and as a result its load factor, the share of available seats filled, declined by close to five per-centage points, which the airline said was "slightly ahead of our expectation".

Michael O'Leary, Ryanair chief executive, said the group was "confident" that traffic growth would "continue to be strong" during the second half but it was "cautious" about the outlook for fare levels.

After a decline of 12 per cent in yields in the first half, of which 6 percentage points was caused by the weakness of sterling against the euro, Mr O'Leary forecast a continuing decline of 10 to 15 per cent in the second half.

The airline still expected net profits to grow "materially" in the full year, however, with net margins remaining in excess of 20 per cent.

Rapid growth brings Ryanair record profits AIR TRANSPORT:

Ryanair has been disappointed by the performance of some intra-Scandinavian routes from Stockholm-Skavsta to Aarhus, Tampere and Oslo-Torp and it is considering replacing the routes with other European destinations.

Some of its new routes from London Stansted to France and Belgium had also underperformed and could be terminated unless there was a significant improvement in load factors.

Ryanair shares were 18 cents, or 2.4 per cent, lower at Euros 7.07 yesterday. See Lex

Load-Date: November 3, 2003

The Dublin-based airline has become a leading force in European aviation. But with the European Commission about to rule on airport subsidies and expansion likely to raise costs, margins are under pressure. Andrea Felsted reports

Financial Times (London,England)

November 4, 2003 Tuesday

London Edition 1

Section: COMMENT & ANALYSIS; Pg. 17

Length: 2742 words

Byline: By ANDREA FELSTED

Body

Michael O'Leary was his usual ebullient self yesterday ashe announced another set of record results at Ryanair. In a challenge to any competitors tempted to take on Europe's leading low-cost airline in a fare war, its chief executive declared: "We have more cash than you. We have lower costs than you. If you want to have a match with us, you are in the right place."

Some of Ryanair's numbers are certainly impressive. In the six months to September 30, passenger numbers rose 45 per cent to 11.3m - more than in the whole of 2002. Interim profits rose 12 per cent, after exceptional items and other adjustments.

But closer scrutiny of the carrier's performance may be less encouraging. Ryanair, in its effort to dominate Europe's skies even further, is furiously adding capacity to its network. The number of seats is forecast to increase 60 per cent this fiscal year.

As a result, the load factor - a measure of seats sold as a proportion of seats available on each flight - is coming under pressure. In the first half of this year, it fell almost 5 percentage points, from 82 per cent to 77 per cent. Average fares, or yields, fell 12 per cent, partly because of currency movements but also owing to a number of special promotions to sell tickets.

All this means that Ryanair's rate of profit growth may be slowing. Analysts forecast full-year net profits will grow by about 10 per cent. That would still be a considerable achievement given the woeful conditions in the airline industry. But it would be much lower than Ryanair's compound average over the past four years of about 40 per cent.

The Dublin-based airline has become a leading force in European aviation. But with the European Commission about to rule on airport subsidies and expansion like....

Mr O'Leary must therefore control costs even more rigorously. And here lies the issue. Ryanair's low-cost business model relies on the economies that come with sharply rising passenger numbers. Now, on a number of fronts, the pressures on overheads are increasing.

First, Gordon Brown, the chancellor, is said to be considering a doubling of the tax on economy-class passengers in Europe, to Pounds 10. Mr O'Leary has his doubts. "I don't think he will increase the air passenger duty. Whatever else he may be, he's not stupid."

Second, Ryanair will shortly learn the outcome of a European Commission inquiry into alleged illegal subsidies at Charleroi airport in Belgium. At issue is whether support given to Ryanair by the Walloon regional government and the airport management company constitutes market-distorting state aid.

Analysis of Ryanair's cost base reveals that airport and handling charges equalled 12.8 per cent of its total revenues in the year to March 31. At EasyJet, airport charges were equal to 13.3 per cent of revenues to September 30 2002. Ground handling accounted for a further 8.8 per cent - making a combined total of 22.1 per cent.

Mr O'Leary plays down the importance of airport support. The airline, he says, looks for uncongested airports, terminal buildings close to the runway, third-party handling services and - only then - incentives such as marketing funds. With typical hyperbole he adds: "We ideally look for as much as we can possibly get. So there is no standard format. If we can get the airport to pay us Pounds 1m a passenger, we will do it."

But a recent Ryanair filing with the Securities and Exchange Commission, the US regulator, provides a glimpse of what these deals can be worth. The filing suggests that in the "highly unlikely" event that the European Commission rules against the Charleroi deal, Ryanair may have to repay Euros 4.8m (Pounds 3.3m) for each of the two years it has been flying to Charleroi.

Some analysts believe this is a conservative estimate. Andrew Lobbenberg, at ABN Amro, argues that the figure ignores the growth in services since Ryanair began to use the airport in April 2001. He calculates the subsidies to be worth about Euros 6m a year.

Chris Avery, at JP Morgan, goes further. He estimates that Ryanair received support worth about Euros 20m last year from Charleroi and other airports.

One person familiar with Ryanair's operations looks at the subsidy question differently. The airline might, he says, negotiate a discount with a European airport worth Pounds 15 per passenger. Passengers, however, might expect tickets to be only Pounds 12 cheaper. "That is the trick. It's not that there is Pounds 20m under a seat cushion. It's the Pounds 2 here and the Pounds 3 there, on every one of their tens of millions of passengers."

Mr O'Leary says 80 per cent of Ryanair's traffic goes through airports that are either privately owned or publicly owned but demand a full charge. As a result, only about 20 per cent of traffic is at risk from a negative Commission ruling on Charleroi - "less than 10 per cent of our profits. It's an immaterial figure."

But according to Ian Giles, specialist aviation lawyer at the Brussels office of Norton Rose, an adverse ruling could set a precedent across Europe, leaving the door open to further challenges.

One option, in the event of an adverse ruling, would be for Ryanair to switch more services to privately owned airports. But that would be disruptive for passengers and could distract the airline's management from the essential task of adding new routes. Mr O'Leary counters: "If we did have to make a move, the airports we would move to would be lower cost again."

That constant search for economies is typical of Ryanair's approach. In addition to negotiating favourable airport deals, it is able to drive down costs with all its suppliers by promising large - and, crucially, growing - volumes based on projected passenger numbers.

The Dublin-based airline has become a leading force in European aviation. But with the European Commission about to rule on airport subsidies and expansion like....

"That they don't buy Biros and Post-It notes and bring in their own paper clips is more true than it's apocryphal," says one person who knows the company well. "It's a real root-and-branch thing, as opposed to one single item." An aviation industry executive agrees: "Their whole ethos is not to pay anything very much for anything."

"This is Tesco," says Mr O'Leary. "How is Tesco cheaper compared with other stores? They buy more and sell it at low prices. That is what we do."

While many suppliers have succeeded in keeping their costs as tight as Ryanair does, some have not. "Europe is littered with people who have not done so well out of Ryanair contracts," says one person familiar with the airline. Mr O'Leary says that, in 15 years of operation, no contractor has ever walked away from Ryanair's business.

The challenge for Ryanair, then, will be to maintain passenger growth partly in order to secure ever lower prices from its suppliers. So far, it has achieved this. But the trick is increasingly difficult to repeat. third pressure on Ryanair's low-cost model is the threat of higher operation costs associated with its continued expansion. According to the SEC filing, Ryanair pilots fly 887 hours a year, close to the legal limit of 900 hours a year. This compares with about 780 a year at EasyJet. The ratio of passengers to employees is also high. In 2003, according to the filing, there were 8,300 booked passengers for each Ryanair employee. A basic calculation from EasyJet's annual report and accounts for 2002 suggests its employees handled an average of 5,600 passengers each.

However, Ryanair yesterday revealed that its staff costs rose by 32 per cent in the first half. Mr O'Leary attributes this to expansion: pilots and cabin crew account for most of the additional staff and pilots earn high salaries.

Expansion brings other additional costs. A rolling delivery programme will introduce 125 new Boeing 737s to the Ryanair fleet by 2009. In a break with current practice, the airline intends to lease a "significant minority" of these aircraft from next year; in the long term, about two-thirds of its fleet will be owned and one third leased.

If it had stuck with a wholly owned fleet, it would not have turned free-cash-flow-positive until about 2006.

Ryanair must fill its new aircraft by securing more passengers and adding extra routes, many in untested markets. The airline currently has six routes under review, because of poor profitability. This is not the first time Ryanair has reviewed routes and, in some cases, axed them; but it is a reminder that finding profitable routes could become more tricky.

Significantly, the switch from owning to leasing aircraft may have implications for Ryanair's low maintainance and repair costs. In the year to March 31, these were equal to 3.5 per cent of total revenues, compared with 9.5 per cent at EasyJet.

By owning rather than leasing its aircraft, Ryanair has been able to capitalise maintenance costs on its balance sheet and depreciate them between significant overhauls. If Ryanair had leased its aircraft, it would have had to put money aside in reserves, which would have inflated the maintenance line in its accounts.

Ryanair has in the past benefited from low aircraft depreciation costs because of the presence of ageing Boeing 737-200s in its fleet. The 737-200s are depreciated over 20 years from the date of manufacture to a residual value of Dollars 1m. However, the new 737-800s will depreciate over 23 years from the date of manufacture to 15 per cent of the original cost.

Analysts are divided over whether this accounting treatment flatters its earnings. According to one, it is "extremely generous". Another argues that Ryanair is in line with the industry norm and, given the increasing operational longevity of aircraft, makes reasonable assumptions.

Mr O'Leary says Ryanair negotiated such good deals on the purchase of its new Boeings that any residual value is minimal. Ryanair's depreciation policy, he adds, is in line with that of South-west, the US carrier that pioneered the low-cost industry. Southwest Airlines says it depreciates its aircraft over 20-25 years, to a residual value of between 10 per cent and 15 per cent.

The Dublin-based airline has become a leading force in European aviation. But with the European Commission about to rule on airport subsidies and expansion like....

There is another reason for Ryanair's industry-beating maintenance costs. Ryanair carries out its routine checks and repairs using its own engineers. Consequently, some maintenance costs are included in the staff cost on the profit and loss account. For other maintenance work, it strikes hard bargains with outside contractors. Because of the size of its fleet, it can promise big contracts. And because it flies all the year round, its maintenance is not skewed towards winter, as with charter carriers.

These low costs, Mr O'Leary stresses, are achieved without compromising safety. Maintenance programmes are set out by Boeing, with little leeway. "The only area you have for negotiating better deals on maintenance is the labour rate. If it's Pounds 40 an hour, you might get Pounds 39.50."

Former insiders agree. "He (Mr O'Leary) went for the number one supplier and the reputable supplier rather than take the cheapest deal that is on the table. Safety was never compromised," says one.

In September, Ryanair grounded five of its oldest aircraft after discovering "scratches" on the outer aluminium skin, underneath the paintwork. The company says the nature of the scratches "indicated that an inappropriate procedure may have been undertaken during the course of that aircraft's last repainting, which was undertaken by FLS Aerospace in the UK".

Ryanair says it is taking legal action against FLS in Dublin, seeking costs for leasing five aircraft to replace those it decided to put into retirement.

FLS says it has not been established that the fault arose as a result of work it had performed. Boeing is also investigating but has made clear that there was "no impact on maintenance or safety". r O'Leary is well used to close examination of Ryanair's performance. The airline's greatest advantage, he says, remains its ability to achieve 25-minute turnrounds: Ryanair can run two more flights a day in its schedule than rivals such as British Airways. "This is the most important cost advantage we have."

Nevertheless, he acknowledges: "Everyone is looking for the secret under the bed."

Such searches may have been encouraged by Ryanair's enviably low tax rate, which has halved since 2000, from 19.5 per cent to 9.5 per cent.

The airline, based in Dublin, pays Irish corporation tax, which has fallen to 12.5 per cent over the past five years. Mr O'Leary says Ryanair also benefits from a tax rate of 10 per cent on business through Ryanair.com, the telesales and online division of the company, under a Irish incentive scheme for internet, software and call centre development. This rate is guaranteed until 2005. Last, the airline qualifies for some capital allowances related to its aircraft purchase programme.

There is no doubt that Ryanair is facing one of the most challenging periods in its history. In the short term, the tests for the airline are the Commission's ruling on Charleroi, and filling its aircraft over the slower winter months, as it continues to add capacity. In the longer term, finding passengers to fill the new capacity that Ryanair will bring on to the market over the next five to 10 years will be a test of its resilience.

The coming financial year - 2005 - promises to be interesting. This is when, according to Mr O'Leary, capacity will increase by 20-21 per cent, to allow passenger growth of 24-25 per cent. This, he says, is Ryanair's long-term optimal level of growth, and should enable it to achieve its long-term goal of margins of about 20 per cent.

Mr O'Leary must persuade sceptics that this year's slower rate of profit growth is an aberration. That may not be easy: costs - whether green taxes, higher airport charges or rising operating expenses - are all under pressure.

Mr O'Leary, nevertheless, never lacks confidence. "Rumours of our demise are greatly exaggerated. We are the ones setting the marketplace," he says. "Yet these bearish analysts are looking around saying Ryanair is in trouble. What is the evidence of it?"

From Australia and Malaysia to Europe and the US, the low-cost airline model is alive and kicking.

The Dublin-based airline has become a leading force in European aviation. But with the European Commission about to rule on airport subsidies and expansion like....

Sir Richard Branson's Virgin group of companies is hoping to raise up to ADollars 200m (Pounds 84m) from the sale of part of its stake in Virgin Blue, the low-cost Australian airline, which is to be floated soon. The airline, which started flying in 2000, is expected to be valued at between ADollars 1.8bn and ADollars 2bn.

Sir Richard has already raised ADollars 500m from the Australian venture in two tranches, by the sale last year of a 50 per cent stake to Patrick Corporation, the Australian transport and logistics group, after making an initial cash investment of only ADollars 11m for the launch of the airline.

Virgin Blue is forecasting a net profit of approximately ADollars 150m in the financial year to March. Sir Richard plans a US low-cost airline venture for launch by mid-2004.

In Malaysia three foreign investors have jumped at the chance to invest Dollars 26m (Pounds 15m) for a 26 per cent stake in Air Asia. The start-up airline is expanding and preparing for increased competition in south-east Asia and a move into regional services.

In the US, Southwest Airlines continues massively to outperform the traditional network carriers. It underlined the strength of its business model last month, as it reported a 41 per cent rise in net profits to Dollars 106m for the third quarter.

Southwest is planning to add a net 30 aircraft next year, representing an annual capacity increase of about 7 per cent. For 2005, if it exercises all its options and firm aircraft orders, capacity could rise by 10 per cent.

The decision to accelerate the purchases is being driven by the rise of other low-fare rivals. Gary Kelly, Southwest finance director, says: "Having more low-fare competition meeting us head on is potentially a different ball game. We can't be complacent about growth. There is a risk of being pre-empted in some markets. We sense some urgency to get there first (with low fares)."

In Europe Ryanair and EasyJet, the leaders of the low-cost airline sector, have made a dash for growth in the past two years to take advantage of the woes of the traditional carriers following the attacks of September 11 2001. They have also led the trend towards consolidation, respectively taking over rivals Buzz and Go.

Across Europe the sector is still in a phase of explosive growth. Start-up ventures include Germanwings and Hapag-Lloyd Express at Cologne/Bonn airport in Germany; volareweb.com in Italy; Jet 2 in northern England; and SkyEurope Airlines in Bratislava, Slovakia.

Many start-ups are not expected to survive in the longer term but the potential rewards are still attracting newcomers.

Kevin Done

Load-Date: November 3, 2003

Ryanair profit growth flying closer to the ground this year: COMPANIES DIARY: TODAY

Financial Times (London,England)

November 3, 2003 Monday

London Edition 2

Section: COMPANIES UK; Pg. 26

Length: 520 words

Body

* Profit growth at Ryanair, the Irish low-cost airline, is flying much closer to earth this year as it struggles to digest a second year of rapid capacity expansion. Passenger volumes have been rising by 45 to 50 per cent year-on-year but capacity has been rising even faster. In September, passenger volumes rose by 49.4 per cent while the load factor fell by four percentage points to 85 per cent. Analysts are forecasting a rise of around 14 per cent in operating profit for the second quarter, with an increase of some eight per cent in net profit to around Euros 121m (Pounds 83m).

* Analysts will be expecting Ebookers, the internet travel agency, to provide them with a detailed update on trading conditions with its results for the three months to September 30, when the company traditionally makes more than half of its profits. Ebookers warned on sales in August after demand for flights proved disappointing. The company will also be expected to comment on the progress of the integration of Travelbag, the Asia-Australia travel specialist acquired in January for Pounds 55m.

TOMORROW

* Carphone Warehouse is expected to unveil strong interim results on the back of buoyant mobile phone sales. The mobile phone retailer is also likely to predict a strong Christmas period as mobile operators raise subsidies on pre-pay handsets. Investec Securities is forecasting pre-tax profit growth of 37 per cent to Pounds 17.8m for the six months to September 30, with earnings per share of 1.5p compared with 1.2p last time.

* Most interest in Marks and Spencer's interim results for the six months to the end of September will be in the group's behind-the-scenes guidance to the City on forecasts for full-year pre-tax profit, with a current consensus of Pounds 772m (Pounds 721m). The group is expected to have made interim pre-tax profit of slightly more than Pounds 300m.

WEDNESDAY

* Shire Pharmaceuticals is expected to increase third-quarter pre-tax profit by 10 per cent to Dollars 93m (Pounds 55m). Investors will scrutinise how well Adderal XR, its new hyperactivity drug, is faring against a new competitor.

They will also look for information on the approval of Fosrenol, a new kidney treatment, and management's views on likely acquisitions.

THURSDAY

* Richard Baker, the new chief executive of Boots, is not expected to announce any big strategic decisions. Boots is believed to have made interim pre-tax profit of Pounds 257m, down from Pounds 279.6m, with last year's first half including Halfords, the car parts chain, which has since been sold.

* Man Group, the provider of hedge fund products, is expected to announce interims at the top end of expectations, after a bumper year in hedge fund sales. The group has already announced that rapid asset gathering will lift underlying earnings per share by 40 per cent against last year. However, the group has said income derived from hedge fund performance fees will be down a little. Morgan Stanley is forecasting underlying earnings per share of 38p. Management fees are expected to bring in Pounds 123.2m, with another Pounds 29.6m coming from performance fees.

Load-Date: November 2, 2003

Flight-plan for the Olympics: INTERVIEW: Barbara Cassani got the low-cost airline Go off the ground. Now she must make London's Games bid fly, she tells Michael Skapinker:

Financial Times (London,England)

November 3, 2003 Monday

London Edition 1

Section: FEATURES; Pg. 11

Length: 1464 words

Byline: By MICHAEL SKAPINKER

Body

From Barbara Cassani's tiny corner office, on the 50th floor of One Canada Place, Canary Wharf, London lies resplendent below - misty, verdant, powerful and rich. The Thames stretches west towards the glass, concrete and steeples of the City, Europe's financial centre.

But look out of the adjacent window and you see another London, one the tourist brochures never show. Here, all is shabbiness, rusting storage tanks and dismal tower blocks. Scattered among them are more settled communities: older houses set around churches, cut off from one another by the dereliction.

It is closing the gap between these two Londons that enthuses Ms Cassani. Picking out landmarks amid the grimness, she describes the villages, stadiums and facilities that will spring up on 1,500 reclaimed acres if London wins the right to stage the 2012 Olympics.

Ms Cassani, who was ap-pointed to chair London's bid committee in June, concedes that the potential Games site is a moribund part of the city: "It's dirty. It's not been cared for. It's got infrastructure issues - everything from sewage to power lines. But if you get down on ground level, or boat level, and travel round the canals of that part of London - there's a lot of potential for it to be a lovely part of the city. And vibrant."

The 43-year-old, Boston-born Ms Cassani first came to attention six years ago, when she set up Go, a low-cost, no-frills airline. Go aimed for the stylish end of the cheap flights market, selling cafetie`re coffee on board and sending guides to places such as Milan, Bologna and Edinburgh with passengers' itineraries.

Other low-cost airlines such as Ryanair and EasyJet despised Go - not just because it was a competitor but because it was a subsidiary of British Airways. Its rivals believed that Robert Ayling, BA's chief executive, had set up Go to stifle their growth, if not to put them out of business. He recruited Ms Cassani, then working for BA in New York, to set up Go with Pounds 25m of the parent airline's money.

Flight-plan for the Olympics: INTERVIEW: Barbara Cassani got the low-cost airline Go off the ground. Now she must make London's Games bid fly, she tells Michael....

After two years of heavy losses and law suits from EasyJet, Go moved into profit. By that time, however, Mr Ayling had been sacked. Several of his fellow board members had never liked the Go idea, fearing that it would damage BA's brand. Rod Eddington, his successor, told Ms Cassani he did not like it either and sold Go to 3i. Much to Ms Cassani's disgust, the venture capital group last year sold Go to EasyJet. The sale price of Pounds 374m was a huge return on the initial Pounds 25m investment but Ms Cassani thought that if 3i had held its nerve, it could have achieved nearly three times that price through an initial public offering.

She has now put it all in a book*. It is a readable account of the day-to-day drama of start-ups, management buy-outs, industry bitchiness and boardroom politics. But Go is gone, and will soon be forgotten. Why devote a book to it? Because it has gone, Ms Cassani says. Her original purpose in writing it all down was to have a record of what happened: "I wrote it for myself and the people that I worked with and anyone else who knew the company. And then I thought: 'Well, it's quite an interesting story and I hope other people will enjoy it.' "

As in every tale of derring-do, there are ogres to overcome. In this story, none is scarier than Stelios Haji-Ioannou, EasyJet's founder, who wickedly grabbed all the attention by boarding Go's inaugural flight in an orange outfit and attempted to persuade the courts to put Ms Cassani out of business.

But wasn't it really the other way around? Wasn't Mr Haji-Ioannou the plucky entrepreneur (albeit fortified by his shipowning father's money) and Go the cosseted subsidiary of one of the world's mightiest airlines? That is how Mr Haji-Ioannou always plays it, Ms Cassani says: David against Goliath. "His technique is to be frightened and scream and shout about the big guy."

But wasn't that true? No, she insists. BA had made it clear she would get no more money. If Go did not make it, it would close. Many at BA never liked Go anyway. "All I can say is how it felt from where we were. Because we felt so under threat from our own owner, as well as from the outside world, it galvanised us to an extent that is not normally the case when you're the subsidiary of a big company."

When EasyJet bought Go, Ms Cassani took the Pounds 10m she earned from the sale - and her Veuve Clicquot 2002 UK Businesswoman of the Year award - and pondered what to do next. She first heard of the Olympics job when a newspaper mentioned her as a possible candidate to head the bid.

"I rang up the headhunter and I said, 'Is it true that I'm on the list?' And they said, 'Ah. You saved us a phone call. We were going to call you. We want to know if you're interested.' And I said, 'Wow! Of course I'm interested.' "

So she had not thought of putting her name forward without prompting? "I wouldn't have had the confidence. I'm not the sort of person who says: 'Right, I'm sure I'm wonderful for everything.'" She has recruited a high-powered team, with Keith Mills, founder of Air Miles, as her chief executive, and a board that includes Princess Anne, Lord (Sebastian) Coe and Sir Steve Redgrave, the five-time Olympic gold medal oarsman.

Ms Cassani will need all the high-powered support she can muster. Among the cities bidding are New York and Paris. "It's amazing. It's like an Olympics of an Olympics," she says.

But London has a huge amount going for it, Ms Cassani insists, beginning with its extraordinary tolerance. "I mean, look at me. I'm an American living in London and I'm running London's bid, for goodness' sake. It's an amazing acceptance of a foreigner." It is difficult to imagine New York inviting a Briton to lead its Olympic effort, she says. What about an American heading the Paris bid? "Somehow I can't see that one."

So what is it going to take for London to win? "A few things, some of which are within my control and some aren't. First we need to put together a really excellent technical bid. The technical bid comprises where you locate all the sports. It comprises the Olympic village and the transportation network that will support the athletes, the media, the officials and the spectators. It also encompasses the security regime." Security is a huge plus for London, she says. The city has long experience of protecting its visitors. London police officers are advising Athens on security for the 2004 Olympics.

What about public transport? London Underground's Northern Line has recently been out of action after a derailment, putting 700,000 commuters on to other lines, the buses and the roads. The city's transport has barely coped. How will it deal with all the Olympic visitors?

The Olympics, Ms Cassani says, will bring in 500,000 visitors. "It is a big influx, but the fact that the Games are in August is important because, even in an Olympic year, you will find a lot of people taking their summer holidays. The normal reduction on the London system is about 10 per cent in August, and the total number on the bus and Tube and other forms of transport is about 7m, so that gives me comfort. You then obviously say, 'Whoa, but they're all going to be going to two or three stations. How will you cope with that?' We've got a couple of dozen people working on it from the transport community to help us."

There are plans to put new signalling on the Jubilee Line, which serves the area, and there will be a new station near by serving the Channel Tunnel. "Once you add them in, the area can cope. It's not to say that parts of London's infrastructure are not old and in need of refurbishment. But because we are such a big city, we can actually cope with the Games."

All the leading contenders have transport problems, she says. "I mean, transport in New York. Are you nuts? Have you ever sat in a traffic jam in Paris? We all have the challenges of big cities. The choice will be down to who appears more organised, who has the most support. And then the final bit: it's important that the people in the Olympic movement feel that giving the Games to a city promotes Olympic ideals. Regenerating 1,500 acres in London that border on some of the poorest neighbourhoods and boroughs in Europe is pretty motivating."

It is time for photographs. Ms Cassani strolls through the London 2012 offices. The remains of some clocks showing the time in international zones are overhead. The space used to be leased by Morgan Stanley. Canary Wharf's owners have lent it to the bidding committee rent-free. The staff are still moving in. It looks like another start-up, but this time there will be no Pounds 10m consolation prize for the loser. Not that Ms Cassani plans to lose. How London Won the Games. Now, that would be some book.

* Go: an Airline Adventure. Time Warner Books. Pounds 12.99

Load-Date: November 2, 2003

Party poopers OBSERVER

Financial Times (London,England)

October 27, 2003 Monday

London Edition 1

Section: OBSERVER; Pg. 20

Length: 101 words

Body

One could never accuse Ryanair, the Irish zero-frills, zero-tolerance airline, of sucking up.

And, true to form, it has endeared itself to a British public mourning the loss of Concorde.

"Goodbye and good riddance," the airline crowed as the supersonic aircraft made its farewell flight. Head of blunt communications Paul Fitzsimmons said: "Halle-bloody-lujah. The days of Concorde charging ridiculously high fares are over. It looks good, but only provided air travel to very rich fat-cats and faded celebrities."

A bit unfair, as Ryanair used at least one design breakthrough from Concorde: the cramped cabin.

Load-Date: October 26, 2003

Asian airlines THE LEX COLUMN:

Financial Times (London,England)

October 25, 2003 Saturday

London Edition 1

Section: LEX COLUMN; Pg. 18

Length: 258 words

Body

Which budget airline boasts the best cost structure in the world? Not Ryanair, EasyJet or SouthWest. Rather, the honour is held by AirAsia, the little-known carrier vying to be Asia's first low-cost airline: since it started flying in Malaysia in 2001, its passenger costs have been a mere 2.8 cents per kilometre, about half those of Ryanair.

Now AirAsia is turning these numbers into a cross-border threat: this week it started flights between Kuala Lumpur and Senai, an airport next to Singapore, at fares one twentieth of those charged for inter-capital flights by groups such as Singapore Air.

Should established carriers be worried? In the short term, probably not. In Europe and America, budget airlines undermined incumbents because the latter were saddled with high cost bases. But Asian established carriers already enjoy relatively low expenses: unions, for example, have less power. Interventionist Asian governments have usually protected incumbents from upstarts. Meanwhile, the potential growth in passenger numbers should allow new entrants and incumbents to coexist.

However, established carriers would be foolish to relax. Pressures for deregulation are slowly building. So are the upstarts' ambitions: budget carriers plan to start flying in Thailand and Singapore next year. If groups such as Singapore Airlines want to maintain their share prices, they need to demonstrate a credible strategy for dealing with competition. That would be good not just for the airline industry but for Asian consumers and overseas holiday-makers alike.

Load-Date: October 24, 2003

UK & IRELAND: Ryanair airport deal under fire

Financial Times (London,England)

October 24, 2003 Friday

London Edition 1

Section: COMPANIES: UK & IRELAND; Pg. 24

Length: 339 words

Byline: By MARK ODELL

Body

Virgin Express, the Belgian low-fares airline controlled by Sir Richard Branson, yesterday urged the European Commission to force rival Ryanair to scrap its deal with Charleroi airport, claiming it distorted competition.

Sir Richard's airline is one of the two biggest based at Zaventem, the main Brussels' airport, where landing and user charges are much higher than at Charleroi, a small regional airport to the south of the Belgian capital used by the Dublin-based low-cost carrier.

The intervention comes at a crucial time in the investigation, which the Commission launched last December, into what it claims could be illegal state subsidies in Ryanair's deal with Charleroi. A decision is expected next month.

The appeal by Virgin Express came in a letter to Loyalo de Palacio, the European transport commissioner, from Neil Burrows, managing director of Virgin Express. The Wallonian regional government, which owns Charleroi, was "acting contrary to the interests of fair competition" by "providing subsidies to an airline that is clearly not in any need of them," he wrote.

Mr Burrows also accuses Ms de Palacio of not listening to Virgin Express's case, after several failed attempts to meet with the commissioner: "I find it both surprising and disappointing that the managing director of the Belgian airline . . . is shunned in this way," Mr Burrows wrote. Michael O'Leary, Ryanair's chief executive, hit back at Virgin's claims. "They had been offered the same deal as us at Charleroi and as far as I know it is still open," he said.

Mr O'Leary urged Ms Palacio to "expedite" the investigation to end the uncertainty around Europe that "was allowing rivals to block competition and low-fare services at many airports around Europe".

Last month, Ryanair suspended services to Strasbourg after a French court declared its deal with the local airport included illegal state aid, following a complaint from Air France. The carrier is also under investigation in Denmark about a deal with Aarhus airport following a complaint by SAS.

Load-Date: October 23, 2003

Qantas in fleet acquisition talks for low-cost carrier; Discussions under way with Airbus and Boeing to supply aircraft for domestic airline

Flight International

October 21, 2003

Section: News; Air Transport; Pg. 13

Length: 240 words

Byline: Emma Kelly / Perth

Body

Qantas is in talks to acquire Airbus A320s or Boeing 737-800s for its new low-cost domestic airline which will be launched next May.

In August the airline set up a study team to investigate the feasibility of establishing a low-cost carrier and last week the board approved its go-ahead.

It will be established using the operation of former low-cost carrier Impulse, which Qantas purchased in May 2001, or using a new company, with a decision to be made in six weeks.

A headquarters for the airline will also be selected around the same time, says Qantas, adding that it will not be based in Sydney.

The airline will operate a minimum of 23 aircraft by mid-2005, says Geoff Dixon, managing director. Although a competition is being run between Airbus and Boeing, Qantas only relatively recently concluded a major short-haul fleet re-equipment deal with Boeing for 15 737-800s, plus 60 options in November 2001. Four of these were firmed up in 2002, and the airline is still believed to hold significant options.

The carrier, which will serve the domestic Australian leisure market, will be a separate business from the mainline carrier, with its own brand. The operation will be headed by Alan Joyce and will include former senior executives from Ryanair.

The move comes as Virgin Blue increasingly bites into Qantas's domestic market share after rapid expansion of its network since the collapse of Ansett two years ago.

Qantas in fleet acquisition talks for low-cost carrier; Discussions under way with Airbus and Boeing to supply aircraft for domestic airline

Load-Date: October 28, 2003

UK & IRELAND: Ryanair airport deal wins support in Denmark TRANSPORT:

Financial Times (London,England)

October 21, 2003 Tuesday

London Edition 2

Section: COMPANIES: UK & IRELAND; Pg. 26

Length: 417 words

Byline: By KEVIN DONE

Body

Ryanair's campaign to protect its low-cost airport deals around Europe has received support in Denmark, where its landing charges agreement is under threat as a result of a dispute between Aarhus airport and the Danish civil aviation administration.

The airline has been facing growing problems as its deals with a number of publicly-owned European airports have come under increasing scrutiny.

Most importantly, the European Commission is in the final stages of a formal investigation into Ryanair's financial relationship with Belgium's Charleroi airport and the regional government of Wallonia.

The issue at Aarhus airport has arisen as a result of a complaint by SAS Scandinavian Airlines to the Danish civil aviation administration (SLV) over what it claimed was a discriminatory charging regime.

The SLV has previously warned Aarhus airport that it could lose its operating licence over the charging regime under which low-fare carriers are being charged only DKr35 (330p) per passenger against the DKr70 charged to other airlines on international routes.

The airport says the landing charge regime is non-discriminatory and is available to all carriers offering fares at 50 per cent or less of the normal fare on any given route. The lower charges are currently being applied to Ryanair and Cimber Air, a small Danish airline.

The airport's position has now been given strong support in an opinion delivered by Professor Claus Haagen Jensen of Aarhus University, a leading expert on Danish public administration law.

Professor Jensen has concluded that the charging regime breaches neither Danish civil aviation law nor the airport charging regulations of the International Civil Aviation Organisation, the United Nations civil aviation agency.

Ole Paaske, director of Aarhus airport, said yesterday that there was no special deal with Ryanair: "It is open to all."

"We want only to be treated in the same way as all other airports with which we compete for the custom of the low-cost airlines. The airport wants to support whoever is making cheap air transportation available."

Ryanair flies between Aarhus in Jutland to London and to Stockholm, carrying about 200,000 passengers this year, a third of the airport's traffic.

Last month, Ryanair suspended its flights to Strasbourg after a court declared its deal with the local airport included illegal state aid. It is appealing the decision.

The European Commission is examining what it claims could be illegal state subsidies in Ryanair's deal at Charleroi.

Load-Date: October 20, 2003

Turbulent times for air charters: Changing habits squeeze independents, say Uta Harnischfeger and Doug Cameron

Financial Times (London,England)

October 21, 2003 Tuesday

London Edition 1

Section: COMPANIES INTERNATIONAL; Pg. 33

Length: 751 words

Byline: By DOUG CAMERON and UTA HARNISCHFEGER

Dateline: FRANKFURT

Body

The collapse last week of Aero Lloyd, an independent German charter airline, reflects the increasingly tough environment facing a sector which still accounts for more than a fifth of intra-European passenger travel.

While the major scheduled airlines have struggled against the onslaught of low-cost airlines such as Easyjet and Ryanair, it is the charter carriers which have been caught between the pincers of fast-growing budget carriers and changing consumer habits.

The insolvency filing by Aero Lloyd - an airline with 21 aircraft - is the largest in the European sector this year and the biggest since Swissair went bankrupt in 2002. "Aero Lloyd was squeezed from two sides, the low-cost airlines and the tour operators," says Hans-Peter Wodniok at SAIResearch.

The European charter sector developed by providing capacity for tour operators on holiday routes to the Mediterranean from the UK, Germany and Scandinavia. However, cheaper scheduled flights have lured more travellers away from packages towards making their own flight and accommodation arrengements separately.

The pressure on the tour operators has been intensified by the global drop in travel as economies have weakened. They have responded by pushing more of their business towards in-house airlines at the expense of independents such as Aero Lloyd.

The charter sector has sought to respond to the low-cost challenge by launching their own scheduled operations, with companies such as Monarch and MyTravel in the UK and Air Berlin in Germany creating hybrid operations.

"Slowing growth rates in the classic tour operating business are a latent danger for the fully-fledged charter carrier," says Wolfgang Kurth, head of Hapag-Lloyd Express, a no-frills carrier founded last year by Tui, Europe's largest travel group.

Analysts said the chances of making these scheduled businesses work was helped by charters' history as the original low-cost operators in Europe, pioneering the fast turnaround times and no-frills service commonplace today. The integrated holiday groups combining travel agents, tour operators and in-house airlines have been more affected by the boom in budget carriers than the scheduled network airlines. The distress facing the sector is evident in recent traffic data from BAA, the UK airports authority, with September scheduled traffic at its London airports - the focus of low-cost onslaught - up 7.6 per cent year-on-year while charter volumes fell 7.5 per cent.

The charters squeezed meagre profits equivalent to what one executive described as "duty-free sales from the last two rows of seats". However, the end of duty free sales on flights within Europe removed that revenue prop and prompted a round of industry consolidation. German tour operators swallowed Thomson and its Britannia Airways unit, as well as Thomas Cook and its JMC-branded operation, the two largest UK charters.

At the end of the day, analysts say the future may lie in models such as Tui's tentative plans to merge Hapag-Lloyd, its charter carrier, with Hapag-Lloyd Express, its no-frills counterpart.

"Three years down the road you won't see any more full-fledged charter carriers - tour operators can look elsewhere for reliable, regular and trustworthy airlines that serve all destinations at all times," says Mr Kurth.

The decision to pull the plug by Bayerische Landesbank, the German state-owned lender which owns 66 per cent of Aero Lloyd, highlights the stricter approach to creditors by the country's banks.

GROUNDED AERO LLOYD SEEKS CAPITAL TO RESTART OPERATIONS Aero Lloyd, the German charter airline which filed for insolvency last week, needs at least Euros 20m (Dollars 23m) to restart some of its flight services, its administrator said yesterday,Uta Harnischfeger reports from Frankfurt. The collapse left hundreds of travellers stranded at airports around Europe and followed the decision by Germany's Bayerische Landesbank not to commit further funding. Aero Lloyd said BayernLB should provide support as it had received payments from tour operator clients as late as October 15, a day before the carrier filed for bankruptcy. BayernLB last week rejected a restructuring programme and declined to give the airline, which faces an estimated Euros 100m in short-term loans, a Euros 23m bridge loan. While an initial restructuring programme from Roland Berger, the consultancy, that foresaw a Euros 35m capital increase in addition to the Euros 23m bridge loan, has been put on ice, the airline is scrambling to return to the air.

Load-Date: October 20, 2003

No-frills Emma Kelly / Perth Qantas in fleet acquisition talks for low-cost carrier Discussions under way with Airbus and Boeing to supply aircraft for domestic airline.

Flight International

October 21, 2003

Section: Pg. 13; ISSN: 0015-3710

Length: 252 words

Body

Qantas is in talks to acquire Airbus A320s or Boeing 737-800s for its new low-cost domestic airline which will be launched next May.

In August the airline set up a study team to investigate the feasibility of establishing a low-cost carrier and last week the board approved its go-ahead.

It will be established using the operation of former low-cost carrier Impulse, which Qantas purchased in May 2001, or using a new company, with a decision to be made in six weeks.

A headquarters for the airline will also be selected around the same time, says Qantas, adding that it will not be based in Sydney.

The airline will operate a minimum of 23 aircraft by mid-2005, says Geoff Dixon, managing director. Although a competition is being run between Airbus and Boeing, Qantas only relatively recently concluded a major short-haul fleet re-equipment deal with Boeing for 15 737-800s, plus 60 options in November 2001. Four of these were firmed up in 2002, and the airline is still believed to hold significant options.

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The move comes as Virgin Blue increasingly bites into Qantas's domestic market share after rapid expansion of its network since the collapse of Ansett two years ago.

No-frills Emma Kelly / Perth Qantas in fleet acquisition talks for low-cost carrier Discussions under way with Airbus and Boeing to supply aircraft for domestic....

Load-Date: February 2, 2005

Qantas to launch low-cost arm AIR TRAVEL:

Financial Times (London,England)

October 17, 2003 Friday

Europe Edition 1

Section: COMPANIES EUROPE; Pg. 22

Length: 355 words

Byline: By VIRGINIA MARSH

Dateline: SYDNEY

Body

Qantas yesterday said it would launch a new stand-alone low-cost airline in May as part of efforts by the Australian flag carrier to protect its position in the increasingly competitive domestic market.

The announcement came a day after Air New Zealand - with which it is seeking to establish an alliance - unveiled its own blueprint for consolidating domestic routes and those between the two countries.

Qantas said the new domestic operation aimed to have a fleet of at least 23 aircraft by mid-2005, and is in talks with Boeing, Airbus and leasing companies about procuring Boeing 737-800 or Airbus A320 aircraft.

"This will be a true low-cost carrier - lean, highly competitive and with the standards of safety and reliability associated with Qantas," said Geoff Dixon, chief executive.

Alan Joyce, a former executive at Ireland's Aer Lingus and Ansett, the defunct Australian carrier, will head the new business, which will have its own brand.

A team of former senior executives from Ryanair, the Irish low-cost carrier, would also assist with its establishment. Qantas last year rebranded its Australian Airlines unit as a charter subsidiary. Qantas, which is 17 per cent owned by British Airways, would select a location for the headquarters of the new business within the next six weeks but had already decided that it would not be in Sydney, added Mr Dixon.

The decision to proceed with the new carrier, approved at a board meeting on Wednesday, comes as Virgin Blue, rival to Qantas on Australia's main trunk routes, prepares to list on the Australian Stock Exchange. The low-cost carrier set up by Sir Richard Branson three years ago is expected to raise about ADollars 400m (USDollars 276m) to help fund its expansion both within Australia and in the South Pacific.

Set up with just ADollars 10m, the Brisbane-based carrier has grown to account for 30 per cent of the market and is about to launch services to, from and within New Zealand, one of Qantas's most important international markets. Mr

Dixon said Qantas' existing domestic operations would continue as at present but would increase their focus on business travellers.

Load-Date: October 16, 2003

UK & IRELAND: Ryanair to sue Air Mediterranee NEWS DIGEST

Financial Times (London,England)

October 17, 2003 Friday

London Edition 1

Section: COMPANIES: UK & IRELAND; Pg. 24

Length: 137 words

Byline: By SHARLENE GOFF

Body

Ryanair yesterday said it had launched legal proceedings against Air Mediterranee, which it claimed had published false allegations about the low-cost airline.

It is suing the airline in the French courts on claims that Ryanair's low fares service to Pau airport near the Pyrenees had decreased its own passenger traffic to nearby Tarbes Lourdes airport by about 30 per cent.

Michael O'Leary, chief executive, said the group was proceeding with the court action as a matter of principle rather than to receive payment for damages. The allegation follows other recent disputes from rival airlines concerning the deals that Ryanair has with certain airports.

Last month, Ryanair was forced to abandon its London-Strasbourg route pending the outcome of an appeal that its financial deal with the airport was illegal. Sharlene Goff

Load-Date: October 16, 2003

'Bumped' air travellers to get pay-out

Financial Times (London,England)

October 16, 2003 Thursday

London Edition 3

Section: FRONT PAGE - FIRST SECTION; Pg. 1

Length: 448 words

Byline: By TOBIAS BUCK and KEVIN DONE

Dateline: BRUSSELS and LONDON

Body

Air passengers bumped off flights because of overbooking by European Union airlines will receive automatic compensation of between Euros 250 (Pounds 175) and Euros 600 under EU plans approved yesterday.

The new rules, agreed by the conciliation committee of member states and the European parliament, will take effect in about 12 months following formal approval by the council of ministers and the parliament.

They update existing rules dating from 1991 and will apply equally to low-cost carriers, traditional airlines and charter carriers, including package-holiday flights.

Flights of less than 1,500km (937miles) will qualify for the Euros 250, with compensation rising to Euros 600 for long-haul trips of more than 3,500km.

Compensation may also be claimed when flights are cancelled for reasons that are the carrier's responsibility, provided passengers have not been given two weeks' notice or been offered alternative routes.

Passengers will also be reimbursed when they face a delay through cancellation of at least five hours. They will receive hotel accommodation when cancellation forces them to stay overnight, and meals and refreshments for shorter delays.

The rules will apply to all passengers flying from EU airports or into the EU on EU carriers.

Loyola de Palacio, the EU transport commissioner, said: "Too many times, air passengers are victims of practices which deserve that they receive a fair treatment and proper compensation: today's agreement paves the way for completing and strengthening the existing rights."

The European Commission estimates that about 250,000 passengers are bumped off flights every year because of overbooking.

Paul Vandermoere, of the European Association of Airlines, said the deal was a "workable compromise", reflecting the fact that earlier Commission proposals had called for higher compensation payments.

However, he warned the new rules could increase the burden on EU carriers and "widen the gap even further between US and European airlines". EU airlines have been campaigning against growing state subsidies from Washington to the US industry.

Ryanair, the Irish low-cost carrier, said the new rules would not have a big impact on its operations as it did not overbook its flights, and it had "the fewest number of cancellations and the best punctuality in Europe".

"If the EU was really serious about eliminating overbookings they would just outlaw the practice," Ryanair said.

British Airways warned the rules would be "quite burdensome", adding costs to administer the system. The airline was also "unsure" how to interpret much of the detail of the regulations. "It appears to be unnecessarily complicated," it said. BA attacked, Page 11

Load-Date: October 15, 2003

'Asian Branson' charts a steady ascent: AIRLINES: Air Asia, the no-frills service run by Tony Fernandes, has won a devoted following in Malaysia. The ex-music mogul's next challenge is the rest of the region, writes John Burton

Financial Times (London,England)

October 14, 2003 Tuesday

USA Edition 1

Section: FEATURES; Pg. 15

Length: 1600 words

Byline: By JOHN BURTON

Body

Tony Fernandes is often described as the Asian Richard Branson. Both are media-wise music business executives who have moved into the airline industry.

But Mr Fernandes says his ambitions are more modest. While Sir Richard's Virgin Atlantic Airways spans the globe, Mr Fernandes' Air Asia is following the no-frills model of Dublin-based Ryanair to create south-east Asia's first regional budget airline. Having won a devoted following in Malaysia with its cheap domestic services since 2001, Air Asia is preparing to expand to the rest of south-east Asia. If he succeeds, Mr Fernandes may serve as a catalyst for the growth of discount carriers in the region.

The challenge is daunting. Unlike the US and Europe, the Asian airline industry remains highly regulated, dominated by state-owned flag carriers whose markets are protected by bilateral aviation agreements. "We are very much in the crawling stage, rather than the walking or running stage," says Mr Fernandes, 39. "Asia is a good place for budget airlines if you take out all the politics. Is it easy to replicate a budget airline in a domestic market like Malaysia? Probably. Regionally? To be seen."

The biggest test will probably come early next year when Air Asia is expected to begin international services to Indonesia and Thailand, where it has already secured landing rights.

Even before venturing outside Malaysia, Mr Fernandes is making an impact on the regional airline industry. Singapore Airlines recently said it was studying the possibility of starting a discount airline to counter Air Asia, while a former Singapore Airlines chief executive has announced plans to establish a budget carrier, ValuAir, based in the city state.

'Asian Branson' charts a steady ascent: AIRLINES: Air Asia, the no-frills service run by Tony Fernandes, has won a devoted following in Malaysia . The ex-music ....

Malaysian Airlines System last year reduced its fares in the hope of stopping Air Asia until the government intervened to end the price war. "There is a little bit of hysteria (from the national carriers) and the unknown is causing all this mass paranoia. In Malaysia, we have carried 2.5m passengers and MAS loads have not been affected one bit. We have stimulated a new market. A lot of people who never thought of flying come with us."

Mr Fernandes says the Malaysia government has been supportive "in allowing a venture such as this when it owns a national carrier that has its own problems" in terms of losses. Mahathir Mohamad, the country's long-serving prime minister, encouraged the idea of competition in the domestic airline market when DRB-Hicom, a local carmaker, decided to launch Air Asia as a full-service carrier in

1997. But the airline floundered as the Asian financial crisis engulfed Malaysia. The lossmaking airline had only two passenger jets that served just five destinations.

The insolvent business caught the eye of Mr Fernandes, who was seeking new opportunities after he resigned as managing director of Warner Music's south-east Asian operations in 2000. "I told my wife that I wanted to start an airline," he said. "She laughed and thought I had lost it."

Educated in the UK since the age of 13 and trained as an accountant, Mr Fernandes' interest in music led to jobs at the Virgin Group and Warner Music in London before the latter transferred him back to his native Malaysia. With money from his AOL Time Warner stock options, he formed a company, Tune Air, with several other investors and bought Air Asia in 2001 for a symbolic price of MDollars 1 and assumed its debts of MDollars 140m (USDollars 36.8m). The deal came a week before the September 11 attacks in the US, which caused aircraft leasing rates to fall sharply and allowed Air Asia to build up its fleet at bargain prices.

The carrier will be flying 18 Boeing 737s, the workhorse of budget airlines, by mid-2004 to serve destinations within three hours' flight time from its hub in Kuala Lumpur. It currently flies to 13 cities in Malaysia with seven jets.

Advised by Connor McCarthy, the former operations director at Ryanair, Air Asia has achieved the lowest costs in the industry. It spends only 2.8 US cents to fly one passenger one kilometre, against 4.8 cents for Ryanair in Europe and 5.8 cents for Southwest Airlines in the US, according to the Sydney-based Centre for Asia Pacific Aviation. "Cost is our enemy," says Mr Fernandes, who takes pride in the fact that Air Asia can charge MDollars 19.99 (USDollars 5.26), less than the price of a bus ticket, for a flight between Malaysia's two main cities of Kuala Lumpur and Penang and still make a profit.

Air Asia has followed the model used by other discount carriers of employing non-union workers, eliminating free in-flight snacks and selling tickets on the internet to avoid commissions charged by travel agents. It has also added a few features, such as being the world's first airline to let customers book reservations with a mobile-phone text message.

"Budget airlines are the new dot.coms. It's a buzzword. Everybody sees someone like me from the music business running an airline and making money out of it and they think it can't be that difficult. It just means leaving the orange juice off the plane and bang - you have a low-fare airline. But we have worked hard on understanding the revenue management system."

Air Asia reported net profits of MDollars 20m on sales of MDollars 335m for the fiscal year ending June 30, while all of its debt has been cleared. "Although we have expanded very aggressively, we are very conservative in terms of finance," says Mr Fernandes. "I will only go for growth if it's cash-flow growth. I will not fund growth because I think that's where a lot of companies get into trouble."

Air Asia recently sold a 26 per cent stake for USDollars 26m to three foreign private equity funds to help finance its overseas expansion. But Mr Fernandes says an initial public offering is at least two or three years away: "I don't need the cash now. The only reason I would do it would be to give shares to our employees so that they can share in our success."

Mr Fernandes believes that staff motivation has helped Air Asia succeed. "My style comes from the music business, which is less bureaucratic and more open."

Air Asia's office is in the bowels of the Kuala Lumpur International Airport terminal, near the ramps. "You open the door and see our planes right in front of you."

Mr Fernandes shares coffee with the baggage handlers and sometimes checks in passengers in an effort to break down the elitist hierarchy that affects most airlines. "The pilots still call me 'Sir' but I'm trying to break them of the habit," he jokes.

Besides creating a family-oriented environment, Mr Fernandes says his hands-on experience provides him with insights on how to cut costs. Air Asia's flat organisation will prove to be an advantage in competing against the national carriers. "Flag carriers don't have the flexibility to offer cut-rate fares, while we have a model that gives consistently low fares."

He compares full-service airlines entering the discount market to the Ritz-Carlton deciding to start up budget hotels or Rolls-Royce building mini cars, saying the no-frills culture is alien to them.

The ability of budget airlines to attract more passengers will persuade Asian governments to open their aviation markets, he believes: "I don't have any doubts that governments will liberalise. It's not going to be a walk in the park, but Asia will liberalise very fast. We have big airports that are not full and huge tourism infrastructures that need to attract visitors. Tourism is important for Asia. If we can show that we can bring more tourists, that is attractive to many governments."

Perhaps Mr Fernandes' biggest risk is that Air Asia will lose its close-knit culture as it expands. "In spite of our initial success, we are very mindful of keeping our feet on the ground and our egos in check," he says.

MARKET LIBERALISATION COULD LEAD TO BUDGET BOOM

Air Asia is not the only budget airline operating in Asia. There is Virgin Blue in Australia and Skymark in Japan. But all of them are flying on domestic routes, hemmed in by bilateral aviation pacts that have hindered their regional expansion. If Asian governments agree to liberalise their aviation markets, budget carriers are likely to take off in the same way they have done in US and Europe, although with some regional differences. Asia has many of the same ingredients that supported the success of discount carriers elsewhere, such as low-cost non-union staff and the growing use of the internet, which allows budget airlines to sell tickets online. But Asia's vast area and the lack of low-cost secondary airports could prove to be obstacles, although not insurmountable ones. Instead of a discount carrier flying Asia-wide, the market is likely to be broken up into regional segments of about three hours' flight time. Longer routes would reduce quick turnaround times and try the patience of passengers with no-frills services. Asia's densely populated areas would support short-haul carriers. Air Asia's target market of south-east Asia has 500m people. Virgin Blue is also considering flying into south-east Asia as well as New Zealand and Fiji. Although the big airports in the region are more expensive than secondary airports, they charge cheaper rates than hub airports in the US and Europe because they are less congested. Travellers seeking cheap tickets on longer routes could still rely on "bucket shops" that deal in large blocks of seats on widebody jets operated by the major carriers. Analysts say the biggest potential market for Asian budget airlines is likely to come from countries with large internal markets, such as China and Indonesia.

Load-Date: October 13, 2003

Pampering Pleasure - O Lucca man

Financial Times (London,England)

October 11, 2003 Saturday

Section: FT WEEKEND MAGAZINE - Pleasures Pursued; Pg. 42

Length: 275 words

Byline: By NAOMI MAPSTONE

Body

The wall that surrounds the Tuscan city of Lucca is impressive by any stretch of the imagination - 12m high, 30m wide, 4.2km long, and topped by columns of glorious plane trees that once led the poet Gabriele D'Annunzio to describe Lucca as "the city of the wooded circle".

The road on the wall used to be open to motorists, but it is now the province of pedestrians, cyclists and a rather glamorous species of jogger.

They all have the right idea - cycling or walking around Lucca is a pleasure, and the wall affords excellent views of the Apuan Alps, as well as glimpses of the town's piazzas and narrow, twisting streets.

We hired bikes at a local shop and did a leisurely lap on the wall, stopping for a view of the tree-topped Guinigi Tower, a remnant of the time when the city's skyline bristled with monuments to the wealth and power of the families who built them. Turning into the city itself, we visited the Romanesque cathedral that houses the Volto Santo, a wooden crucifix that drew thousands of pilgrims to the city throughout the Middle Ages.

When we had our fill with churches, we headed to Di Simo, a cafe in Via Fillungo - a favourite of the composer Giacomo Puccini, Lucca's favourite son.

Cycling rather directionlessly post-cafe we stumbled on a gem - a "square" that is actually a circle, the remains of a Roman amphitheatre. I left Lucca feeling certain that I'd return, and that when I did, there would be many more such discoveries to make.

Ryanair (www.ryanair.com) flies from Stansted to Pisa, 12 miles from Lucca, each day. A taxi from Pisa airport to Lucca costs about Pounds 20; the 30-minute train journey costs about Pounds 1.20

Load-Date: October 10, 2003

Faster track in and out of airports: Rahul Jacob finds that enterprising operators of private jets - along with some airlines - are cutting journey times by speeding things up on the ground:

Financial Times (London,England)

October 11, 2003 Saturday

London Edition 1

Section: FT WEEKEND - TRAVEL AFTER CONCORDE; Pg. 16

Length: 1133 words

Byline: By RAHUL JACOB

Body

The retirement of Concorde at the end of this month has prompted such an outpouring of anguish on both sides of the Atlantic that its final flights could well become the subject of an Andrew Lloyd-Webber musical. Thousands of first-time flyers have pooled savings to buy the joyride of a lifetime. The market in Concorde memorabilia is booming on the internet.

The October issue of Vanity Fair features everyone from Joan Collins to Sir David Frost mourning its imminent passing. In a star turn, Sarah Ferguson, the Duchess of York, described by the magazine as a "time-stressed commuter", lamented that she would no longer be able to drop her children off at school in England, catch Concorde and still be in New York "at 9.30am in time for my Weight Watchers meetings and speeches".

Reactions to Concorde's death are being more than a little exaggerated. Luxury air travel may be facing difficult times, but it is not in danger of extinction. It is true that some major airlines are doing away with first class altogether and skimping on business class as companies cut their travel budgets. But others such as British Airways, Virgin Atlantic, Singapore Airlines and Cathay Pacific are upgrading their business-class services, offering flat beds that are longer and wider than ever and experimenting with in-flight internet access.

Viewed through another prism, the end of first class on some airlines marks not the end but a shift in luxury travel: through the 1990s private jets became increasingly popular. The industry offering fractional ownership of such planes grew by 20 to 30 per cent annually during the 1990s even though its growth has recently slowed sharply.

Just as low-cost carriers such as Ryanair in Europe and the US's Southwest Airlines are prospering by offering cheap seats and no-frills service to the budget traveller, companies that offer fractional ownership of private jets for business travel despite the recent slowdown have succeeded in making their way on to the travel plans of captains of industry and celebrities.

Faster track in and out of airports: Rahul Jacob finds that enterprising operators of private jets - along with some airlines - are cutting journey times by spe....

The Boeing 747 jumbo jet was one of the great democratising influences of the 20th century. Not just because it made air travel much more affordable, but in a sense because we were all - business chiefs in pinstripes, holidaymakers in shellsuits and sundry migrants - on the same aircraft. The fractional ownership industry has suffered a sharp decline in the past 12 months as many clients have sold out their stakes, but it is hoping that post-September 11 security concerns and airport congestion will increase the allure of travelling on private aviation - just as absurdly low fares boost the popularity of discount airlines.

"We're reaching an inflection point in aviation," says Mark Booth, chief executive of NetJets Europe. "In the past we had a general store on airplanes; a front, a middle and a back. Today, you have capitalism working. We have created a better mousetrap: you go when you want . . . You pay for what you use."

NetJets, which leads the industry worldwide, has a value proposition that works like this: instead of a company or an individual forking out Dollars 40m for a Gulfstream V, he or she pays Dollars 5.5m for, say, an eighth of the plane. Arithmetic aside, Net Jets offers speedy check-in and immigration by using smaller airports such as Northolt near London and Teterboro near New York. With faster drives to city centres, Net Jets claims its door-to-door travel times are just an hour or so slower than Concorde's. And the jets are available pretty much on demand: "I have to guarantee a plane within six to 10 hours after you call me," says Booth. "Otherwise, what's the point?"

The big airlines are keeping a close eye on the private aviation market. "It would be naive not to regard business jets as competitors," says Martin George, marketing director of British Airways. BA is looking at expediting the check-in process by speeding up immigration checks through quicker scanning, where the technology and government approvals make that possible. It will give its front-of-plane travellers the chance to check in and get boarding passes before they arrive at Heathrow airport in a trial next year.

British Airways led the way with the introduction of the flat bed in business class a couple of years ago. Since then, others such as Singapore Airlines, Cathay and Virgin have followed suit. Now, business travellers on those long-haul services have a bewildering array of beds to choose from - the length, width, pitch and torque of the beds are now selling points.

"No airline that claims to be offering a serious business-class product can do so without offering flat beds on the long-haul flights. That's where we are now," says Raja Segran, head of UK sales for Singapore Airlines.

The next significant innovation in luxury travel may still be a few years away when the double-deck Airbus A380 starts flying in 2007. The new aircraft will offer 555 seats and will be significantly larger than the Boeing 747. The A380 has been heralded as the possible solution to allowing passengers lounge areas on board the aircraft. Singapore Airlines' focus groups, says Segran, have shown that "the ability to move around more when they are on the aircraft and find more distractions when they are in their seats" are uppermost on the wish-list for passengers.

Like so much else in the business, consumers can propose, but airline economics ultimately disposes. That wish-list for more space may remain unfulfilled: as demand for air travel grows, airlines will be hard-pressed not to use that additional space on the A380 to put in more seats. Airlines are still grappling with the question of when - and if - corporate demand will return to the heady levels of the late 1990s.

They are seeking more affluent leisure travellers, who happen to be propelling the business of Marquis Jet, which offers 25 hours of private jet air-time for Euros 126,000 a year. "Our customer is 45, married and has two holiday homes," says Tariq Khan, its head of marketing. Between seven and 10 passengers can get on the jet for the same cost and they get so quickly from their cars to the plane, Khan enthuses, that "its just like the movies".

But if it's hard for companies to justify a first-class or a business-class seat in the current climate, it will prove harder still for many more executives to justify private jet travel in an era of lower profitability - and higher shareholder activism.

Mark Booth at NetJets resolutely hopes that his industry's fortunes will revive when executives make a different kind of value for money calculation. "What shareholders want are results. Where corporate excess comes in is when you have a Dollars 40m plane sitting around that only the chairman can use," he says.

Rahul Jacob is the FT's leisure editor

Load-Date: October 10, 2003

BAA September figures up 2.6% TRANSPORT:

Financial Times (London,England)

October 10, 2003 Friday

London Edition 1

Section: COMPANIES UK; Pg. 25

Length: 233 words

Byline: By JOANNA CHUNG

Body

A second consecutive month of growth at London Heathrow - the world's busiest international airport - helped BAA's passenger numbers at its seven UK airports to rise 2.6 per cent year-on-year in September to 12.5m.

Passenger numbers at Heathrow increased by 0.5 per cent, as long-haul traffic continued to improve following the end of the Iraq war and the Sars health crisis, BAA said.

Traffic on North Atlantic routes fell by 1.1 per cent to 1.62m, while other long-haul routes gained 1.5 per cent to 1.59m.

BAA, the world's leading airport operator, said European scheduled services, which were up 7.6 per cent on the same period a year ago to 4.4m, were the strongest performing market.

Of the three airports in London, Stansted had the largest growth at 18.2 per cent because of increased traffic at the low-cost airlines led by Ryanair and EasyJet.

Passenger volumes at Southampton, the smallest of BAA's seven UK airports, jumped 71.4 per cent year-on-year, as a result of the development of a new operating base this year by the regional low-fare carrier, FlyBE, formerly known as British European.

Volumes fell 4 per cent at Gatwick, however, because of declining charter traffic.

The Scottish airports performed well, with Edinburgh recording 10 per cent growth and Glasgow 3.6 per cent, reflecting increased direct international flights. Passenger traffic at Aberdeen, however, fell 0.6 per cent.

Load-Date: October 9, 2003

A new departure for EasyJet: AVIATION: Adding Airbus aircraft to a fleet of Boeings was a bold initiative for a no-frills airline, says Kevin Done:

Financial Times (London,England)

October 8, 2003 Wednesday

London Edition 1

Section: FEATURES; Pg. 14

Length: 1361 words

Byline: By KEVIN DONE

Body

With the departure of flight EZS923 from Geneva to Nice last week, EasyJet entered a new era. For the first time passengers of the fast- growing UK no-frills airline boarded an Airbus rather than a Boeing aircraft.

The group's bold experiment in moving to a mixed fleet appears to break one of the cardinal rules of the low-cost airline business model, where maintaining simplicity is the holy grail. Ryanair, EasyJet's Dublin-based rival, which to date has beaten it hands down in the business of making money, is firmly on its way to an all-Boeing 737-800 fleet and is accelerating the exit of its 737-200s, which are more than 20 years old. Dallas-based Southwest Airlines, the pioneer low-cost carrier and role model for all subsequent start-ups, has also stuck with iron discipline to a single-manufacturer fleet of Boeing 737s, albeit by now spanning three generations of aircraft.

When Airbus defeated Boeing a year ago to win the fiercely contested EasyJet order for 120 aircraft plus 120 options to power the group's growth, the airline made clear that the offer from the European aircraft maker could not be refused. "It surprised all of us to see just how aggressive Airbus was in the final round of sealed bids," says Ray Webster, EasyJet chief executive.

Stelios Haji-Ioannou, son of a Greek Cypriot shipowner and the flamboyant founder of EasyJet, who was in the final days of his chairmanship when the decision was made, said the price difference between the Airbus and Boeing offers was "so substantial we would have been in breach of our fiduciary duty - it would have been an offence - to buy Boeing as offered".

According to sources close to the negotiations, Airbus granted a discount to EasyJet of about 50 per cent off the Dollars 5.3bn (Pounds 3.2bn) list price in one of the best aircraft deals ever. The price reflected both Airbus's determination to capture one of the big two European low- cost airlines as a customer and the severely depressed state of the aircraft market.

A new departure for EasyJet : AVIATION: Adding Airbus aircraft to a fleet of Boeings was a bold initiative for a no-frills airline, says Kevin Done:

For EasyJet the hard work starts now, as it sets out to make the mixed fleet strategy work in practice. The first Airbus A319s are arriving following nearly a year of preparations - with five to be delivered to the airline's Geneva base from the Airbus line in Hamburg by the end of the month.

EasyJet, like its Irish rival Ryanair, is committed to heroic growth. Its fleet of 75 aircraft (one A319 and 74 737s) at the end of September is due to more than double to 164 (120 A319s and 44 737s) by September 2007.

By late in the decade both no-frills operators expect to have overtaken all the traditional flag-carriers including the big three, Lufthansa, Air France and British Airways, to become the biggest short-haul airlines in Europe. As part of its latest order EasyJet has also already taken an option on a further 120 Airbus aircraft for delivery up to 2012.

Mr Webster is surprisingly relaxed about the challenge ahead and is looking forward to getting back to running airline operations after the exhausting diversions of the past two years. Despite all its new aircraft, EasyJet is returning to growth of "only" 20 to 25 per cent a year after almost tripling in size since 2001, a hectic pace of development that has come in part at the expense of a severe decline in investor confidence.

Its first excursion from the traditional low-cost airline business model with its commitment to organic growth was the Pounds 374m takeover of Go in July last year. The group compounded the sin in the eyes of many investors by purchasing an exclusive option - since abandoned - to buy Deutsche BA, the lossmaking subsidiary of British Airways. It then taxed investors' patience further by announcing the mixed fleet strategy.

Along the way it has also completed a corporate governance makeover. This included the departure from the chairmanship and from the board of Easyjet of Mr Haji-Ioannou and his replacement a year ago by Sir Colin Chandler, former chairman and chief executive of Vickers and a man of the UK corporate establishment.

Investors, rattled by the scope of the management challenge taken on by the stretched EasyJet executive team, have watched the airline underperform the FTSE all-share index by 26 per cent in the past 12 months, while Ryanair has outperformed it by 6 per cent. EasyJet's share price has fallen by 19.2 per cent in the past year to about 230p, while Ryanair has risen in the same period by 16 per cent, to about 412p.

EasyJet's trading perform-ance suffered in particular from the big jump in capacity in the first half of the financial year just ended at September 30. It had a pre-tax loss of Pounds 48m in the first half but recovered strongly during the summer. Ana lysts forecast pre-tax profits, after exceptional charges, of about Pounds 50m for the full year just ended, down from Pounds 71.6m a year ago.

"We now want a period of focus on the core business and incremental growth," says Mr Webster. "We expect to get quite a lot of costs out of the business in the next few years and the Airbus aircraft and lower airport costs are the big opportunities. The strategy now is to execute the business model, to make it slicker and to squeeze the lemon."

To try to ensure a smooth entry of the Airbus aircraft into the fleet, EasyJet is starting the process at Geneva, one of its smaller bases. From November 6, when the fifth A319 enters service, the Geneva base will be an all-Airbus operation. "It is almost a laboratory," says Mr Webster, All the crews, the spares, the maintenance, the systems and manuals will be dedicated solely to the A319.

"There are very different systems between Boeing and Airbus. We must make sure that the training and the systems all work. We can monitor the (changeover) process very closely through this base and solve any glitches, before the first Airbuses come to the UK."

In the space of barely eight years since it first started flying between Luton and Glasgow and Edinburgh in November 1995, EasyJet has become a significant presence, operating on 109 routes between 38 European airports with more than 500 flights a day.

The A319s will be introduced first in the UK at EasyJet's fast-growing base at London Gatwick, which will take nine aircraft between March and July next year and, like Geneva, will operate exclusively as an Airbus base. EasyJet hopes to avoid some of the complexity of operating both the Boeing and Airbus aircraft types by separating them between its various bases. By the end of 2005 it will have 44 Boeing 737s (12 older-generation 300s and 32 new-generation 700s), which will be "quarantined" to a relatively static part of the network.

The group is highly dependent on the UK market serving 12 airports including 10 that are linked to at least one destination in continental Europe; but Mr Webster says its future growth will increasingly come from continental Europe. It currently has seven bases in the UK, where aircraft stay overnight and crew are domiciled, and only Geneva on the continent, but that is about to change. Paris Orly is already emerging as a base with local pilots and cabin crew being recruited, and both Barcelona and Nice are close to having the necessary scale of operations to become bases. With the liquidation of Air Lib in France early this year and the recent bankruptcy of Aris, EasyJet hopes that it can become the second force in the French aviation market, allowing it in particular to pick up more take-off and landing slots at Orly.

Chris Avery, aviation analyst at JP Morgan, says that EasyJet has just about digested the big strategic moves, including the integration of Go, and is about to resume the standard low-fare airline business model. Investor concerns about the mixed fleet issue have been overplayed, he says, and in any case Airbus is carrying much of the cost of duplication in the early stages, with support for crew training and the supply of spares as well as guaranteed maintenance costs.

"It is a complication; but when you have that sort of dollar saving through a well negotiated tender, you can live with it . . . There is a chance now that 20 per cent top line growth can also become 20 per cent bottom line growth."

Load-Date: October 7, 2003

Irish Ryanair Registers 1 Millionth Passenger in Ciampino

ANSA English Corporate Service

October 8, 2003

Section: NEWSWIRE

Length: 176 words

Dateline: Ciampino (Roma), October 8

Body

(ANSA) - Ciampino (Roma), October 8 - Irish carrier Ryanair gave two free tickets to the one-millionth passenger since the start of its operations on the Italian airport Ciampino, near the capital Rome, central Italy in April 2002.

The excellent results of the Irish carrier led to record results for the airport, which expects 1, 8 million passengers for the whole 2003, compared to 960, 000 in 2002.

Ryanair offers seven flights daily to the London Stansted Airport, one flight to Brussels and two flights to the German Frankfurt's Hahn. An average 90, 000 Ryanair passengers pass through the Ciampino Airport monthly. In September 2003, the Irish carrier transported a record number of passengers between London and Rome since the beginning of the year, 31. 1 pct of the total traffic.

Ryanair increased its Italian customers by 86 pct in August 2003. Ciampino business clients grew by 28 pct to 30 pct in August 2003 and the total number of passengers rose by 101 pct. A total 94 pct of Ryanair ticket reservations are made through the Internet. (ANSA)

Load-Date: February 20, 2004

Fighting no frills; Iberia faces increased competition from low-cost carriers and the end of its long-standing dominance at Madrid and Barcelona. Is it rising to the challenge?

Flight International

October 7, 2003

Section: Features; Spanish Airlines; Pg. 40

Length: 1288 words

Byline: Rainer Uphoff / Madrid

Body

Spain's flag-carrier Iberia is one of the few airlines which managed to stay profitable after 11 September 2001. Continued cost saving efforts, new customer services and distribution concepts, plus the focus on the Latin American market, which remained relatively unaffected by the crisis, helped the airline to remain on track.

However, Oneworld member Iberia faces a unique challenge in the European commercial aviation panorama: by 2005, Madrid and Barcelona airports will double current traffic capacity, as new runways and terminals enter service, ending Iberia's long-standing domination. The airline says this will open countless new opportunities for Europe's fastest growing air transport segment, the low-cost carriers.

A spokesman for Cologne-based Germanwings says: "The upcoming opportunities at Madrid and Barcelona are certainly a factor we are taking into account for our medium-term plans."

Easyjet is less enthusiastic: "We have plans, including offering Spanish domestic flights, when the airports open up. But AENA's [the Spanish aviation authority's monopolistic inflexibility and the slow reform of ground handling makes flying to Spain so expensive that we may prioritise our expansion in other European countries with a more competitive airport system," the airline says.

Iberia says it is preparing itself by "completely redesigning the short-haul economy class product and our pricing. But Iberia is not a point-to-point carrier. Where we make most money is in the Europe-Latin America traffic. The availability of the additional airport capacity will coincide with the delivery of our new A340-600 long-haul fleet and the arrival of the delayed A320/A321s, which will allow us to grow in that market."

Fighting no frills; Iberia faces increased competition from low-cost carriers and the end of its long-standing dominance at Madrid and Barcelona. Is it rising t....

Andoni Nieto, president of Spanish pilot union SEPLA, is not afraid of additional pressure to lower costs. "Iberia is one of Europe's most productive companies. Competitors like Easyjet are no problem, as their pilots are organised and paid in a similar way to other major airlines. And Ryanair avoids hubs like Madrid and Barcelona," he says.

The real losers may be Air Europa and Spanair, which have long battled for additional slots at Madrid and Barcelona. While the first is offering a half-hearted low-cost product, Star Alliance member Spanair might easily find itself caught between its own positioning as a full service airline and the fact that it lacks Iberia's long-haul connecting traffic.

However, Spanair's director-general Enrique Melia believes his carrier is well prepared for the challenge. "The low-cost carriers have made the market more price sensitive, which has forced us to become cost conscious and to create an enviable cost structure allowing us to offer domestic tickets for c30 ($34). But we will not follow the trend to downgrade the product."

An official at the Madrid chamber of commerce says corporate users are pleased with current trends: "Small business owners now get cheaper tickets and corporate executives can take advantage of more frequencies and destinations than ever, which is good for the economy. The real surprise is that Iberia has become a driving force behind this revolution." He adds that Iberia is a "rare example" of an ex-state monopoly managing to make its new competitors look old-fashioned, with innovations such as e-tickets via the internet and automated one-step air shuttle ticketing and check-in.

Regional market

Spain's regional market is dominated by Iberia franchisee Air Nostrum. But chief executive Carlos Bertomeu is concerned about maintaining a competitive cost base. Referring to an important engine overhaul deal with ITP and a training contract with CAE he says: "Now that we are a big player, we have to play with big partners for big contracts. When you go to one manufacturer and order 50 aircraft and place 50 options, you can then plan long term and reduce costs."

One regional start-up, IberlineExpress, is an interesting, but still rare, example of a small carrier taking advantage of the common European aviation market. A joint venture with Swedish operator Swedline, Iberline is based at the recently inaugurated Logrono airport. Its president, Hampus Anderson says: "We started operations with a Saab 340 after realising that Spain has important potential for this size of aircraft. We're planning to go beyond our current thrice-daily Logrono-Madrid flight, but we couldn't get slots to open a route to Barcelona."

Regional aviation is a "difficult business" in Spain, he adds. "In Sweden we have transparent public tender processes when a regional government wants to support essential air services to a remote region. But in Spain this is frequently circumvented by rather opaque publicity or advertising deals reached directly between the airline and cities or regions where they fly to. This certainly hampers free competition in the regional market."

Bertomeu says: ""If you speak one-on-one with heads of regional governments in Spain they understand that certain European regulations translate into fewer seats at higher costs to their region. Their reaction is to help us try and change those regulations."

However, he does not believe his company's deals, similar to Ryanair's, which are under scrutiny in France and Scandinavia, will be investigated by European or national anti-monopoly authorities: "Our deals are transparent and are not in contradiction of any law," he says.

Spain's only major cargo carrier, Cygnus Air, belongs to the Gestair group. Flying cargo mainly for Iberia, the DC-8 operator builds on proven concepts. Cygnus' chief executive Alvaro Macarron outlines his strategy: "We want to offer low-cost and highly flexible operations to our customers. Atlas Air invented this business model and we found that it works well."

While Iberia is highly successful as an airline, it still needs to rationalise its corporate structure. Javier Alvarez, head of the company's maintenance unit, says restructuring plans have slowed down during the aviation crisis. "Our mission is to provide Iberia with the highest quality and most cost-efficient maintenance services," he says.

"This doesn't stop us focusing strategically on external services. We've just won the maintenance contract for Air Nostrum's Bombardier CRJ regional fleet. But we cannot be certain of being awarded all Iberia maintenance work. For example, its Airbus A340-600 engines will be maintained by Rolls-Royce as part of a total-care package. Other customers include China Southwest, Olympic Airways, Royal Air Nepal, Spanair, LanChile and LTU." Alvarez declines to reveal sales figures, although sources say internal and external sales add up to around [euro]450 million annually.

Additional reporting by Justin Wastnage

Traffic growth (million pax/year)

	1992	1998	2002	2012 (projected)
Madrid-Barajas	18.4	25.2	34.0	70
Barcelona	10.6	15.7	21.3	40

MADRID

Current capacity 30 million passengers/year - 53 operations/h

2005 capacity 70m passengers/year -- 120 operations/h

Four parallel runways

Upgrade investment: [euro]2.3 billion ($2.6 billion)

BARCELONA

Current capacity 23 million passengers/year -- 52 operations/h

2005 capacity 40million passengers/year -- 90 operations/h

Two parallel runways + one crossed

Upgrade investment: c1.8 billion

Load-Date: October 14, 2003

Francophiles clipped at the wings: A recent court ruling has halted Ryanair flights to Strasbourg. Could a wider ban on the low-cost airline have an impact on Britons with property in France? Faith Glasgow reports:

Financial Times (London,England)

September 27, 2003 Saturday

London Edition 1

Section: FT WEEKEND - HOUSE & GARDEN; Pg. 12

Length: 944 words

Body

Many thousands ofBritish Francophiles havebought homes in hitherto "undiscovered" corners of France on the back of cheap flights to local airports from the low-cost airline Ryanair. Until last week, the airline offered deals - from as little as Pounds 7 one way - to 19 publicly owned airports around France, from Brest in the far west of Brittany to Perpignan and Biarritz on the Spanish border.

But last week's ruling by the French courts against Ryanair has reduced the airline's highly successful network of provincial hubs by one. Following legal action brought by Brit Air, an Air France subsidiary, over the subsidies paid to its rival by the Strasbourg chamber of commerce, Ryanair has ceased its Strasbourg service.

The Ireland-based budget carrier has mounted a full appeal against the decision, but this could take a year or more; in the meantime, another threat looms over its service to Brussels Charleroi airport. This one is in the hands of the European Commission, with a decision expected at some point in the next few weeks.

The 200,000 Ryanair passengers who fly each year to Strasbourg, the hub of the Alsace region, are being rerouted to Baden-Baden, 40 miles across the German border. But while that in itself is inconvenient for them, the final outcomes of the two court cases could have very much wider implications for UK holiday homeowners and visitors to France.

"There are no other cases currently pending in France, but French airports are very nervous about the outcome of the Strasbourg appeal and especially the Commission's judgment on Charleroi, because that will decide whether publicly owned airports are going to be able to compete with private airports within the EU," says Paul Fitzsimmons, Ryanair's head of communications. The trouble is that all French airports are publicly run: there are no private airports to step into the breach if they are not allowed to offer financial incentives to bring in Ryanair's business.

Fitzsimmons is relatively upbeat: "We're confident we'll get a positive outcome, because the Commission will be considering the economic implications for these areas, which were previously pretty inaccessible," he says. "If the

Ryanair service stops, these little provincial airports will become backwaters again, servicing nothing but domestic flights to Paris."

Certainly, the economic impact of cheap flights is substantial in such areas. At Pau Pyrenees airport, manager Jean-Luc Cohen reports that in the three months after the Ryanair service started in April, 25,000 passengers arrived; of these, almost 80 per cent were visitors, spending a total of Euros 1.4m on local goods and services.

"That's why we say we're not helping Ryanair with subsidies, so much as running a marketing campaign for our region," says Cohen.

And the Ryanair effect can be traced too in the boost enjoyed by property prices, as British buyers have snapped up bargain holiday homes off the beaten track. According to Maurice Lazarus at UK-based French property agent Domus Abroad: "Prices across France have gone up by perhaps 30-40 per cent over the last three years, but in areas that were not previously served by a UK air link, such as Biarritz, they have at least doubled."

So how would British property owners be affected if cheap flights were curtailed? The impact would vary from region to region, but hardest-hit would be those further south, which are less accessible by road, say UK-based French property agents.

"Most Brits like to drive to their properties in their own cars when possible, so those based within three or four hours of the Channel ports will not be much affected because they would drive anyway," observes Lazarus. "It's more remote hubs such as Carcassonne in the Aude and Rodez in Aveyron - which were effectively opened up to the UK market by Ryanair and have become popular with British buyers - that will feel it. Even Bergerac in the Dordogne, where there are many British owners, is too far to drive comfortably."

The situation could have a significant impact on Pau and particularly Biarritz in the far south-west, because the international airports at Toulouse and Bordeaux (which most UK visitors would otherwise have to use) are a good two-and-a-half-hours' drive away, Lazarus points out.

Liz Oliver, managing director of French property agency Francophiles, points out that even in the relatively accessible north, where flying is not necessarily the main way in, British owners find it very useful to have a quick route in and out for weekend visits. "The Ryanair service has been marvellous for anyone wanting the option of long weekends in their home, even in the far south," she says.

So what alternatives would home owners have in the event of a wider suspension of cheap flights? Basically, they could drive, which may be tolerable for longer holidays but would rule out long weekends to more distant regions, or they could fly into an international airport, which currently means paying more and travelling further at the other end.

Moreover, Maurice Lazarus believes that although there is no evidence of panic selling of property at this early stage, owners in what used to be remoter areas will find it much harder when they come to resell their properties should Ryanair's service be withdrawn. "It would be extremely nasty, and bad for tourism to France - they would really be shooting themselves in the foot," he says.

However, there is little sign so far that buyers' enthusiasm has been dampened by the current uncertainties. Liz Oliver reports the usual September surge of buyers fired up by their summer holidays: "If they were worried," she says, "they wouldn't be buying."

Load-Date: September 26, 2003

Airline stocks grounded as Footsie heads lower LONDON:

Financial Times (London,England)

September 26, 2003 Friday

London Edition 2

Section: FT MARKETS; Pg. 50

Length: 742 words

Byline: By STEVE JOHNSON and DARRYL THOMSON

Body

Renewed weakness in the US dollar and fears of higher oil prices stunting economic growth conspired to send London stocks lower yesterday.

The FTSE 100 ended the day 0.8 per cent weaker at 4,202.2, with the mid-cap FTSE 250 off 1.3 per cent at 5,561.4. Volume was again sturdy at 3.4bn shares.

Fears that a nascent recovery in the global airline sector may be choked off by rising crude prices in the wake of Wednesday's decision by Opec to cut production caused particular weakness.

"Airlines' fuel costs have an impact on profitability and if profits are not going to rise that quickly they are not going to place many orders," said Zafar Khan at SG Securities.

Consequently, aero engine maker Rolls-Royce fell 3.9 per cent to 165 1/4p, with fellow engineer BAE Systems off 3.2 per cent at 172 1/2p. The airlines themselves fared little better, with British Airways 3.9 per cent lighter at 172 1/4p, EasyJet 3.8 per cent softer at 229p and Ryanair dipping 1.8 per cent to 412p.

With the dollar also heading south, UK companies generating a significant slice of their earnings from the US were again affected badly, as were those stocks whose fortunes are closely tied to movements in the underlying markets.

Fund management group Amvescap, which generates 90 per cent of its sales in North America, fits both descriptions and saw its shares slide 2.2 per cent to 494 1/2p, with peer Schroders, down 3.6 per cent at 706p.

Insurers also suffered in the sell off, notably Royal & Sun Alliance, off 4.8 per cent at 90 1/4p, and Prudential, 3.1 per cent lighter at 429 1/4p. Other US-related usual suspects included Spirent, the telecoms systems testing group, down 9.2 per cent to 54 1/4p and Invensys, the production technology group, off 8.7 per cent at 28 3/4p.

Reuters was not exempt, falling 5.7 per cent to 224 1/2p as ABN Amro downgraded the financial information provider to "sell" from "reduce". "It is not sufficient that Reuters enjoys a strong incumbent position because barriers to entry have fallen and lower-price solutions are both available and deemed acceptable by customers," analysts at ABN Amro said.

Airline stocks grounded as Footsie heads lower LONDON:

J Sainsbury fell 3.3 per cent to 277 3/4p as the latest market share data for the supermarket sector showed the group losing more ground. While Tesco, the market leader, was taking advantage of the summer heatwave to sell more barbecue food and beer, Sainsbury was missing out. Safeway, down 1.8 per cent at 296 1/2p, also continued to haemorrhage market share, leading to fears that its valuation will slide the longer the protracted battle for its hand continues. Even Tesco, 2.6 per cent lighter at 235p, failed to benefit.

Wm Morrison fell 2.9 per cent to 220p, with some investors bailing out before today's expected announcement that it has the green light to bid for Safeway. "There's a large risk involved in buying Safeway," said Rhys Williams of Seymour Pierce.

The silver lining was provided by the oil majors, the beneficiaries of Opec's decision. Shell firmed 0.6 per cent at 388 1/4p, BP added 0.8 per cent at 426 1/4p and BG Group edged up 0.7 per cent at 262 1/2p. A new-found desire for defensive security helped Anglo-Dutch household goods group Reckitt Benckiser up 1.9 per cent at Pounds 12.22.

The mid-cap arena did see another oil company, Paladin Resources, rise 5.3 per cent to 89p after British Gas said the first oil from its Blake Flank development in the North Sea was produced last Monday. Paladin has a 2.4 per cent stake in Blake.

Aim-quoted software minnow DDD Group doubled in value to 32 3/4p as it secured a deal with Japanese consumer goods maker Sharp to bundle its software on Sharp's laptop PCs.

But BTG, the technology development company, fell 8.4 per cent to 322 1/2p as it said it would invest in Xention Discovery as part of a Pounds 4m private equity financing. "The market would prefer BTG to spend its money on varisolve (its varicose vein treatment)," said Erling Refsum of Nomura, "That's the product investors are betting on."

Medisys, the medical devices maker, dived 22.1 per cent to 15p on strong volume amid reports that Smiths Industries, the marketing partner for Medisys' Futura safety syringe, said it had "almost given up" on the product after the device failed more safety tests. "We believe this could be the beginning of the end for the Medisys/Smiths relationship," Sam Fazeli of Nomura said.

Furniture group MFI was unchanged at 185 1/4p despite talk of a big US buyer vacuuming up stock.

Load-Date: September 25, 2003

Ryanair Flies 92,000 over the Genoa-London route from Jan 2003

ANSA English Corporate Service

September 26, 2003

Section: NEWSWIRE

Length: 145 words

Dateline: Genoa, September 26

Body

(ANSA) - Genoa, September 26 - Irish low-cost air carrier Ryanair has transported 92, 000 passengers from Genoa, northern Italy, to London since January 2003, it was reported on September 26, 2003.

Ryanair passenger traffic from Genoa to London has reached 500, 000 since March 1999, Ryanair director of sales and marketing in Italy, Peter Sherrad, said. Some 45 pct of the passengers on the route in August 2003 were Italians. Ryanair trasnported some 200, 000 Italian passengers that month, which accounted for 10 pct of the total. The 500, 000th passenger was awarded two free tickets from Peter Sherrard and the Genoa Airport CEO, Guido Raimondi.

(ANSA).

Raynair passenger traffic totalled 2. 141, 664 in August 2003, an increase of 44 pct year-on-year. Internet sales of tickets increased to 94 pct, compared to 92 pct in August 2002. (Alternative/Original name: Genova

Load-Date: February 20, 2004

Ryanair warns of capacity expansion threat TRANSPORT:

Financial Times (London,England)

September 25, 2003 Thursday

London Edition 2

Section: COMPANIES UK & IRELAND; Pg. 27

Length: 306 words

Byline: By KEVIN DONE

Body

Ryanair, the Irish low-cost airline, warned yesterday that its rapid rate of capacity expansion was continuing to undermine average fare levels, confirming its previous forecasts of a sharply slower growth in profits.

Michael O'Leary, chief executive, told the annual meeting that stronger traffic numbers were being achieved at "lower-than-expected yields" or average fare levels.

"We believe that the yield environment this winter will continue to be depressed." The airline has launched a series of discounted fare promotions to fill seats and maintain a high level of utilisation.

Mr O'Leary said costs remained under "strict control" and the group was "comfortable - given no changes in present circumstances" with consensus analysts' forecasts for the full year to the end of March. The consensus is for net profits for the full year to grow by about 10 per cent to Euros 265m (Pounds 185m), while net margins are forecast to fall from 28 to about 20 per cent.

Mr O'Leary also dismissed "unfounded speculation" that the present European Commission investigation into its financial relationship with Charleroi airport in Belgium would undermine its business model.

He said the group was "confident" that the Commission would come up with a framework for airport deals that would "not just allow but encourage all publicly-owned airports to compete on a level playing field with privately-owned airports all over Europe".

The current KLM/Air France merger talks showed that the European aviation industry was consolidating into a few mega carriers that were "forcing consumers to connect across a few large hub airports at much higher prices".

Ryanair was opening up many secondary and regional airports that the flag carriers had either avoided or withdrawn from. The lower fares airlines were needed to provide consumer choice, he said.

Load-Date: September 24, 2003

Ryanair warns of capacity expansion threat TRANSPORT:

End of Document

State hand-outs should aid integration

Financial Times (London,England)

September 22, 2003 Monday

London Edition 2

Section: LETTERS TO THE EDITOR; Pg. 22

Length: 255 words

Byline: By JAMES BICKFORD SMITH

Body

From Mr James Bickford Smith.

Sir, I was dismayed to read your coverage of the decision of a French court to shut down Ryanair's route from London to Strasbourg, ("Ryanair fails to save Strasbourg route", September 19) and I am dismayed that your separate coverage of the European Commission's adjudications in the cases of Charleroi airport and Alstom has completely failed to make the point that the state aid involved is of vastly different proportions and of wholly different type in the two cases.

The fact that would seem to have escaped the FT, and one fears likewise the EU, is that the urgent need for European integration should dictate that the European Commission works to ensure that its subservient bodies are not complicit in two disastrous outcomes. The first would be an effective severing of vital trans-national transport links, at precisely the time at which the otherwise maladroit Italian presidency has moved these back to the top of the agenda. The second will be a return to the industrial stone age of states agreeing to generous hand-outs for people from the old school network.

The fact that Ryanair is a deeply annoying airline, and that the employees of Alstom a group worthy of sympathy, should have no impact upon these deliberations.

The outcomes are likely to be that for Ryanair the airports will be closed, but for Alstom an ugly compromise will be agreed. How this will serve European integration is unclear.

James Bickford Smith, Ecole Normale Superieure (Lettres et Sciences Humaines), Lyon 07, France

Load-Date: September 21, 2003

UK & IRELAND: Ryanair grounds five Boeing 737s

Financial Times (London,England)

September 20, 2003 Saturday

London Edition 2

Section: COMPANIES: UK & IRELAND; Pg. 2

Length: 330 words

Byline: By KEVIN DONE

Body

Ryanair, the Irish low-cost airline, has temporarily grounded five of its oldest aircraft after discovering "scratches" on the outer aluminium skin, prompting concerns about the previous maintenance of the aircraft.

An investigation is under way with Boeing, the manufacturer of the 737-200s - which are more than 20 years old - to establish the source and seriousness of the scratches.

Ryanair said last night that it had become aware of the "scratches or scribing" during the course of a recent scheduled aircraft overhaul.

It said the nature of the scratches "indicated that an inappropriate procedure may have been undertaken during the course of that aircraft's last full repainting, which was undertaken by FLS Aerospace in the UK".

FLS Aerospace is a subsidiary of FLS Industries, a Danish conglomerate, and describes itself as "one of the world's most respected suppliers of aircraft maintenance and engineering services". FLS said yesterday that it "has not been established that this issue arose as a result of work performed at FLS Aerospace in the UK during visits approximately 10 years ago."

It said it believed "in the highest standards of quality and safety in maintenance" and said it was working with the aircraft manufacturer, as would be normal industry practice, to understand the nature and cause of the problem.

"It is too early to draw conclusions as to the cause of the problem and whether it indeed relates to FLS Aerospace," it said.

A Boeing spokeswoman said that the issue was "under investigation". Two airlines had told Boeing they had found the same sort of scratches on their aircraft.

The scratches were found near the joints where aluminium sections overlap and sealant had been removed prior to repainting.

Such scratches could corrode over time and spread into cracks, she said.

She said Boeing had "focused the investigation on a facility that had painted the aircraft in the last decade," but she refused to name the company, as this was not Boeing policy.

Load-Date: September 19, 2003

Ryanair THE LEX COLUMN:

Financial Times (London,England)

September 19, 2003 Friday

London Edition 1

Section: LEX COLUMN; Pg. 22

Length: 252 words

Body

Hurricane Isabel has taken a freak detour. Ryanair's French operations are in its path. The low-cost airline has failed to obtain a stay of execution on a ruling that financial aid to help establish a Strasbourg-London Stansted service was illegal.

In this case, it can avoid too much damage with a diversion to Baden-Baden. But the decision leaves its deals with other French airports open to challenge.

Ryanair could find it harder to come up with contingency plans should Brussels rule that its agreement with Charleroi airport constitutes illegal state aid. This is the more important case. An adverse ruling could, at the very least, require the reworking of its attractive agreement with Charleroi. Publicly owned airports used by Ryanair across Europe would also need to review their agreements with the low-cost airline to make sure they complied. Ryanair would then broadly face two choices. It could agree to renegotiate deals, probably leading to higher charges, so squeezing its industry-leading margins. Alternatively, it could abandon publicly owned airports in favour of those in private hands. This is not without cost. There is the obvious expense of moving. But if the airline is switching airports it could find it harder to strike agreements with new ones, essential if it is to continue to add routes. Rearranging Ryanair's route-map could interfere with its aggressive growth plans. Michael O'Leary, chief executive, faces an uncomfortable ride towards his ambition of dominating Europe's skies.

Load-Date: September 18, 2003

UK & IRELAND: Ryanair fails to save Strasbourg route NEWS DIGEST

Financial Times (London,England)

September 19, 2003 Friday

London Edition 1

Section: COMPANIES: UK & IRELAND; Pg. 24

Length: 162 words

Byline: By KEVIN DONE

Body

Ryanair's flights from London to Strasbourg will stop on Wednesday after it failed yesterday to win a stay against a French court ruling that its financial deal with the French city's airport was illegal.

The Irish low-cost airline was ordered to terminate the deal by September 24, but had sought to delay implementation of the decision until an appeal was heard by the Court of Appeals in Nancy.

"We will now have to suspend the route pending the outcome of the appeal, which could take over a year to be heard", said Jim Callaghan, Ryanair head of regulatory affairs.

The airline is opening an alternative service to the region with flights to Baden-Baden, across the border in Germany and about 40km from Strasbourg.

In a second challenge to Ryanair, the European Commission is in the final stages of an investigation into its relationship with Belgium's Charleroi airport and the regional government of Wallonia. Its findings are expected in October or November.Kevin Done

Load-Date: September 18, 2003

Airbus wins Aer Lingus contract TRANSPORT:

Financial Times (London,England)

September 18, 2003 Thursday

London Edition 1

Section: COMPANIES UK & IRELAND; Pg. 28

Length: 349 words

Byline: By KEVIN DONE

Body

Airbus, the European aircraft maker, has beaten Boeing, its US rival, in the bidding to become the sole supplier of short-haul aircraft to Aer Lingus, Ireland's state-owned carrier.

The airline announced yesterday that it planned to acquire 17 Airbus A320s, of which seven would be purchased direct from Airbus and 10 would be taken on operating leases from International Lease Finance Corporation (ILFC), the aircraft leasing subsidiary of American International Group.

As part of the deal, it is disposing of its 11 Boeing 737s.

The Irish airline is facing intense competition, in particular from Ryanair, the fast-growing Irish low-cost carrier, and suffered heavy losses in 2001. It has been forced to embark on a radical restructuring.

As part of its transformation into a low-fares short-haul carrier, Aer Lingus has decided to move to a single-fleet type to reduce costs, in particular for maintenance, spares and crew training.

The deal, reached after 15 months of negotiations and which must still be approved by the board and the Irish government as main shareholder, includes options on a further 10 A320s.

The airline has agreed a short-term sale-and-leaseback arrangement with ILFC for seven of the 11 Boeing 737s in its current fleet with the remaining four 737s to be sold into the second-hand market. Its six ageing BAE146s will leave the fleet at the end of October.

As part of its expansion with the new fleet, Aer Lingus said that it planned to add 15 more routes to its network by the summer of 2005, having already launched 15 routes since the end of 2001 as part of the restructuring.

Aer Lingus said it had selected the CFM56 engine produced by the General Electric/Snecma joint venture, which powers its existing Airbus short-haul aircraft, against the competition of the V2500 engines built by the International Aero Engines joint venture led by Rolls-Royce and Pratt & Whitney.

Airbus wins Aer Lingus contract TRANSPORT:

Noel Forgeard, chief executive of Airbus, said the group expected to win about 250 orders for new aircraft this year, down from 300 last year, with the civil aerospace industry still deep in recession.

Load-Date: September 17, 2003

Existence on the verge: Hire a car in Italy at your peril. And, especially, learn the difference between petrol and diesel, says David Baker

Financial Times (London,England)

September 13, 2003 Saturday

London Edition 1

Section: FT WEEKEND - TRAVEL; Pg. 15

Length: 865 words

Byline: By DAVID BAKER

Body

It was, technically, my fault. Driving back to Rome's Ciampino airport, flush with the warm glow that 48 hours in Tuscany, some good Italian food and an absurdly low Ryanair fare can give you, I pulled into a filling station, forgot to engage my brain and pumped 40 litres of finest unleaded into our diesel hire car.

Looking back, I should probably have come clean there and then. But at the back of my mind was something about diesel cars' running happily on petrol (or was it petrol cars on diesel?), and, as the thing started fine, we set off again towards Rome. It was 6pm.

There are worse places to break down - Brands Hatch is probably one of them - but grinding to a halt in a motorway tollbooth with eight angry Italian drivers behind you is not the best start to a Sunday evening. In vain, I turned the ignition. In vain, I tried to work out what the dashboard warning lights were telling me. In resignation, we got out of the car and pushed it on to the hard shoulder.

We called Avis Assistance. ("TOLL FREE NUMBER"). No reply.

We tried again (toll-free). No reply.

We called the Avis office we had rented the car from, who said they would try too. No luck.

We dialled again and listened to a ringing tone. The sun glowered in the sky. Cars whizzed past. The man in the tollbooth office came out for a chat. Still no reply.

At 6.30pm, Avis Assistance picked up the phone. Maximum reassurance. Yes, they knew where we were. Sure, they would send out a truck to pick up the car. Not to worry, the truck driver will organise two taxis (there were five of us) to take us to the airport. We would have to pay, of course, but Avis at the airport would refund the money. It was 6.45pm. Our flights were at 9.30pm. We had plenty of time.

Existence on the verge: Hire a car in Italy at your peril. And, especially, learn the difference between petrol and diesel, says David Baker

At 7.30pm the pick-up truck arrived.

There's a face made only by someone whose Sunday siesta has been rudely interrupted by the necessity to work - and the truck driver was wearing it. He scowled at each of us and in a broody silence loaded the car on to his truck.

The taxis, it turned out, we had to organise ourselves. As he got back into the cab, his voice unluckily drowned out by the traffic, he muttered the number of a local taxi firm. And then he was gone.

We sat down on our cases and dialled. Unobtainable - of course. It was 7.45pm.

You would think that five adults on the side of a motorway (six if you count the bemused tollbooth official) should be able to arrange a lift to an airport 50km away. However, logistics and bureaucracy were against us.

Rome Radio Taxis had cabs, but we were out of their area. Civitavecchia Radio Taxis were in our area but had no cabs. We called some other companies. There was nothing available.

In the meantime, one of our other telephonists was trying Avis Assistance again. This time, though, there was bad news ...

"Sorry," they said. "We are only responsible for the car, not the customers." We were on our own.

By now, time was getting on and all of us had read Ryanair's warning ("NO REFUNDS") about late arrivals. Two of us found a piece of paper by the side of the road, wrote "ROMA" on it and started to walk down the lines of cars slowing to pay the toll.

Italians, at least these Italians, it turned out, don't much like hitch-hikers. Even though the temperature was stifling, virtually everyone managed to wind up their windows as we approached, pursing their lips and wagging their fingers at us through the glass.

By now it was starting to get dark. Our team of telephonists - now down to two as one of the batteries had given out - continued its trawl of Civitavecchia taxi firms, but to no avail. Our check-in time came and went (NO REFUNDS) and our concerns moved from catching a flight to whether we would have to spend the night at the side of the road.

And with that, for me at least, came a feeling of incredible helplessness. Which was when the kindness of locals finally came through.

Our friend from the tollbooth, perhaps aware, unlike Avis Assistance, that he couldn't leave five people stuck at the side of a motorway, called in a favour from a contact at Rome Radio Taxis. Yes, he knew it was out of area. But couldn't they bend the rules just this once and send out a couple of cabs? They could. Our rescuers were on their way.

We missed our flights, of course. The people at the Avis office shrugged their shoulders when we tried to get a refund for our taxis (Euros 135 each). And our astonishingly cheap Ryanair fares turned into astonishingly uncheap Alitalia tickets for the following morning.

A few weeks later we received an apology from Avis. Their policy was clear, they said: if someone's car breaks down they are offered another vehicle or a taxi to their destination. They were looking into what went wrong in our case and in the meantime were refunding all our extra expenses.

But that night, as we loaded our luggage on to the last train into Rome's Termini station - to spend the night at a friend's flat - the money wasn't really at the front of my mind. Instead, as the train pulled into the dark, I tried hard to take away something more significant from the experience, something existential even. But the only lesson I could come up with was: never put petrol in a diesel car.

Existence on the verge: Hire a car in Italy at your peril. And, especially, learn the difference between petrol and diesel, says David Baker

Load-Date: September 12, 2003

Deccan aspires to soar above rivals: The latest entrant in India's domestic airline sector is aiming to get more passengers into the air for less. Ray Marcelo meets G.R Gopinath

Financial Times (London,England)

September 12, 2003 Friday

London Edition 1

Section: COMPANIES ASIA-PACIFIC; Pg. 33

Length: 550 words

Byline: By RAY MARCELO

Body

Air Deccan, India's first "no-frills" airline, has been cleared for take-off after six months of delays.

The airline is poised to launch its service of 20 flights in south India's hinterland formally next week.

"We're going to change air travel forever in this country," says G.R Gopinath, Air Deccan's founder and managing director. "We're going to connect cities that are poorly connected by roads and trains."

Mr Gopinath, a former Indian Army pilot says his model for Air Deccan is Ryanair, Europe's budget airline, which has combined cheap flights with the desire among regional airports to attract traffic.

Mr Gopinath reckons there is a market of about 50m middle-class Indians who can be lured from train to air travel. The challenge for Air Deccan is to do so in a domestic air travel market that generates just 380 flights a day, or around 13m passengers a year.

The main barrier for Indian travellers has been expensive air fares. After years of rigid pricing from state-run airlines, competition from private operators such as Jet Airlines and Sahara has cut some fares by as much as 60 per cent. But these prices are rare, and apply mainly to select routes or advance-purchase tickets.

Air Deccan, by contrast, promises it will always price its flights around half those offered by rivals. For instance, a Bangalore to Mangalore one-way flight costs Rs1,875 (Dollars 41) compared with Jet Airway's Rs3,110.

Air Deccan's launch is a test of whether India's domestic market can sustain a genuine low-cost carrier.

The essence of Air Deccan's "no-frills" model is to make frequent flights to regional airports. Crucially, it will also use 48-seat propeller aircraft built by Europe's Avions de Transport Re'gional (ATR), which are more fuel-efficient for short flights than the Airbus and Boeing jets flying regional routes.

Mr Gopinath hopes to fill each flight to at least 80 per cent capacity with value-conscious business travellers and budget-stretched families and tourists - typically people who earn around Rs12,000 a month and can afford a train ticket but not an air fare.

If Air Deccan can persuade these consumers to fly, Mr Gopinath expects 700,000 of them to board his flights in the first 12 months.

According to Vikas Bali, principal with consultants AT Kearney, demand for air travel in India is price sensitive. "It's an industry waiting for a supply-driven boost for demand to pick up - the effect of cheap fares and flexi-fares will be very significant."

Air Deccan's launch has not avoided bureaucratic turbulence. The airline was due to start flights in April but lacked clearance from several ministries. As late as last week, Mr Gopinath was waiting on India's Home Ministry to approve checks on some of his foreign pilots.

Yet Mr Gopinath regards these processes as routine. "Government backing is a must," he says. Indeed, Air Deccan has won support from high levels of Indian politics. Mr Gopinath counts among his supporters the president of India's ruling Bharatiya Janata party, and defence minister George Fernandes. And India's civil aviation minister Shri Rajiv Pratap Rudy used Air Deccan's official launch last year to link low-cost flights with the government's populist agenda.

"The days of flying being a symbol of only maharajahs or the rich are over," Mr Rudy said.

Load-Date: September 11, 2003

Irish Ryanair To Promote Free Trieste-London Flights

ANSA English Corporate Service

September 11, 2003

Section: NEWSWIRE

Length: 128 words

Dateline: Ronchi dei Legionari, September 11

Body

(ANSA) - Ronchi dei Legionari, September 11 - Irish low-cost airline Ryanair will launch a free-of-charge promotion for its flights between Trieste, northern Italy, and London in the period between September 23 and December 17, 2003, it was reported on September 11, 2003.

Passengers will be able to travel free of charge, paying only the airport fee. Under the promotion, flight reservations have to be made between September 12 and 2400 local time on September 18, 2003. The promotion will not apply for flights between October 17 and November 2, 2003.

The company's passenger traffic stood at 2. 14 million in August 2003, up 44 pct year-on-year.

(ANSA).

Ryanair registered 6, 200 passengers on the destination between Ancona, central Italy, and London in August 2003.

Load-Date: February 20, 2004

Economy class OBSERVER

Financial Times (London,England)

September 5, 2003 Friday

London Edition 1

Section: OBSERVER; Pg. 20

Length: 144 words

Body

Ireland was eerily quiet yesterday as one-man-band Michael O'Leary took his show to Brussels. Obviously the garrulous boss of proud-to-be-cheap airline Ryanair was keen to schmooze ahead of that European Commission decision on his use of Brussels' Charleroi airport.

Er, not exactly. "We're not going to suddenly stop everything and spend long weeks and months over here lobbying," O'Leary declared. "I'm in Belgium today to announce 100,000 free seats." (yawn).

As one aide admitted: "I don't think Michael O'Leary does schmoozing.

While meeting Loyola de Palacio, transport commissioner, he was apparently a little less gung-ho ("we give him a tranquiliser before he goes in"). But O'Leary had no doubts: "We want an early decision and a positive decision and we're confident that we're going to get both." Quite right, too. That's just how things work in Brussels.

Load-Date: September 4, 2003

Briefing

Flight International

September 2, 2003

Section: News; Headlines; Pg. 5

Length: 612 words

Byline: Staff

Body

Greece creates new Olympic airline

Staff

Greek flag carrier Olympic Airways is to be relaunched as Olympic Airlines as part of a government restructuring programme launched last week. The government will create a new company from the flight operations departments of Olympic Airways and its subsidiaries Olympic Aviation and Macedonian Airlines, which will be transferred to private ownership. Support services such as ground handling, cargo and technical support will be outsourced to a new business unit. The relaunch will be accompanied by a reduction in staff from over 5,000 to 1,850 over five years.
Boeing clinches weapon deal

Staff

Boeing has beaten Lockheed Martin to win the US Air Force's small diameter bomb (SDB) programme, adding to its sole-source contract to produce JDAM satellite/inertial guided bombs. The $188 million contract includes system development and demonstration of the 115kg (250lb)-class munitions, four-bomb carriage system and accuracy-enhancement communications link. The US Air Force plans to buy 24,000 bombs and 2,000 carriage systems over 15 years.

Lancair Columbia 400 prototype crashes

Staff

Briefing

The prototype of Lancair's Columbia 400 turbocharged four-seater crashed last week in the final phase of flight tests. The test pilot parachuted to safety after an automatic recovery system failed to arrest a series of forced spins. The pilot deployed a spin chute as a precaution, which he was then unable to jettison, causing a loss of control and the aircraft crashed in a field near Millican, east of Lancair's facilities at Bend, Oregon. The accident occurred on 27 August during flight testing to evaluate several small adjustments to the prototype's elevator and rudder control surfaces. The company had originally scheduled flight tests to end last month, with certification set to follow this month.

Australia re-opens talks with Boeing

Staff

The Australian Department of Defence has resumed contract negotiations with Boeing for the replacement of the Royal Australian Air Force's aerospace command and reporting system, with both sides aiming to finalise a contract before the end of the year. Air Cdre David Pietsch, commander of the RAAF's Surveillance and Control Group, says the replacement system is expected to enter initial operational service in 2006, but will evolve over its life to provide higher level capabilities.

Ryanair suspends flights to Strasbourg

Staff

Ryanair will suspend its twice-daily service from London Stansted to Strasbourg from 24 September, flying instead to nearby German airport Baden-Baden. The low-cost airline and the Strasbourg chamber of commerce have lodged an appeal against a French court's decision to force an end to a commercial agreement that Air France says is "anti-competitive" and against state-aid rules.

IAI to supply UAVs by the hour

Staff

Israel Aircraft Industries (IAI) has signed a deal with the Israeli defence forces to supply unmanned air vehicles by the flight hour. The contract is worth $4.5 million a year. The Searcher 2 UAVs will be operated by IAI over the Palestinian authority areas to gather intelligence to meet the needs of field commanders.

Heroux-Devtek bids for NMF

Staff

Heroux-Devtek has made an unsolicited C$43 million ($30 million) offer for NMF Canada after the privately held aerostructures company filed to reorganise its debt. The two Montreal-based companies ended talks on a business combination in June last year, after which NMF sold its Spanish surface-treatment plant to Spain's Gamesa. Heroux-Devtek had sales last year of C$260 million.

Load-Date: September 9, 2003

Briefing.

Flight International
September 2, 2003

Business and Industry

Section: Pg. 5; ISSN: 0015-3710

Length: 612 words
Highlight: includes multiple articles

Body

Greece creates new Olympic airline

RESTRUCTURING Greek flag carrier Olympic Airways is to be relaunched as Olympic Airlines as part of a government restructuring programme launched last week. The government will create a new company from the flight operations departments of Olympic Airways and its subsidiaries Olympic Aviation and Macedonian Airlines, which will be transferred to private ownership. Support services such as ground handling, cargo and technical support will be outsourced to a new business unit. The relaunch will be accompanied by a reduction in staff from over 5,000 to 1,850 over five years.

Boeing clinches weapon deal

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IAI to supply UAVs by the hour

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Heroux-Devtek bids for NMF

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Load-Date: February 1, 2005

End of Document

Irish Ryanair Reports over 2.141 Mln Passengers Aug 2003

ANSA English Corporate Service

September 2, 2003

Section: NEWSWIRE

Length: 93 words

Dateline: London, September 2

Body

(ANSA) - London, September 2 - Irish low fare air carrier Ryanair reported passenger traffic of over 2. 141 million in August 2003, up 44 pct year-on-year.

A total of 94 pct of passengers bought tickets via the Internet in August 2003, compared to 92 pct for the same month of 2002. The load factor fell by five percentage points year-on-year in August 2003.

(ANSA)

The load factor is the ratio between the available and the occupied seats in the airplane.

Ryanair's passenger traffic stood at 2. 038 million in July 2003, an increase of 40 pct year-on-year.

Load-Date: February 20, 2004

Ryanair heads for Baden

AirFinance Journal

September 2003

Length: 81 words

Body

Ryanair has closed its London-Strasbourg flight, moving instead to Baden Baden Airport in Germany. This comes after a court challenge by Air France's Brit Air subsidiary.

Brit Air had challenged an agreement between Strasbourg Chamber of Commerce, which operates the airport, and Ryanair saying that the airline was receiving unfair benefits, including lower landing fees.

The Irish airline has said that if a stay is given, or it wins the appeal, it will return to the Strasbourg Airport.

Load-Date: October 4, 2007

Italy Ancona Airport Passenger Traffic Up 23 Pct Y/Y Aug 2003

ANSA English Corporate Service

September 1, 2003

Section: NEWSWIRE

Length: 142 words

Dateline: Ancona, September 1

Body

(ANSA) - Ancona, September 1 - Italian Ancona Airport Raffaello Sanzio served more than 60, 000 passengers in August 2003, up 23 pct year-on-year, it was reported on September 1, 2003.

The highest passenger traffic of 5, 000 was registered on the route to Paris.
The number of passengers to Barcelona increased by 33 pct to 2, 800. The number of passengers to Moscow exceeded 1, 000, registering a 23 pct increase. Daily flights to London, served by Irish low-cost carrier Ryanair, registered 6, 200 passengers.

The airport registered more than 7, 300 passengers to Milan, 8, 200 to Rome and 3, 100 to Palermo, Sicily.

Charter flights from Raffaello Sanzio to holiday resorts as Ibiza, Palma de Majorca and Egyptian diving resort Sharm el Sheik registered 7, 300 passengers, a 13. 6 pct increase(Alternative/Original name: Milano, Roma, Sicilia) (ANSA)

Notes

Unless otherwise stated, all figures are for August 2003 compared to August 2002.

Load-Date: February 20, 2004

SEVEN DAYS

Financial Times (London,England)

August 30, 2003 Saturday

London Edition 1

Section: The week in review; Pg. 10

Length: 333 words

Byline: By DARREN DODD and JAMES LAMONT

Body

BUSINESS

* NYSE chief bags Dollars 139m Richard Grasso, New York Stock exchange chairman and chief executive, received Dollars 139m (Pounds 83m) - more than the exchange's combined net income for the past three years - in a compensation package, it was revealed this week. The world's biggest stock market, which issued guidelines to its members last year on corporate governance issues, now moves to the centre of the debate itself.

* Ryanair hits turbulence The seemingly unstoppable rise of Ryanair, the cut-price airline, may be slowed by a legal defeat in France. Michael O'Leary's company is suspending flights to Strasbourg following complaints from Air France over the subsidies Ryanair gets from such small airports. A similar move - this time by the European Commission - could hit flights to Belgium.

* More misery for poor Freddie It has been a tough few weeks for Freddie Mac. The US mortgage financier, already caught up in an accounting scandal, last week dismissed Greg Parseghian, its chief executive, after an investigation found he had been involved in suspect financial transactions. This week its debt ratings were cut, following concerns from credit analysts at the change in leadership.

* Amazon fights spammers Amazon, the online retailer, took the war on spam - unsolicited e-mail - a step further by taking legal action against "spoofers" or spammers who send out e-mails purporting to be in Amazon's name.

* Mazda chief in Ford driving seat Ford this week appointed Lewis Booth, president of Mazda - one-third owned by Ford - as president and chief operating officer of its European business. The world's second largest carmaker is desperate to return to profitability in Europe after recording a loss of Dollars 525m (Pounds 312m) in the second quarter.

* Polished performance Reckitt Benckiser, household goods group and maker of Dettol and Vanish, put some sparkle back into the life of its shareholders this week by raising its dividend and beginning a share buyback programme.

Load-Date: August 31, 2003

Standards change

Financial Times (London,England)

August 30, 2003 Saturday

London Edition 1

Section: LETTERS TO THE EDITOR; Pg. 12

Length: 65 words

Byline: By DAVID J MARK

Body

From Mr David J. Mark.

Sir, How ironic that Air France should bring a suit against Ryanair, basing its case on "unfair" subsidies (report, August 28).

Where were the protests while the French taxpayer subsidised Air France for decades? That was then; this is now. Had current standards been applied earlier there would, of course, be no Air France today.

David J. Mark, 61350 Bad Homburg, Germany

Load-Date: August 31, 2003

Sky subsidies: But the discounts must be open to all airlines

Financial Times (London,England)

August 29, 2003 Friday

London Edition 1

Section: LEADER; Pg. 16

Length: 487 words

Body

There is a growing cloud over the future of budget airlines in Europe that will not be dispelled until the European Commission rules later this autumn on a test case involving Ryanair, the biggest European low-cost carrier.

This case stems from the investigation, begun last year, into whether the publicly owned Charleroi airport in Belgium has been giving unfair state aid to Ryanair. Pending the European Union ruling, however, a French court has now struck down a similar discount deal on airport charges offered to Ryanair by Strasbourg, also publicly owned. The carrier has this week announced it is switching its flights from the Alsatian city to a nearby airport in Germany. Ironically, the complaint about Strasbourg's alleged misuse of its public funds was brought by Air France, itself part-owned and long subsidised by the French state.

Most of the secret of the budget airlines' commercial success is down to rigid cost controls. They have tended to save money by buying one type of aircraft, flying them more often and turning them around more quickly than traditional scheduled carriers. But they have also been able to exploit the desperation of Europe's many under-utilised regional airports (some built as second world war bases) to attract business.

Ryanair makes no secret of its practice of playing one airport against another to get the best deal on everything from landing and ground- handling charges to office space. And it is in a position to do this; like other low-cost carriers it carries predominantly tourists and casual travellers and is therefore not committed to any particular route. But from the viewpoint of public policy, offering discounts at secondary airports may be an intelligent way of diverting traffic away from the overcrowded skies over Europe's main airports and a more effective way of promoting regional cities than standard advertising.

Clearly, there have to be some limits. One is a curb on exclusive sweetheart deals. Ryanair insists terms similar to what it obtained at Charleroi and Strasbourg were, and are, on offer to other airlines. It could be that such offers to other airlines become moot once Ryanair snaps up all the available capacity and demand at a relatively small airport. But, even if competitors are unlikely to emerge on Ryanair's route, every airport has other routes it can offer other carriers.

A second caveat, and one at the heart of the EU inquiry, is that publicly owned airports should not be allowed to offer larger subsidies than privately owned ones subject to the normal disciplines of the market. But most of the airports that Ryanair flies to are private and some of them have apparently seen fit to offer it better terms than Charleroi or Strasbourg.

A settlement of the airport aid cases along these terms would allow the Brussels Commission to preserve both the integrity of its single market and the price benefits of budget air travel.

Load-Date: August 28, 2003

Threat to Ryanair's business model: The low-cost airline has been hit by a legal case brought by a competitor, writes Dan Roberts

Financial Times (London,England)

August 28, 2003 Thursday

USA Edition 2

Section: COMPANIES UK; Pg. 20

Length: 541 words

Byline: By DAN ROBERTS

Body

Ryanair's threat to scrap cheap flights to provincial French airports may make thousands of British second home owners splutter over their Muscadet, but it also raises worrying questions about the airline's wider business model.

No low-cost operator has been quite as successful as Ireland's Ryanair in exploiting the desire for small regional airports to increase visitor numbers by attracting regular international flights.

In the case of France, the strategy has opened up large swathes of the country to visitors and property buyers thanks to air fares as low as Pounds 12 (Dollars 20).

But the booming trade has been threatened by opposition from other airlines jealous of the lucrative deals Ryanair has been able to strike with airport operators.

The airline was forced to abandon its service to Strasbourg this week after losing a court case brought by Air France and is now warning that other French routes could be under threat if similar legal action was brought elsewhere.

To seasoned Ryanair watchers, the threat has the familiar ring of clever political lobbying often employed successfully by Michael O'Leary, the airline's blunt-speaking founder.

John Mattimoe, an analyst with Merrion stockbrokers in Dublin, warns the legal battles could slow Ryanair's growth but are not as catastrophic as the airline's lobbying would suggest.

"Airport fees are only one small part of the cost structure, worth about 19 per cent of total costs," he said.

"It is easy to get over dramatic about this, but they still have lots of other efficiencies to keep costs down such as low turnround times and cheap ticket distribution."

Nevertheless, Ryanair itself warns there is no "mid-cost" alternative model that would allow it keep flying in France if airport operators were forced to stop providing financial support.

In the case of Strasbourg, the airport provided Ryanair with an estimated Pounds 1m of assistance to help set up the service.

Ryanair argues that such support is easily recouped through the additional revenues which flow from higher passenger numbers and was also on offer to other airlines.

Unfortunately not everyone sees it that way and the Strasbourg setback is a sign that courts and regulators increasingly regard such financial incentives from pubic or semi-public airports as a form of state subsidy.

A bigger challenge also still remains at Charleroi airport in Belgium where Ryanair faces a European Commission investigation into anti-competitive state aid. A verdict is expected later this autumn.

The loss of the entire French market, which depends on many more legal defeats than just Strasbourg, would not itself destroy the Ryanair business model.

Nevertheless, wider regulatory scrutiny of airport subsidies is likely to slow the so-far relentless growth of Europe's low-cost airlines.

"The big threat (if the Charleroi decision goes against Ryanair) is that they wouldn't be able to play off private sector airports against public sector airports quite as aggressively as they have done," said Mr Mattimoe.

Without ever-expanding markets to drive the share price, such a scenario could be just as gloomy for Ryanair's shareholders as the loss of cheap flights would be for all those Brits to have invested in isolated French property.

Load-Date: August 27, 2003

Ryanair's cheap flights hit turbulence: The airline's booming trade has been threatened by opposition from jealous competitors, writes Dan Roberts

Financial Times (London,England)

August 28, 2003 Thursday

London Edition 1

Section: COMPANIES UK; Pg. 20

Length: 625 words

Byline: By DAN ROBERTS

Body

Ryanair's threat to scrap cheap flights to provincial French airports is enough to make thousands of British second home owners splutter over their Muscadet, but it also raises worrying questions about the airline's wider business model.

No low-cost operator has been quite as successful as Ireland's Ryanair in exploiting the desire for small regional airports to increase visitor numbers by attracting regular international flights.

In the case of France, the strategy has opened up large swathes of the country to visitors and property buyers thanks to air fares as low as Pounds 12. But the booming trade has been threatened by opposition from other airlines jealous of the lucrative deals Ryanair has struck with airport operators.

The airline had to abandon its service to Strasbourg this week after losing a court case brought by Air France on whether subsidies paid to Ryanair by the state-owned airport were legal. It is now warning that other French routes could be threatened if similar legal action was brought elsewhere.

To seasoned Ryanair watchers, the threat has the familiar ring of clever political lobbying often employed successfully by Michael O'Leary, the airline's blunt-speaking founder.

"If we keep losing these cases we would have to shut down our operations and no-one is going to buy weekend property in the Dordogne if you have to go via Paris Charles de Gaulle," Mr O'Leary said yesterday.

John Mattimoe, an analyst with Merrion stockbrokers in Dublin, warns the legal battles could slow Ryanair's growth but are not as catastrophic as the airline's lobbying would suggest.

"Airport fees are only one small part of the cost structure, worth about 19 per cent of total costs," he said.

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Unfortunately, not everyone sees it that way and the Strasbourg setback is a sign that courts and regulators increasingly regard such financial incentives from pubic or semi-public airports as a form of state subsidy.

A bigger challenge also remains at Charleroi airport in Belgium where Ryanair faces a European Commission investigation into anti-competitive state aid. A verdict is expected this autumn.

Ryanair stresses that only 20 per cent of the airports it flies to are publicly run, and therefore vulnerable to such state aid challenges. France, where almost all the airports have a degree of public ownership accounts for just 3m of Ryanair's 24m annual passengers.

The loss of the French market, which depends on many more legal defeats than Strasbourg, would, therefore, not itself destroy the Ryanair business model.

Wider regulatory scrutiny of airport subsidies is likely to slow the so-far relentless growth of Europe's low-cost airlines.

In particular, isolated regions of Europe may be unable to compete among themselves to attract more air traffic with financial support packages. Private airport operators will face less pressure to compete.

"The big threat (if the Charleroi decision goes against Ryanair) is that they wouldn't be able to play off private sector airports against public sector airports quite as aggressively as they have done," said Mr Mattimoe.

Without ever-expanding markets to drive the share price, such a scenario could be as gloomy for Ryanair's shareholders as the loss of cheap flights would be for Brits that have invested in isolated French property.

Load-Date: August 27, 2003

Ryanair routes at risk

Financial Times (London,England)

August 28, 2003 Thursday

London Edition 1

Section: SHORTS; Pg. 1

Length: 34 words

Body

Ryanair routes at risk

Ryanair conceded it may have to drop many international routes following defeat in a French legal battle.Page 19; Observer, Page 16; Lombard, Page 20; Ryanair hits turbulence, Page 20

Load-Date: August 27, 2003

Ryanair LOMBARD - MARTIN DICKSON

Financial Times (London,England)

August 28, 2003 Thursday

London Edition 1

Section: COMPANIES UK; Pg. 20

Length: 147 words

Byline: By MARTIN DICKSON

Body

Ryanair's suspension of its London-Strasbourg service, because of an adverse court ruling over payments it receives to fly to secondary European airports, is not in itself significant to earnings. This is a fairly small, new route, and the company will keep some passengers by switching them to nearby Baden-Baden in Germany.

But this is Ryanair's first defeat over airport subsidies and more could follow. Michael O'Leary, the chief executive, acknowledged yesterday that other French routes could be in danger, while the big test is a European Commission ruling, due this autumn, on Ryanair's contract to use Charleroi Airport in Belgium.

An adverse EU decision would be a serious setback, but this alone would not undermine Ryanair's business model, which is not dependent on the subsidies. That said, margins could be trimmed, meaning somewhat higher fares or lower profitability.

Load-Date: August 27, 2003

Ryanair may drop routes in Europe

Financial Times (London,England)

August 28, 2003 Thursday

London Edition 3

Section: FRONT PAGE - COMPANIES & MARKETS; Pg. 19

Length: 125 words

Byline: By PETER JOHN

Body

Ryanair conceded yesterday that it may have to drop many international routes following defeat in a French legal battle.

The cut-price airline is to suspend its routes between Stansted and Strasbourg from September 24 because of a dispute with Air France over payments Ryanair receives to fly to secondary European airports.

It will shift its passengers to nearby Baden-Baden in Germany.

Michael O'Leary, chief executive, said: "If we continue to have rulings against us . . . pulling out would be one of the options." Mr O'Leary also said he was ready to stop using Charleroi airport in Belgium if a European Commission finding - due in the autumn - goes against him.

"Charleroi is our Waterloo," he said. Lombard, Page 20 Ryanair hits turbulence, Page 20

Load-Date: August 27, 2003

Lost property OBSERVER COLUMN

Financial Times (London,England)

August 28, 2003 Thursday

London Edition 1

Section: OBSERVER; Pg. 16

Length: 103 words

Body

The middle classes of middle England dreaming of country cottages in France profonde must be quaking at the latest French court ruling.

Michael O'Leary, the colourful chief executive of Ryanair, says his decision to suspend flights from London to Strasbourg might be the start: the other 18 French airports the company serves could also suffer if litigation continues.

"No one is going to buy weekend property in the Dordogne if you have to go via Paris Charles de Gaulle," says O'Leary. True, but route closures could have an upside.

It might put a stop to those endless television programmes about properties in France.

Load-Date: August 27, 2003

Scotland happy to overcome its fear of flying MARK NICHOLSON VIEW FROM EDINBURGH

Financial Times (London,England)

August 26, 2003 Tuesday

London Edition 1

Section: NATIONAL NEWS; Pg. 4

Length: 572 words

Byline: By MARK NICHOLSON

Body

The busy bank holiday makes it likely that a record number of passengers will use Scotland's airports this month but the eye-catching figure will be the number of people making direct international flights.

July was already a record month for BAA's Scottish airports, with 1.9m passengers using Edinburgh, Glasgow and Aberdeen, up 3.6 per cent and led by an 11 per cent rise at Edinburgh.

Most striking was the sharp rise in direct international traffic. It was up 8.6 per cent on July 2002, meaning 780,000 people travelling to and from foreign parts last month.

What this partly reflects is a leap in the number of direct flights in the past year. Edinburgh airport alone has announced 13 new routes, linking Scotland for the first time directly to cities such as Prague, Cologne and Barcelona.

Prestwick, whose passenger footfall is rising 13 per cent annually due mainly to Ryanair's expansion at its Scottish hub, has also added 12 routes in the period.

Several new airlines have taken off. Air Scotland.com launched with flights this summer to a number of Spanish resorts, and flyglobespan.com to Malaga, Palma, Nice and Rome from Prestwick. In November, Duo, based in Birmingham, will offer routes from Edinburgh to Milan, Oslo, Geneva and Zurich.

Scotland's tourism chieftains, who feared that the boom in low-cost and new services would entice more Scots abroad, have been delighted to see instead a lifeline thrown to the domestic industry.

In 2001, the latest year for which there are hard figures, there were 24 per cent fewer foreign visitors than in 1997. But indications from the airports suggest the trend is poised to change.

At Prestwick, for example, Ryanair has put bigger aircraft on its Brussels and Frankfurt Hahn routes to accommodate surging inbound demand: three-quarters of passengers on the Hahn route are arriving Germans. Ryanair's Oslo route is also generally two-thirds full of Norwegians.

Peter Lederer, chairman of VisitScotland, the tourism agency, said: "The worry was that you'd lose people through these new routes. But on some of these key routes, anything up to 60 per cent of the traffic is inbound. I'm getting calls from people in the business saying, 'I've suddenly got all these Germans arriving at the golf course. Where are they all coming from?'"

While it will be next year before there is hard data on the number of new foreign visitors, Scottish tourism leaders have performed a neat volte-face and allied themselves to the low-cost carriers.

VisitScotland has started to target its marketing initiatives in the new destination countries.

Meanwhile, the Scottish executive late last year stumped up Pounds 6.8m to offer discounted landing fees for carriers offering new routes. BAA has announced it would set aside Pounds 60m of its own to encourage new routes.

Next month these initiatives will be capped by something of a coup for Scotland: Edinburgh will host the annual routes conference, the main event in the aviation route-planners' calendar.

VisitScotland, the Scottish executive and Scottish Enterprise lobbied hard to win the event, which was held in Athens last year. Mary McLaughlan, head of transport at Scottish Enterprise, said: "It's entirely deliberate to put Scotland on the map in the minds of route planners."

The expectation is that more routes will open but even if they don't, for the 1,000 delegates from all around the globe, getting to Edinburgh will never have been easier.

Load-Date: August 25, 2003

Ryanair hits out at landing fees NEWS DIGEST

Financial Times (London,England)

August 21, 2003 Thursday

London Edition 1

Section: NATIONAL NEWS; Pg. 4

Length: 163 words

Byline: By JONATHON GUTHRIE

Body

Ryanair used an announcement of a doubling of flights from Birmingham to attack airport operators it says charge inflated landing fees.

Michael O'Leary, chief executive of the low fares airline, said: "We have said we could make Birmingham a low cost base but they keep saying no.

They are just going backwards."

Mr O'Leary accused Birmingham International Airport of protecting long established airlines, saying that Ryanair was willing to base four to five aircraft there but had been prevented by the BIAs unwillingness to provide appropriate discounts in landing fees. However, BIA said: "We offer an incentive scheme to all airlines equally when they want to develop new routes. That has been acceptable to businesses such as MyTravelLite, who have found it perfectly possible to develop low fare routes from Birmingham." Ryanair is increasing its flights from Birmingham to Dublin from three to five a day and starting daily services to Barcelona and Murcia. Jonathan Guthrie

Load-Date: August 20, 2003

EUROPE: Finnair plans cheap routes with Airlink AIRLINES:

Financial Times (London,England)

August 20, 2003 Wednesday

London Edition 1

Section: INTERNATIONAL COMPANIES: EUROPE; Pg. 24

Length: 328 words

Byline: By NICHOLAS GEORGE

Dateline: STOCKHOLM

Body

Finnair yesterday announced plans to become the Nordic region's leading low-cost airline in a move that will increase pressure on rival SAS.

The Finnish flag-carrier has acquired an 85 per cent stake in Nordic Airlink, and plans to launch domestic and intra-Scandinavian routes with its six-aircraft fleet from Stockholm's Arlanda airport later this year.

The Swedish market has become the latest battleground for Europe's low-cost carriers, which have expanded from their roots in the UK and Ireland to establish a major presence in Germany.

Ireland's Ryanair already has a base at Skavsta airport, 100km to the south of Stockholm, operating regional routes.

But Petteri Kostermaa, Finnair's vice-president of network strategies and management, said Airlink would follow the easyJet model of serving major airports rather than searching for cheaper airports further from the eventual destination.

Airlink, which Mr Kostermaa said offered operating costs 50 per cent lower than those of SAS, will not fly between Sweden and Finland where it would compete with Finnair's existing services.

"This is very much an offensive move as we will be entering markets where we are not operating," says Mr Kostermaa. "There are lots of routes within and out of Sweden in the hands of SAS or Star Alliance (members) and they are the routes we will enter," he said.

Finnair is a member of the rival Oneworld alliance led by British Airways and American Airlines. Star includes Lufthansa and United Airlines, as well as SAS.

This is not the first time Finnair has attempted to increase its footprint in the Swedish market. In the 1990s it co-operated with Sweden's Transwede and later had direct flights from Stockholm to the Danish capital Copenhagen, though both projects folded.

Finnair yesterday reported a pre-tax loss in the three months to June 30 of Euros 6.4m (Dollars 7.1m) compared to a profit of Euros 27.8m in the same period a year earlier. Sales fell by 14.2 per cent to Euros 366m.

Load-Date: August 19, 2003

Why don't they understand our strategy?: Ensuring staff comprehend - and therefore carry out - your plan of action demands a sure touch, writes Robert E.Mittelstaedt:

Financial Times (London,England)

August 20, 2003 Wednesday

London Edition 1

Section: FT SUMMER SCHOOL; Pg. 11

Length: 1326 words

Body

When running executive education programmes, interviewing executives and sitting as a board member, I have heard one statement recur with surprising regularity: "I don't understand our strategy."

Strategies come in many shapes and sizes and every chief executive has to have one. The media, institutional investors and the clamour of the annual meeting demand a concerted plan of action, never a simple declaration of business as usual.

Yet those further down the organisation often fail to see the relevance of the strategy to their own activities. Chief executives typically respond: "They've been briefed a hundred times - they should understand it by now."

Good strategies that differentiate a company and create value are not easily found. Managers work hard to identify opportunities, find new ways to compete and make sure they have the resources they need to execute the strategy. But it is usually focus and execution that make or break the company.

The strategy of US retailer Wal-Mart is not complex but its operation is extraordinary. Its competitor K-Mart failed to execute its strategy and went bankrupt. In the airline business, Ryanair in Europe and Southwest in the US have simple business models that they are adept at carrying out.

Competitors tempted to pursue more than one strategy, such as both full-service and discount offerings within the same corporate structure, usually fail, not because the ideas are bad but because employees get confused about their priorities and execution suffers. Think of US airline Continental's creation of Continental Lite, British Airways' launch of Go, or US Airways' cut-price MetroJet.

Multiple strategies conceal a lack of focus and are often couched in terms that merely exhort employees to try hard to overcome their inherent conflicts. Corporate wordsmiths massage the communication of the strategy until it becomes all things to all people, belying its true complexity and meaning nothing to the person trying to do his or her job every day.

Why don't they understand our strategy?: Ensuring staff comprehend - and therefore carry out - your plan of action demands a sure touch, writes Robert E.Mittel....

Making the connection

Strategy can come alive for every employee but for this to happen managers haveto give up some control.Long before the fad for empowerment of the late 1980s, Kenwyn Smith of the University of Pennsylvania advised: "To gain power, give up control."

Prof Smith meant that for managers to be really effective they must draw a range of people into situations where they have both an incentive and authority for action. When this works, managers will have gained power through the actions of others but lost some immediate control in the process.

For strategy, this means giving individuals some flexibility to figure out what the strategy means in the context of the execution of their daily job, and encouraging and allowing them to take appropriate action without checking every step.

This does not mean every employee should develop a strategy. It means one must look for ways to communicate the strategy in a way that will mean something - perhaps something different - to everyone. If a person understands what has been communicated, she will ask herself how she can personalise it for her situation and then look for ways to take action.

Problems can result if the individual either does not see a personal link or feels no freedom to act. Employees who understand the communication but do not believe it are unlikely to follow it up with action.

How, then, do you make it personal? Colleen Barrett, president of Southwest Airlines, writes: "When we began flying 32 years ago, our goal was to make affordable travel available to every American barred from exercising their freedom to fly by other airlines' high fares."

At Southwest, people learn to do their jobs in support of the strategy to make travel affordable by reducing costs and improving turnround time (which in turn reduces cost). This is codified in procedures and guidelines but much depends on individual internalising of the strategy on a personal level. Pilots may be seen loading luggage when things are tight, or flight attendants helping to clean aircraft cabins, instead of sticking to a limited job description.

Certain limits are clearly understood, the best example in the aircraft industry being operating procedures and regulations. The combination of innovation with discipline may explain why Southwest has the most efficient company of its size in the industry (it has the lowest operating costs per passenger or per aircraft mile) and the best safety record.

There are simple but highly effective techniques used by experienced leaders to bring strategy alive, help others to remember vital points and find a connection with the details of the strategy:

Compensation

The most powerful way to bring strategy alive is through compensation. This is difficult - but works best at lower levels where there is an identifiable connection between action and reward. Continental Airlines dramatically improved customer satisfaction and on-time performance by giving flight crews bonuses tied to these performance indicators.

Similarly, sales people working on commission always understand the incentives that will help them earn more money.

Mnemonics

We often use memory aids - phrases or combinations of letters and numbers - to help remind us of something. The "Five Rs", "E3" and other executive mutterings mean nothing to most of us but can help explain a concept for employees. But advertising slogans - Volkswagen's "Drivers wanted" or BMW's "The ultimate driving machine" - do little to help employees to relate the strategy to their jobs.

The best candidates are sayings or mnemonics that highlight attributes such as quality, speed, cost, satisfaction and other things employees can affect directly. "E3" reminds staff: "Everyone knows the customer; everyone improves quality; and everyone sells".

The intent is clear: to provide a service that will garner loyalty and encourage customers to buy again.

Storytelling

Oral history was apowerful part of all humansocieties before writing and printing developed and remained so for centuries afterwards. We remember storiesthat a parent told us as a child, often in a way that helped us learn an important lesson.

Corporate storytelling can clarify ideas and reinforce certain kinds of behaviour. It can deal with issues such as serving customers, intelligent risk-taking or looking for product opportunities.

The US pharmaceutical group Merck developed a drug to treat river blindness in Africa and South America - though it would have to be given away because sufferers could not afford to buy it. When recruiting, the company retells this story to describe its culture in a compelling and memorable way.

Making the strategy come alive is more difficult in complex businesses operating in several segments or industries but it generally starts with a statement of purpose. On its website, Unilever says: "Our purpose in Unilever is to meet the everyday needs of people everywhere - to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life."

Making this come alive for workers requires adaptation at lower levels and within segments but here playing off consumer aspirations and raising the quality of life are obvious choices.

In large organisations the statement of purpose sets a general context; beyond this, lower-level managers may have to provide more detailed aims for divisions or product groups to help them "walk in the customers' shoes".

The desire by individuals to feel valuable and make a contribution to a group is universal. Leaders throughout a company can improve their chances of achieving corporate aims, both for individual satisfaction and for the benefit of the business, by finding ways to bring the strategy alive in a personal way through easily understood examples, reminders and stories.

The writer is vice-dean for executive education at The Wharton School, University of Pennsylvania

Load-Date: August 19, 2003

In Brief

Flight International

August 19, 2003

Section: News; Air Transport; Pg. 8

Length: 323 words

Byline: Staff

Body

Ryanair ruling

Staff

Ryanair is calling for an immediate delay to the implementation of the recent court ruling that its deal with Strasbourg airport is illegal, or it will shut down services to the French city. The airport and the local chamber of commerce agreed last year to pay Ryanair [euro]1.4 million ($1.6 million) if it started two daily London Stansted-Strasbourg services, but the Strasbourg admin- istrative court decided that this was an illegal state subsidy.
The court's decision will come into force on 24 September.

UTair request

Staff

Russia's fourth largest airline UTair (formerly Tyumenaviatrans) has issued a request for tenders for the supply of five turboprops to replace its Antonov An-24s. The airline expects to conclude negotiations by year-end.

Air Arabia deal

Staff

Sharjah, United Arab Emirates-based start-up Air Arabia has concluded a deal with International Lease Finance for four new CFM International CFM56-5B4-powered A320s for delivery in February. The airline will launch services with two used A320s leased from ILFC this year.

In Brief

Virgin talks

Staff

Virgin Atlantic Airways expects to finalise a deal for around 10 aircraft this year to boost capacity and replace older types from 2005. Talks are under way with Airbus and Boeing. Virgin says while market conditions are difficult, "there are opportunities to expand capacity". It adds that now is "the time to invest".

Shanghai cargo

Staff

Shanghai Airlines has entered the dedicated cargo market with the launch of its first freighter services using a Boeing 747-200F on wet lease from UK-based MK Airlines. Flights are being operated thrice-weekly between the carrier's Shanghai base and the former Portuguese enclave of Macau, west of Hong Kong. Meanwhile, Shanghai Airlines has teamed up with Taiwan's EVA Air to co-operate on cargo movements between Shanghai and Taipei, via Macau.

Load-Date: August 26, 2003

strategy Nicholas Ionides / Singapore Air Macau stake on offer in possible low-cost move Airline aims for radical transformation to reduce dependence on China-Taiwan traffic.

Flight International

August 19, 2003

Business and Industry

Section: Pg. 8; ISSN: 0015-3710

Length: 349 words

Body

Air Macau is considering radically changing its business model into a low-cost operation in a move that could include the purchase of a stake by Tony Ryan, the founder of Ryanair.

Although the airline declines to comment, industry sources close to Air Macau's 51% shareholder, China National Aviation (CNAC), say informal talks have been held with several parties interested in taking a stake in the carrier. Local media reports identify the most likely partner as Ryan, but he has not responded to requests for comment.

One of the airline's shareholders, Portugal's TAP, has been trying to sell its minority stake, held indirectly through another company.

Air Macau, which is based in the former Portuguese enclave of Macau, west of Hong Kong, started operating in 1995 when Macau's airport opened. The island, now a Special Administrative Region of China, is best known for gambling, although Air Macau profits most by carrying passengers between Taiwan and China via its home base. Non-stop flights between China and Taiwan are banned.

A source close to CNAC says the company has been considering changing the focus of full-service operator Air Macau, partly to reduce its dependence on China-Macau-Taiwan passenger and cargo traffic. It believes non-stop flights will eventually be allowed between Taiwan and China and most passengers will choose to bypass Macau.

"Transforming Air Macau has always been the objective [of CNAC]," says the source. "Macau may be the perfect place for an LCC [low-cost carrier], so that may be the solution."

Media reports say Ryan's family has been discussing the purchase of a stake through family investment vehicle Irlandia Investments since June.

Although low-cost carriers have yet to make the same impact in Asia as they have in Europe and North America, some major airlines such as Singapore Airlines and Thai Airways International are looking at establishing no-frills subsidiaries following the success of Malaysia's AirAsia, which is now expanding rapidly.309

Load-Date: February 1, 2005

Air Macau stake on offer in possible low-cost move; Airline aims for radical transformation to reduce dependence on China-Taiwan traffic

Flight International

August 19, 2003

Section: News; Air Transport; Pg. 8

Length: 337 words

Byline: Nicholas Ionides / Singapore

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Load-Date: August 26, 2003

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Flight International

August 19, 2003

Business and Industry

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Body

ryanair ruling

Ryanair is calling for an immediate delay to the implementation of the recent court ruling that its deal with Strasbourg airport is illegal, or it will shut down services to the French city. The airport and the local chamber of commerce agreed last year to pay Ryanair g1.4 million ($1.6 million) if it started two daily London Stansted-Strasbourg services, but the Strasbourg administrative court decided that this was an illegal state subsidy.

The court's decision will come into force on 24 September.

UTair request

Russia's fourth largest airline UTair (formerly Tyumenaviatrans) has issued a request for tenders for the supply of five turboprops to replace its Antonov An-24s. The airline expects to conclude negotiations by year-end.

Air arabia deal

Sharjah, United Arab Emirates-based start-up Air Arabia has concluded a deal with International Lease Finance for four new CFM International CFM56-5B4-powered A320s for delivery in February. The airline will launch services with two used A320s leased from ILFC this year.

Virgin talks

Virgin Atlantic Airways expects to finalise a deal for around 10 aircraft this year to boost capacity and replace older types from 2005. Talks are under way with Airbus and Boeing. Virgin says while market conditions are difficult, "there are opportunities to expand capacity". It adds that now is "the time to invest".

Shanghai cargo

Shanghai Airlines has entered the dedicated cargo market with the launch of its first freighter services using a Boeing 747-200F on wet lease from UK-based MK Airlines. Flights are being operated thrice-weekly between the carrier's Shanghai base and the former Portuguese enclave of Macau, west of Hong Kong. Meanwhile, Shanghai Airlines has teamed up with Taiwan's EVA Air to co-operate on cargo movements between Shanghai and Taipei, via Macau.

Load-Date: February 1, 2005

A Dalmatian dream home: Naomi Mapstone discovers Croatia - the Mediterranean's latest property hotspot

Financial Times (London,England)

August 16, 2003 Saturday

London Edition 1

Section: FT WEEKEND - HOUSE & GARDEN; Pg. 10

Length: 569 words

Byline: By NAOMI MAPSTONE

Body

Croatia in the summertime is a seductive place. At night, on board a yacht in a secluded bay near the island of Vis, it is hard to conjure up the bloody images of war that still dog the country's tourism industry. The sea is calm, the sky is sprinkled with stars, and the only sound is the hum of dinner conversation below deck.

Sailing is a big draw in these parts. Sixteen of the country's 50 harbours have Blue Flag status, and scores of new ones are being built. In the marina at Hvar, gleaming yachts from Trieste, Nice, London, Southampton, Sydney and the British Virgin Islands rival the line-up at St Tropez.

It is no wonder Croatia is being rediscovered - not just by tourists, but also by intrepid house-hunters. Tourists are being lured by the promise of this "new Cote D'Azur" as well as by the secluded bays, villages crammed with Venetian, Roman and Slavic architecture, pristine beaches such as Brac's Zlatni Rat ("golden beach"), and by national parks such as that on the island of Mjlet, about an hour by fast ferry from Dubrovnik. This is where Homer's hero Ulysses came under the spell of Calypso, and its forests and salt lakes still work their magic.

Sharon Stone, Clint Eastwood, Claudia Schiffer, Michael Schumacher and Princess Caroline of Monaco are among the celebrities rumoured to have been scouting the Istrian and Dalmatian islands for homes.

Vlatka Lovric of Croatia-Estate 2000, a real estate agency based in Split, says Britons make up the bulk of their foreign clientele. Although no low-cost airlines fly to Croatia at present, Croatia Airlines flies daily to Split, where ferries depart for Brac and other islands. Alternatively, Ryanair flies to Ancona, where you can take the overnight ferry on to Split. Hungarians, Czechs, Germans, Italians and Swedes are also on the prowl.

The islands of Brac, Hvar and Korcula are the most popular locations among Britons, followed by the spectacular walled city of Dubrovnik on the mainland.

"In almost all cases they're looking to buy an old stone house they could renovate and spend their vacation in or rent in the summer," says Lovric. "Brac is the closest island to the coast and has good connections with the mainland."

Bargains are few and far between - just three years ago it was possible to buy a three-bedroom stone cottage in need of renovation for Euros 80,000 (Pounds 56,300), but prices have shot up - such properties are now selling for Euros 150,000-Euros 300,000. For those willing to invest time in a search and who are open to renovating or redecorating a house, however, there are gems to be found. Many island properties are quite large, with grounds, and sit on or near the waterfront.

Websites touting Croatian property give a good overview of the market. Alongside the usual choices, there is another, more surprising option - entire islands.

Lovric says such islands generate a lot of interest, but some wealthy clients seeking privacy are deterred by the public right of access enshrined in Croatian law.

"You can have a private beach, but you can't drive anyone away if they want to swim there," she says.

There are also strict laws dictating what kind of developments can be added to such islands - which Lovric says deters many corporate developers. This could be good news for private buyers - the region has so far escaped the advance of cheap apartment blocks that have blighted so many other Mediterranean hotspots.

Load-Date: August 15, 2003

Dragonair ends Cathay legal action AIRLINES:

Financial Times (London,England)

August 15, 2003 Friday

London Edition 1

Section: COMPANIES ASIA-PACIFIC/INTERNATIONAL; Pg. 25

Length: 451 words

Byline: By JOE LEAHY

Dateline: HONG KONG

Body

Dragonair, Hong Kong's number two airline, has dropped a legal challenge to an attempt by rival Cathay Pacific Airways to expand into the mainland market.

The airline, which specialises in short-haul flights between Hong Kong and the mainland, had applied to withdraw the case and Cathay had consented, a person familiar with the issue said yesterday. Dragonair had been seeking a judicial review of a decision by the territory's Air Transport Licensing Authority (Atla) in April to grant Cathay rights to fly to Beijing, Shanghai and Xiamen.

Controlled by the China National Aviation Corp (CNAC), the commercial arm of China's aviation ministry, Dragonair had argued that Cathay's entry into the market would lead to over-competition. Cathay had claimed that there was sufficient demand on the routes to support more than one airline.

The withdrawal of the lawsuit opens the way for Cathay to realise its long-sought ambition of flying to the mainland for the first time since the early 1990s, allowing it to capitalise on economic growth there.

The battlefield, however, is now likely to shift to Beijing. The Hong Kong government still has to negotiate on Cathay's behalf with the mainland industry regulator, the General Administration for Civil Aviation of China, which is likely to come under pressure from CNAC and domestic airlines to reject the proposal. "I would think there is still a fair bit of work for Cathay to do," said Peter Negline, analyst with JP Morgan in Hong Kong. "In this process, you can't take anything for granted."

Atla has described the dispute between Cathay and Dragonair as more like a "family altercation" than a commercial issue because of the close links between the two airlines. Cathay and its controlling shareholder, Swire Pacific, own about 25.5 per cent of Dragonair. Cathay pulled out of China in 1990 after buying the stake in Dragonair, which it then used as a de facto regional airline. There was also concern that Cathay and Dragonair might face competition from a new source following recent press reports that CNAC was exploring a possible low-cost airline venture in China.

The target company was believed to be Air Macau, another CNAC-controlled carrier. The new venture would use Macau's under- utilised airport to offer sharply discounted prices. Mr Negline warned that a "no-frills" Air Macau could knock 5 per cent off Cathay's total revenues if it began working the route between Hong Kong and Macau and Taiwan.

The Irish press has reported that CNAC has been in talks with the investment vehicle of Ryanair's founding family about the venture. "The Ryan family would present as formidable a low-cost opponent for Cathay as we could envisage," Mr Negline said.

Load-Date: August 14, 2003

Lufthansa THE LEX COLUMN:

Financial Times (London,England)

August 14, 2003 Thursday

London Edition 1

Section: LEX COLUMN; Pg. 18

Length: 248 words

Body

Lufthansa is no longer in denial. For the first time, the German airline has fully acknowledged the threat from low-cost competition.

After KLM showed just how much pressure the low-cost airlines are exerting on fares in Europe, it was hard to see how Lufthansa could avoid a similar hit.

That Hapag Lloyd Express, one of the most aggressive new entrants, is giving Lufthansa's top management a headache is significant. Germany, with its high fares, is proving a magnet to low-cost competitors. Lufthansa's European yields were 9.4 per cent lower in the second quarter. But yields into and out of Germany were about 14 per cent lower. In the first quarter they deteriorated by 30 per cent. The German low-cost market is reckoned to be at a similar stage of development to the UK five years ago. This is worrying, given the damage inflicted on British Airways' short-haul profitability. Lufthansa's performance also shows how much pressure the European short-haul market is under. This comes as the Asian and north Atlantic markets show signs of recovery. Ryanair is going for a second year of frantic growth. It is discounting heavily, driving down base fare levels. The network carriers are fighting back. Lufthansa has little choice but to join them. It will spell out its plans for improving its short-haul business in November. The changes could be painful but at least Lufthansa appears ready to respond to the low-cost threat. Notes on semiconductors and North Sea oil at www.ft.com/lex

Load-Date: August 13, 2003

No-frills Low-cost airlines lift earnings as holiday demand stays high.

Flight International

August 12, 2003

Section: Pg. 25; ISSN: 0015-3710

Length: 203 words

Body

Low-cost carriers around the world have reported healthy earnings for the three months to June, and are talking optimistically about the second half.

Ryanair reports soaring passenger numbers - up 45% from the same period last year to 5.1 million - and revenues - up 26% to g245 million ($283 million) - on the back of its acquisition of Buzz this year.

But it saw profit margins and yields fall 14%, which it blames on the cost of launching 50 new routes, and warns yields for the full year could be 15% lower than in 2002.

UScarriers have seen slower passenger growth but better yields. Southwest Airlines posted second-quarter net income of more than $100 million, excluding $271 million in government aid. Chief executive James Parker credits high demand for holiday travel, and says earnings in the next quarter should beat last year. AirTran Airways posted net income of $21.9 million before one-off items, and chief operating officer Bob Fornaro says: "Our revenues are going up, costs are going down, and margins are widening." JetBlue Airways posted $14.6 million in net income for the quarter, but saw yield fall 5%.Copyright 2003 Reed Business Information LimitedCopyright 2003 Reed Business Information Limited188

Load-Date: February 1, 2005

Low-cost airlines lift earnings as holiday demand stays high

Flight International

August 12, 2003

Section: News; Business; Pg. 25

Length: 195 words

Byline: Staff

Body

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Load-Date: August 19, 2003

Maybe Ryanair could try civilised approach for a change

Financial Times (London,England)

August 9, 2003 Saturday

London Edition 2

Section: LETTERS TO THE EDITOR; Pg. 12

Length: 179 words

Byline: By ANDRE CLODONG

Body

From Mr Andre Clodong.

Sir, Is Ryanair feeling the heat? Ryanair's attack on the railways, suffering from the heatwave, is but one of a long series of opportunistic moves by the airline. Ryanair is the success story in the transport world.

Why then does Ryanair hit its competitors when they are down? Be it British Airways or the railways, when they falter, Ryanair goes for the jugular.

Restraint and fairness also bring dividends, albeit in the longer run. When Jan Ullrich, cyclist, waited for Lance Armstrong who had fallen in the Tour de France, he was reciprocating a similar gesture by Armstrong two years earlier. That does not stop either of them from competing head on.

The air transport world is known for its solidarity when things go wrong. It depends on it. Competitors often take on stranded passengers. Parts exchanges that avoid aircraft being grounded are common.

The world of transport must co-operate for its own and the public's sake. Competition is fine; but a modicum of civility would be welcome.

Andre Clodong, Transport Consultant, 1000 Brussels, Belgium

Load-Date: August 20, 2003

UK: EasyJet's passenger growth slowing NEWS DIGEST

Financial Times (London,England)

August 8, 2003 Friday

London Edition 1

Section: COMPANIES: UK; Pg. 22

Length: 145 words

Byline: By KEVIN DONE

Body

The rate of growth in EasyJet passenger numbers slowed again in July, with a rise of only 9.4 per cent year-on-year to 1.89m. The low-cost airline is reining in capacity growth as it seeks to increase profitability and stop the erosion of fare levels it suffered in its first half, from October to March, when capacity was expanding rapidly.

Passenger volumes rose 13.5 per cent year-on-year in June and by 21.8 per cent from 4.3m to 5.2m from April to June.

In the 12 months to the end of July, EasyJet carried 19.7m passengers compared with 17.9m on Ryanair, but it is expected to be overtaken by its Irish rival in the coming 12 months.

In July, Ryanair carried 2.04m passengers, the first time either of the no-frills operators has carried more than 2m in a month, and the Irish group is forecasting a rise of about 50 per cent in passenger volumes this year. Kevin Done

Load-Date: August 11, 2003

Ryanair threat to quit airports over legal rift

Financial Times (London,England)

August 6, 2003 Wednesday

London Edition 1

Section: INTERNATIONAL NEWS; Pg. 6

Length: 385 words

Byline: By KEVIN DONE

Body

Michael O'Leary, Ryanair chief executive, threatened yesterday to pull the airline's services out of both Charleroi, its Belgian operating base, and Strasbourg if the European Commission and a French appeal court rule against its deals with the airports.

The Irish low-cost airline's challenge raises the stakes in its battle with the Commission and the French courts over alleged payments of illegal aid.

The Charleroi case is the more important, as the airport - which is near Brussels and Lille - is significant for the Ryanair network and the case could have implications for some of the group's other airport deals.

Charleroi was the airline's first operating base in continental Europe. Ryanair flies to 11 destinations from it.

The Commission launched a formal investigation into Ryanair's financial relationship with both Charleroi airport and the regional government of Wallonia in December last year and is expected to report its findings in the autumn.

It is investigating what it claims could be illegal state subsidies such as reduced landing charges and financial support for training, recruitment, marketing and subsistence for Ryanair staff.

Mr O'Leary said his confidence that the Commission would rule in Ryanair's favour had been undermined when a French court ruled last week that financial aid granted by the regional chamber of commerce to help establish a service between Strasbourg and London's Stansted airport was illegal.

The chamber of commerce and the airline are seeking an appeal and injunction against the ruling.

Mr O'Leary said Ryanair would shut down its operations at Charleroi and would withdraw from Strasbourg rather than increase its fares as a result of losing the cases. Aircraft would be moved to other airports and the airline did not face any penalty clauses in its airport agreements. "We are not going to make it easy for any bureaucrats."

The Strasbourg action was brought by Brit Air, a subsidiary of Air France, which claimed it had been forced to close its Strasbourg-London service because of the aid which had distorted competition. The Charleroi probe followed complaints from Brussels' Zaventem airport.

Mr O'Leary accused some competitors of starting "spurious legal actions" to try to restrict Ryanair's route development and lower fares. Increased capacity, Page 20

Load-Date: August 5, 2003

Ryanair THE LEX COLUMN:

Financial Times (London,England)

August 6, 2003 Wednesday

London Edition 1

Section: LEX COLUMN; Pg. 18

Length: 240 words

Body

Ryanair's first-quarter results demonstrate the head wind confronting the low-cost airline. It is aiming for a second year of frantic growth, in contrast to rival EasyJet, which has scaled back its expansion.

Ryanair's planned capacity growth this year of 57 per cent - as measured by available seats - and passenger growth of 50 per cent are clearly taking their toll. It is struggling to fill extra capacity, and is doing so only by discounting. Hence, while passengers carried rose 45 per cent in the first quarter, the load factor slipped from 83 per cent to 78 per cent. Average fares were 14 cent lower, with just 6 percentage points of this from adverse currency movements.

With pressure on yields, Ryanair is reliant on its legendary ability to control costs. This has set it in good stead so far, but future progress could be bumpier. If the European Commission's inquiry into Ryanair's contract with Charleroi airport produces an adverse result, this could undermine a key cost advantage.

Given this, the only way to maintain returns will be to find a way to fill new capacity profitably and to control costs. But this is getting harder. The airline will slow its capacity growth next year to 20-25 per cent and will also switch to operating leases for some of its new aircraft, which should ease capital expenditure. But in the meantime, Ryanair's plans to dominate the skies are becoming costlier. They could soon face turbulence.

Load-Date: August 5, 2003

UK: Increased capacity squeezes Ryanair's margins TRANSPORT:

Financial Times (London,England)

August 6, 2003 Wednesday

London Edition 1

Section: COMPANIES: UK; Pg. 20

Length: 476 words

Byline: By KEVIN DONE

Body

Ryanair is paying the price of its high rate of capacity growth with lower profit margins and squeezed fare levels, as it struggles to fill all its extra seats despite extensive discounted fare promotions.

The Irish low-cost airline said yesterday that its average fare level had fallen by 14 per cent in the three months from April to June to Euros 41.71 (Pounds 29.06), while it had only filled 78 per cent of its seats compared with 83 per cent a year ago.

Ryanair has previously warned of the slowdown in profits growth that would result from the present period of abnormally high expansion, following the launch of 50 routes and the opening of two new operating bases during recent months.

The group is also being hit by the weakness of sterling against the euro and the integration costs arising from its takeover of Buzz, the former low-cost subsidiary of KLM of the Netherlands. Chris Avery, aviation analyst at JP Morgan, warned that with the slowest growth in earnings per share "for a long time" the premium rating of Ryanair's shares over the sector "may not be justified in the short term".

Ryanair's management had been "over-aggressive" this year in expanding capacity by about 57 per cent, he said, which would reduce earnings-per-share growth well below the historical levels.

Ryanair said it had increased its pre-tax profits from Euros 43.4m to Euros 45.1m in the quarter, when many of the world leading airlines were suffering heavy losses, including British Airways, which last week announced its second worst first-quarter pre-tax loss of Pounds 45m.

The airline said trading continued to be "in line with expectations and previous guidance". It was confident it would achieve "substantial" traffic growth in the year to March 2004 with passenger numbers forecast to grow by about 50 per cent from 15.7m last year to between 23m and 24m.

Profits would also "grow materially" in the full year - forecast by analysts at about 10 per cent - and net margins would be maintained at levels "in excess of 20 per cent" but would fall substantially from last year's 28 per cent. The number of passengers carried in the quarter rose by 45 per cent from 3.5m to 5.1m, just behind the 5.2m of EasyJet.

Michael O'Leary, chief executive, said that yields or average fares would fall by 10 to 15 per cent in the current year because of the rapid pace of expansion and the weakness of sterling against the euro.

The airline has half of its turnover in sterling and said that six percentage points of the 14 per cent fall in average fares in the first quarter was because of exchange rate movements.

Group turnover rose by 26 per cent in the quarter from Euros 194.3m to Euros 245.2m, while earnings per share increased from 5.16 cents to 5.37 cents. The Ryanair share price rose by 17 cents or 2.9 per cent to close at Euros 6.10. Observer, Page 16 News, Page 6

Load-Date: August 5, 2003

Wanted: customers who know what they want MICHAEL SKAPINKER

Financial Times (London,England)

August 6, 2003 Wednesday

London Edition 1

Section: FEATURES; Pg. 10

Length: 957 words

Byline: By MICHAEL SKAPINKER

Body

My first response to the news that Microsoft was to base employees' pay on customer satisfaction was that its staff would soon be begging on the streets of Seattle. After all, do you know a satisfied Microsoft customer? Someone, perhaps, who chuckles appreciatively every time a beetle-browed paper clip pops up on the screen to say: "It looks like you're writing a letter. Would you like help?"

Microsoft realises, however, that it has to change. The company is in the midst of an attempt by Steve Ballmer, its chief executive, to make it more aware of what customers need. Simplicity, for a start. In a memo to staff earlier this year, Mr Ballmer said Microsoft needed to start providing "greater value with less complexity".

The new approach to pay is part of the process of thinking about what customers want. As well as no longer issuing stock options to staff, Microsoft told 600 senior executives that their bonuses would be based on growth in customer numbers, as well as on feedback from customer complaints. Half of the salesforce's bonuses would be based on customer satisfaction, too.

Focusing on customers is always a good idea but measuring their satisfaction is often difficult. Deciding exactly what to measure can lead companies astray.

Take the idea of analysing customer complaints. It can yield valuable information; large numbers of customers complaining about the same thing send a message no company can ignore. But most customers do not complain - or at least not to the company. They take their business elsewhere, instead, and complain to friends, family and colleagues.

How many customers a company adds is important, too, but that growing number may not tell you how satisfied they are. Customers may be flocking to the company not because they love its products but because there is nowhere else to go and, in Microsoft's case, this is often so.

Customer numbers may be rising without the customers being happy or loyal. If a competitor comes up with a product that is comparable, better or cheaper, customers may be only too happy to desert. Microsoft appears to recognise that Linux and other "open source" software could pose just such a threat. Customer numbers may be growing because people like one aspect of your offering so much that they are happy to forgo something else, which is fine provided that no one manages to replicate your offer and add that something extra.

Michael O'Leary, head of Ryanair, Europe's leading no-frills airline, appears to take the view that, if the price is right, customers will not only be happy to forgo in-flight meals and allocated seats but will tolerate rudeness too.

Having promised Ryanair's millionth customer free flights for life, Mr O'Leary simply told the lucky passenger to get lost when she called to complain her free flights had been cut off. The passenger sued Ryanair and won, with the judge ruling that Mr O'Leary had been unnecessarily hostile.

This behaviour has not affected Ryanair's business. Mr O'Leary has calculated that few passengers pay attention to such stories if fares are low enough. Being aggressive to customers is fine if no one else can replicate your business model. If someone does, offering not only low prices but a pleasant manner too, Ryanair may regret Mr O'Leary's discourtesies.

Even companies that think they have done everything possible to ensure customers are happy may still not know what additional goods and services they could be selling. Their customers may not have told them or may not have thought of them.

Fredrik Dahlsten, business development manager at Volvo Cars, says companies can get into a rut of measuring the same things repeatedly without considering whether the information is still telling them anything useful.

Writing in the MIT Sloan Management Review, Mr Dahlsten says Volvo began to have doubts about its customer strategy; while its measures showed customers were happy with the cars, they appeared to feel less affection for the company. Customer satisfaction was increasing even as loyalty to the Volvo brand was falling.*

Having set up ways to gauge customer satisfaction, companies become reluctant to question whether they are measuring the right things. "Many factors influence satisfaction and how something is measured can begin to take precedence over whatis measured," says Mr Dahlsten.

For example, one Volvo manager insisted the company should concentrate on eliminating quality defects customers had complained about. But, says Mr Dahlsten, this "fails to acknowledge that avoiding dissatisfaction might not necessarily generate satisfaction".

The difference is easy to miss. "Many companies have fallen into a self-perpetuating pattern in which practices that are not truly customer-oriented are reinforced and those that are customer-centred remain undiscovered and unexplored, all while the company's distance from the customer gradually but inexorably increases," he writes.

So what should companies do? They need to find out more about what motivates their customers, about the way they live and use products. Nokia, one of the most successful innovators of recent years, sends researchers to sit at traffic lights, watching how drivers spend their time while they wait.

This is a far more expensive and time-consuming way of collecting information. It is also harder to quantify - and makes it difficult to base people's remuneration on the results.

Microsoft's new journey will be worth watching, but here's one customer tip to start with. If that horrible little paper clip has to stay, could we please have an option other than "cancel" to get rid of it - something so rude even Mr O'Leary would blush to say it.

*Avoiding the Customer Satisfaction Rut, Summer 2003. michael.skapinker@ft.com

Load-Date: August 5, 2003

Ryanair squeezed

Financial Times (London,England)

August 6, 2003 Wednesday

London Edition 1

Section: SHORTS; Pg. 19

Length: 28 words

Body

Ryanair squeezed

Ryanair is paying the price of its high rate of capacity growth with lower profit margins and squeezed fare levels. Page 20; Observer, Page 16; Lex, Page 18

Load-Date: August 5, 2003

End of Document

Ryanair issues threat

Financial Times (London,England)
August 6, 2003 Wednesday
Europe Edition 1

Section: SHORTS; Pg. 1
Length: 32 words

Body

Michael O'Leary, Ryanair chief executive, threatened to pull the airline's services out of Charleroi and Strasbourg if the European Commission and a French appeal court rule against it. Page 2

Load-Date: August 5, 2003

President O'Leary OBSERVER

Financial Times (London,England)

August 6, 2003 Wednesday

London Edition 1

Section: OBSERVER; Pg. 16

Length: 85 words

Body

Michael O'Leary's delusions of grandeur continue.

The Ryanair boss has already appeared as St Patrick complete with mitre at a press conference and donned military fatigues to try to drive up to EasyJet's Luton airport headquarters aboard a tank to blow a hole through his rival's low fare claims.

Now he's itching to run the country. "A rightwing dictatorship led by me would improve the economy and the Irish football team," the pugnacious O'Leary pronounced yesterday. He'd doubtless bring soulmate Roy Keane back.

Load-Date: August 5, 2003

Airline set for further tough talks with unions BRITISH AIRWAYS:

Financial Times (London,England)

August 4, 2003 Monday

London Edition 3

Section: NATIONAL NEWS; Pg. 2

Length: 397 words

Byline: By DAVID TURNER

Body

British Airways negotiators face more battles with unions over sweeping changes to working practices across the company.

BA has yet to reach agreement on this year's pay deals with cabin crew, engineers and ground staff such as baggage handlers.

In the case of cabin crew, BA is trying to persuade the unions to agree to trials involving staffing levels on particular flights. The company may face a hard battle since cabin crew are likely to respond by complaining about overwork.

The company still faces tough negotiations over changes in work patterns among customer service staff even though last week it averted further strikes after talks on the introduction of swipe cards.

Last week's agreement for customer service staff, including people in ticketing and check-in, contained a promise by the company and unions to negotiate on far wider changes to working practices than swipe cards.

The unions are uneasy about the company's agenda. They are afraid that BA wants the power to change shifts for all customer service staff at only a day's notice, for example.

BA said: "We don't want to prejudge negotiations that haven't begun just yet." It added: "Last week's agreement was all about a new accord between BA management and unions and we expect to build on that positive atmosphere."

The two sides agreed at the time to negotiate on broader changes in working practices among customer service staff with the aim of concluding the negotiations by mid-September. But a union insider warned: "There are highly contentious issues in there that have to be addressed."

BA had initially wanted a link between pay increases and broad productivity improvements for customer service staff but was forced to abandon that hope last week to end the dispute. The absence of a link weakens the airline's bargaining position.

Airline set for further tough talks with unions BRITISH AIRWAYS :

The Transport and General Workers Union is the biggest union at BA but others will also play a significant role in the coming negotiations.

The GMB has a share of the customer service workers and ground staff. Amicus represents the bulk of the British-based engineers and is linked to Cabin Crew 89, one of the cabin crew unions.

BA needs to boost productivity in order to cut costs at a time of fierce competition and weak demand. Its costs are, for example, high in comparison with those of Ryanair and EasyJet, the no-frills carriers that have been grabbing market share.

Load-Date: August 4, 2003

Don't stop thinking about tomorrow: Simon London opens our month-long summer school with a look at the twin challenge that today's executives face - to deliver efficiency gains while creating new sources of growth:

Financial Times (London,England)

August 4, 2003 Monday

London Edition 1

Section: FT SUMMER SCHOOL; Pg. 9

Length: 1232 words

Byline: By SIMON LONDON

Body

It is almost 30 years since Peter Drucker made the distinction between efficiency (doing things right) and effectiveness (doing the right things).

The great sage of management said that managers needed to pay attention to both dimensions: "Even the healthiest business, the business with greatest effectiveness, can die of poor efficiency. But even the most efficient business cannot survive, let alone succeed, if it is efficient in doing the wrong things. No amount of efficiency would have enabled the manufacturer of buggy whips to survive."

Yet, as every executive knows, when times are hard and pressure is intense, it is tempting to focus almost exclusively on the "quick wins" that can be achieved from cost-cutting, downsizing and retrenchment - the power tools of efficiency. For many companies, these have been the dominant themes of the past two or three years.

Sooner or later, however, the pendulum of management attention always swings back towards effectiveness. The quest resumes for new products, markets and business models. And there have been recent signs that this is starting to happen as managers think again about how to create, to borrow another Druckerism, "the business of tomorrow".

Evidence for this sweeping claim is mainly anecdotal. Chief executives seem more interested in growth and innovation than they were a year ago. Acquisition activity has shown tentative signs of revival. Bain & Co's latest annual survey of the management tools used by companies suggests that mission and strategy are at the top of the management agenda for many.

If correct, this shift of focus is good news for managers and employees alike. Retrenchment is no fun. Nor does excessive focus on cost and efficiency amount, in itself, to much of a strategy.

Don't stop thinking about tomorrow: Simon London opens our month-long summer school with a look at the twin challenge that today's executives face - to deliver....

Consider the handful of companies that did manage to keep growing through the downturn of the past three years. Examples include Dell in computers, JetBlue and Ryanair among airlines, Capital One in financial services and, of course, the mighty Wal-Mart in retailing.

In each case success is based not on efficiency (although this certainly plays a role) but on what Adrian Slywotzky, the Mercer management consultant and author, described a few years ago as "business model innovation". By doing the right things, not just by doing things right, these companies found ways to transform the economics of their respective industries. They are both efficient and strikingly effective.

So, how do you make organisations more "effective" in the Druckerian sense? How do you make sure that they remain focused on doing the "right" things, not just optimising products and processes that were already in place?

Notwithstanding the hard labour of Prof Drucker and others, the answers are barely understood. All we can say with certainty is that effectiveness has something to do with strategy, innovation, change, leadership, organisational learning and much more besides.

The essays in this year's FT Summer School deal with many of the topics that today's newly downsized, newly refocused companies will have to tackle as they look for the success formulae for growth.

W. Chan Kim and Renee Mauborgne of Insead, France, will argue for a fundamental rethink of what corporate strategy is all about. Ever since the 1970s, strategy has been framed in terms of "competitive strategy", the title of Michael Porter's seminal 1980 book. Yet Profs Kim and Mauborgne argue that excessive focus on competitive advantage leads companies to think too narrowly about their strategic options.

The net result is industries that converge on a single paradigm. The strikingly similar business models of the large airlines are one clear example of this "convergent" thinking.

The danger is that companies become blinded to opportunities for fundamental innovation in the way customers are served. And so the likes of JetBlue, which dared to think outside the paradigm, continue to suck value away from the big carriers.

The advice of Profs Kim and Mauborgne? Forget your competitors for a moment. Ask, instead, questions such as: what factors can we eliminate that the industry has taken for granted?

Henry Chesbrough, newly appointed to the faculty of the Haas School of Business at the University of California, Berkeley, considers how companies should pursue innovation when knowledge and talent are widely distributed among countries and competitors.

His answer? Get connected. Replace the old model of industrial R&D with a new philosophy of "open innovation". Thus Procter & Gamble, the consumer products group that was once as famous for its closed corporate culture as for its brand marketing prowess, now aims to source half of its innovations from outside the corporation.

In a related article, the London Business School's Julian Birkinshaw revisits corporate venturing - the much-maligned practice of taking stakes in promising companies with the aim of gaining privileged access to important innovations.

The failure of many dotcom-era venturing initiatives - has given corporate venturing a bad name. But this does not mean that it should be abandoned, argues Prof Birkinshaw, only that it needs to be used carefully. Nor, he believes, should the activities of a corporate venturing unit be regarded as a substitute for innovation and entrepreneurship across the corporation.

Then there is the thorny question of information technology.

At the start of the 1990s, US companies spent less than 20 per cent of capital budgets on IT. By the end of the decade this had risen to more than 50 per cent - at a time when capital investment was high by historical standards.

Yet how much of this expenditure on bits, bytes and bandwidth has yielded a real economic return? The answer is un- knowable. Suffice to say that almost all companies have had to re-examine the role of technology in business.

It is against this background that Mohanbir Sawhney, a professor at Kellogg School of Management and a rising star in the world of business scholarship, describes the way the internet is enabling companies to outsource business processes (such as basic human resource and finance processes), redefine strategy and buy IT on the pay-as- you-go model of a utility.

In other words, rumours of the death of IT have been greatly exaggerated. Emerging technologies such as "web services" standards, which hold the promise of easy dialogue between hitherto isolated computer systems, are allowing new levels of integration between companies, customers and suppliers.

Companies with an eye to effectiveness are thinking again about the power of the internet and how it might redefine their business.

Another dotcom-era notion that refuses to die is the concept of "viral" or "buzz" marketing. Marketers across all consumer industries are facing up to the fact that the demographic landscape is changing - and the media industry, too.

Nirmalya Kumar and Sophie Linguri of IMD, Switzerland, consider the state of the marketing art with particular reference to Red Bull, the highly caffeinated but alcohol-free drink that started life on the Austrian ski slopes and has since created "buzz" across the world.

As these sneak previews suggest, while many companies have spent the last two to three years cutting costs and hunkering down, others have not. Best practice across a wide range of management disciplines continues to be redefined as the search for "next practice" goes on.

Load-Date: August 4, 2003

Briefing

Flight International

July 29, 2003

Section: News; Headlines; Pg. 5

Length: 652 words

Byline: Staff

Body

USAF finds Boeing guilty in EELV case

Staff

A US Air Force investigation into allegations that Boeing misused Lockheed Martin proprietary data during the Evolved Expendable Launch Vehicle (EELV) competition has determined that the company "committed serious violations of federal law". The USAF has suspended Boeing's Launch Systems, Launch Services and Delta business units from eligibility for new government contracts. The USAF has reduced Boeing's EELV "Buy I" Delta IV launches from 19 to 12 and increased Lockheed Martin's Atlas V work from seven to 14. Lockheed Martin -- also awarded the three "Buy II" launches -- will be allowed to build a US West Coast launch facility at Vandenberg AFB. Boeing chairman and chief executive Phil Condit says: "We are extremely disappointed...but we understand the US Air Force's position that unethical behaviour will not be tolerated. We apologise for our actions."
Australia's CASA head resigns

Staff

Australia's Civil Aviation Safety Authority (CASA) head Mick Toller will leave in early August after deciding not to lead a restructured organisation. Toller's departure comes as CASA undergoes major changes, designed to increase its accountability following industry criticism of its practices and policies. Under the changes, the board will be abolished, and the role of director will be redefined as chief executive, with more direct links to the transport and regional services minister. Toller had accepted the chief executive's job. Toller has led CASA for five years and will be replaced by his deputy, Bruce Gemmel, until the appointment of a permanent replacement.

Ireland picks Learjet 45 for ministers

Staff

The Irish government has selected Bombardier's superlight Learjet 45 business jet for ministerial transport. The announcement coincides with Dublin's decision not to proceed with replacement of its Gulfstream IV with a 40-seat aircraft. The eight-seat Learjet 45 replaces a 23-year-old Raytheon Beechcraft Super King Air 200.

Northrop Grumman swoops for XonTech

Staff

Northrop Grumman has acquired XonTech, a California-based missile defence and sensor specialist, and plans to integrate it into its Missions Systems sector. XonTech is best known for its radar technology work, and weapons system test and evaluation capabilities. It was recently awarded a $57.2 million contract by Boeing to support the Ground-based Midcourse Defence programme which runs to December 2005.

Niederrhein is not Dusseldorf, Ryanair told

Staff

A German court has stopped Ryanair from designating its services to Niederrhein in Germany as Dusseldorf flights. A German competition watchdog took the carrier to court after customer complaints. Niederrhein is 70km (43miles) from Dusseldorf and close to the German/Netherlands border. The decision means Ryanair can only refer to Niederrhein in relation to the closest town, Weeze. Ryanair sales manager Germany, Caroline Baldwin, says its service provides "choice and competition to Dusseldorf airport and Lufthansa, which explains why they are trying to prevent Niederrhein airport from being designated a Dusseldorf airport." Dusseldorf International airport and Lufthansa deny any involvement in the case.

Ansett forced to file against Hawaiian

Staff

Ansett Worldwide has filed for $110 million damages against Hawaiian Airlines due to renegotiated lease deals with the Chapter 11 carrier. The lessor stresses, however, that the filing is a statutory requirement of the Chapter 11 bankruptcy protection process. "We are not suing Hawaiian Airlines, we have a very amicable relationship," says Ansett. The action was filed as banks need to know how much money is owed if the carrier does not emerge from Chapter 11. Ansett negotiated restructured leases for seven Boeing 767-300ERs in May as part of Hawaiian's Chapter 11 reorganisation.

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Load-Date: August 5, 2003

BA's swipe-out;
The modernisation of British Airways is essential, but the timing and method of its implementation has dealt the airline a severe body blow

Flight International

July 29, 2003

Section: Regulars; Comment; Pg. 3

Length: 769 words

Byline: Staff

Body

Until last week, British Airways chief executive Rod Eddington could be forgiven for believing he could walk on water. After succeeding Bob Ayling in 2000, the amiable Australian was quickly able to restore the staff's beleaguered morale, and he set about restructuring the airline with their full support.

Eddington was seemingly able to implement his Future Size and Shape cost reduction plan last year, which included significant redundancies, with the support of the shop floor, as he sought to counter the onslaught from low-cost carriers. The staff have also stood firm with Eddington over the emotional decision to retire Concorde -- a move that would have been less well supported if implemented by certain predecessors.

So the walk-out by ground staff at London Heathrow that brought BA to its knees must have come as a shock. The stoppage has also dealt a severe body blow to the heart of the airline's current marketing theme, which emphasises the passenger care and lack of disruption that a full service airline like BA offers compared with the no-frills carriers. For more than 90,000 of BA's passengers, that particular claim is now shot to bits, and many other potential customers are probably reconsidering their booking plans.

The airline has slashed air fares over the past 12 months to compete with local low-cost competition from EasyJet and Ryanair -- not to mention its full service rival BMI British Midland -- increasing the pressure for cost reductions. Modernising staff clock-on procedures with the introduction of the controversial cardswipe system is one example of the airline's efforts to bring itself into the 21st century, by providing it with a better way of monitoring and controlling costs.

BA 's swipe-out; The modernisation of British Airways is essential, but the timing and method of its implementation has dealt the airline a severe body blow

While there is no question that Eddington's intentions were sound, the method and timing of the swipecard implementation leaves something to be desired. The decision to take on Heathrow ground staff during the busiest period of the year seems bizarre in the extreme.

But Eddington faces the same dilemma as his predecessor: how does he resolve long- term structural cost issues without disrupting the day-to-day business. Ayling found out the hard way when a new pay and conditions package for cabin crew in July 1997 resulted in a three-day strike that cost the airline £120 million. A year earlier, Ayling's battle with the airline's pilot community resulted in a vote to strike but no stoppage, although it still proved extremely costly to the airline.

BA management perhaps takes a robust view towards its employees, as it knows that if any of them decide they have had enough, new recruits would be queueing around the block despite the claims of low pay and long working hours. It also knows that it is time for the talking to stop about the need to eliminate the "baggage" carried by an airline with pre-Second World War origins, and the action to start. As Eddington says: "If we don't...we won't be around in two years' time." But a quick and decisive resolution to the industrial unrest is essential to prevent it gathering momentum and leading to a "summer of discontent".

BA's continental European rivals should take stock of BA's current crisis and learn. The huge amount of home-grown low-cost competition has forced BA and BMI to slash fares, which has led to a structural change in tariffs. According to an American Express survey, UK economy fares declined by an average of 30% last year, while intra-European economy fares from the UK are 25% lower than the European average, on a per-kilometre basis.

Although analysts believe that the trend for average fares to fall is not likely to be reversed, some European rivals still dismiss the seriousness of the long-term threat from low-cost airlines. Although it now offers a percentage of its seats each day at competitive low prices, Lufthansa contends that the no-frills rivals are not a major concern as generally they do not operate into its primary hubs.

But having restructured their fares to compete with local competition, the UK full service carriers are taking the low-fare battle directly to the front door of Air France, Alitalia, Lufthansa, Swiss International Air Lines and others. So the great irony is that it is the full- service carriers, rather than the no-frills airlines, that are forcing the change on the mainland that has already occurred in the UK.

The message then to the airlines and their employees is clearer than ever. Restructure or die, and don't delay. The smouldering ruins of Belgium's flag carrier, and the pains being endured in Zurich, surely bear witness to this.

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The message then to the airlines and their employees is clearer than ever. Restructure or die, and don't delay. The smouldering ruins of Belgium's flag carrier, and the pains being endured in Zurich, surely bear witness to this.

Load-Date: August 5, 2003

Rivals quick to cash in on Heathrow dispute

Financial Times (London,England)

July 25, 2003 Friday

London Edition 2

Section: NATIONAL NEWS; Pg. 4

Length: 415 words

Byline: By KEVIN DONE

Body

Rivals are enjoying windfall gains from British Airways' calamities of the past week, as passengers switch bookings in the face of continuing uncertainty about the reliability of BA's operations.

The greatest benefits inevitably fell at the weekend to UK rivals such as Virgin Atlantic, which also operates out of Heathrow, and to the big low-cost carriers EasyJet and Ryanair.

EasyJet, which is particularly well placed to pick up traffic for European short-haul routes with London bases at Gatwick, Stansted and Luton, said it had already picked up more than Pounds 500,000 in additional revenues by Tuesday. "There was a huge increase in very short-term bookings from people wanting to travel the same day or the next day," the airline said. "We are still seeing an impact."

BA services to and from Heathrow, its global hub, have been operating normally for a couple of days after the airline struggled back from the weekend disaster when it was forced to cancel more than 500 flights, affecting nearly 100,000 passengers between Friday and Sunday. The chaos resulted from unofficial action taken by 500 check-in and sales staff.

Virgin Atlantic said bookings doubled at its call centre at the weekend when BA's problems were at their height, and had continued at record levels this week. It had earned "at least Pounds 1m" in extra revenues during the weekend and bookings since had been running consistently around 20 per cent higher than expected.

"The speculation about continuing industrial action is making people reassess who they fly with in coming weeks," the airline said.

BMI British Midland, the main rival short-haul airline to BA operating out of Heathrow, said it had been unable to take much benefit from BA's problems at the weekend, as its aircraft were already close to capacity with the start of the school holidays.

BA has decided to halt its current TV advertising campaign, which was designed to promote its low fares and the quality of its customer service by contrasting it with the lack of service at the low-cost airlines.

The campaign featured an airport terminal showing flights delayed or cancelled and empty check-in desks at rival airlines.

BA also took full-page advertisements in most UK national newspapers yesterday to publish an apology from Rod Eddington, BA chief executive, for the disruptions of recent days.

Mr Eddington admitted, however, that the apology was "cold comfort to those people who had to wait hours and, in some cases, days to travel with us".

Load-Date: July 24, 2003

EasyJet acts to steady nerves with positive news TRANSPORT:

Financial Times (London,England)

July 23, 2003 Wednesday

London Edition 1

Section: COMPANIES UK; Pg. 21

Length: 400 words

Byline: By Kevin Done, Aerospace Correspondent

Body

EasyJet, the low-cost airline, sought yesterday to steady investors' nerves about its prospects with a positive trading update.

It reported "a good summer to date" with reduced pressure on fare levels. Ray Webster, chief executive, said forward bookings to the end of September were showing "strong growth".

In the half to March, EasyJet suffered significant losses, prompting a decline in its share price, and investors were further unnerved when Ryanair, the Irish low-cost airline, warned of a sharp fall in yields, or average fare levels.

Mr Webster said EasyJet was filling a similar share of its available seats as last year although with "marginally lower average yields".

He warned the group's full- year results remained "highly dependent", however, on the final quarter from July to September.

EasyJet does not yet report quarterly results, but Mr Webster said the airline had achieved an average fare of Pounds 46.08 in its third quarter, representing a yield decline of 2.8 per cent from the same period a year ago.

The slower rate of capacity increase in the third quarter than earlier in the year had helped to reduce the pressure on yields.

In its first half, from October to March, EasyJet suffered a pre-tax loss of Pounds 48.1m compared with a pre-tax profit of Pounds 1m in the same period a year earlier, and yields fell by 10.7 per cent year-on-year to an average fare of Pounds 37.45.

The weak first-half financial performance reflected a rapid increase in capacity by 50 per cent - measured by available seat kilometres - as well as the impact of external events, chiefly the war in Iraq, which the group sought to counteract with special promotions and discounted seat sales.

Analysts' forecasts suggest that pre-tax profits for the full year, after exceptionals, will fall to about Pounds 50m from Pounds 71.6m last year.

Mr Webster said that the airline continued to see "good growth opportunities" throughout Europe. More than 80 airports had responded to its tender for network expansion.

The group took over Go, its smaller no-frills rival, in a Pounds 374m acquisition at the end of July last year. On a pro forma basis passenger numbers in its third quarter from April to June rose by 21.8 per cent to 5.2m, while the load factor - the share of seats filled - rose by 2.5 percentage points from 82.3 per cent to 84.8 per cent.

EasyJet's shares closed 7 1/4p lower at 231p. Lex, Page 18

Load-Date: July 22, 2003

EasyJet THE LEX COLUMN:

Financial Times (London,England)

July 23, 2003 Wednesday

London Edition 1

Section: LEX COLUMN; Pg. 18

Length: 257 words

Body

EasyJet has made a virtue of necessity. The decline in the yield, or average fare, of 2.8 per cent in the third quarter was a vast improvement on the 10.7 per cent fall in the first half.

It is also better than the situation at Ryanair, where yields are expected to fall by 10-15 per cent this year. But stability has come at the expense of capacity growth. EasyJet insists that after a dash for expansion it had always planned to slow down. Critics argue it was forced to scale back. Capacity growth - measured in passengers carried and on a like for like basis - was about 40 per cent in the first half of this year. In the second half, it is expected to be about 10-12 per cent. Overall, the full year figure is expected to be about 25 per cent. This is about half that forecast for Ryanair, which is aiming for a second year of frantic growth. Next year, EasyJet expects to grow by about 20-25 per cent. This is more manageable than the targets set for 2002 and the first half of 2003. But it still looks a leap from the current rate, and could exert downward pressure on yields. EasyJet can reduce costs to mitigate this, and can deploy new capacity in the summer months and on new routes. But it also hopes for an improving market.

EasyJet has provided reassurance on current yields. But, like Ryanair, it is aggressively expanding its fleet. The question remains as to whether EasyJet will be able to give the same level of comfort when it steps up the pace of growth once more. Additional notes on UFJ and Sun Microsystems at www.ft.com/lex

Load-Date: July 22, 2003

Growing pains at Eurotunnel: Astrid Wendlandt on the operator's problems as passenger numbers continue to decline

Financial Times (London,England)

July 22, 2003 Tuesday

London Edition 2

Section: COMPANIES UK; Pg. 21

Length: 466 words

Byline: By ASTRID WENDLANDT

Body

Richard Shirrefs, chief executive of Eurotunnel, yesterday hit back at competition from low-cost airlines by arguing that the cross Channel link offered better value for money.

In the first half to June, Mr Shirrefs said the operator charged cars about Pounds 45 on average for one way, while Ryanair had charged about Pounds 32, excluding tax per person.

"You can put as many people in a car as you like, so who is really the low cost operator here?" asked Mr Shirrefs.

That may be true but Mr Shirrefs cannot afford to be too complacent. Eurotunnel is paid a fee for every passenger carried through the tunnel by Eurostar. So the fall in passenger numbers from 3.21m to 2.84m in the six months to June, has taken its toll.

And no matter how insistent Eurotunnel is about its value for money offer, and the prospects for improvement, yesterday's news left analysts distinctly uneasy.

The company has admitted that it is not generating sufficient cash this year to cover interest payments on its Pounds 6.3bn debt.

While analysts said they were not too concerned by the interest payment shortfall provided it was not repeated next year, they are worried about the balance sheet in the medium term.

Starting in 2006, Eurotunnel will no longer be able to issue more debt, or "stabilisation notes" to cover interest payment shortfalls and Pounds 496m of its debt will no longer be interest free.

This means it will have to start paying an additional Pounds 27m in annual interest payments. Analysts are forecasting interest payments will total about Pounds 345m in 2006.

If the company does not manage to increase its revenues and improve its cash by then, analysts say that it has a problem.

"If the economic environment does not improve markedly by 2006, Eurotunnel may have to look again at the terms of its debt or consider raising more cash," one said.

This is almost unthinkable given the pain inflicted by Eurotunnel's last refinancing, when it took two years to restructure debt of Pounds 8.7bn.

Revenues will also be hit when a government-backed user charge, which currently pays Eurotunnel for unused capacity, expires in 2006.

The key problem appears to be that transit volumes for both freight and passengers have never matched the targets set when agreements were signed in the late 1980s.

Passenger numbers on the Eurostar are about half original predictions. Freight volumes are about four times less than what was originally expected. Freight carried on trains through the Channel has halved annually from 2.8m to 1.4 tonnes over the past four years.

"We can no longer tolerate that," said Mr Shirrefs. Eurotunnel is hoping its project to develop a new link between Lille and Daventry will give turnover a boost. But analysts are not holding their breath.

As one put it: "They cannot invent growth."

Load-Date: July 21, 2003

Lossmaking EasyCar faces overhaul and flotation delay

Financial Times (London,England)

July 21, 2003 Monday

London Edition 3

Section: FRONT PAGE - COMPANIES & MARKETS; Pg. 19

Length: 437 words

Byline: By ANDREA FELSTED

Body

Stelios Haji-Ioannou, founder of the EasyJet airline, has been forced to overhaul his EasyCar car rental business as it continues to lose money. He also confirmed that the company's flotation would be delayed.

Mr Haji-Ioannou said EasyCar should aim to replicate the business model of rival Ryanair. "EasyCar should try to be the absolute lowest cost producer in the car rental business, so I think it aspires to be closer to Ryanair than EasyJet." Ryanair has stuck to the no-frills model of using secondary airports, while EasyJet uses costlier mainstream ones.

Mr Haji-Ioannou founded EasyJet in 1995. Although he is still the biggest shareholder, he stepped down as chairman last year, and is no longer involved in the running of the airline.

A flotation of EasyCar has been put on hold until 2005 "at the earliest". Originally Mr Haji-Ioannou had planned to bring the business to market next year.

It also emerged that Stephen Jackson, EasyCar's finance director, had resigned. His departure follows the resignation in March of Andrew Fitzmaurice, the chief executive, to become the chief executive of Nord Anglia. The departures have left Mr Haji-Ioannou running the business.

EasyCar has already more than halved its UK workforce from 150 to 60 people. Further savings will come from the use of car clubs, which enable customers to rent cars without visiting an EasyCar office. Mr Haji-Ioannou is also reviewing EasyCar's sites in France, Spain and Switzerland with a view to franchising them.

Mr Haji-Ioannou has also not ruled out closing EasyValue, his internet price comparison service. This would represent the first time that he has pulled the plug on one of his ventures.

EasyCar is the second venture to need his attention. News of its problems come just months after he revealed he had in effect "lost" Pounds 87m on EasyInternetCafe. However, he is not thought to have needed to inject fresh capital into EasyCar, as he did at EasyInternetCafe.

Overall, Mr Haji-Ioannou has invested Pounds 110m-Pounds 115m in his ventures aside from EasyJet. Of this, he has put Pounds 93m into EasyInternetCafe. The businesses have made accumulated losses of about Pounds 127m, of which EasyInternetCafe accounts for Pounds 96m.

Mr Haji-Ioannou recently sold 7.5m shares in EasyJet, raising about Pounds 16m. He said he would continue to reduce his stake in the airline to fund his unlisted businesses, worth about Pounds 190m. "I'm not looking to exit the interest or the company. But there is only one way that my stake can go and that is down, at the time of my choosing." Less easy for reticent Stelios, Page 20 www.ft.com/autos

Load-Date: July 20, 2003

Home away from home

Financial Times (London,England)

July 12, 2003 Saturday

Section: TOUR DE FRANCE 2003; Pg. 6

Length: 735 words

Byline: By MARTIN ARNOLD

Body

Martin Arnold says cheap flights have fuelled interest in the Dordogne

Michael O'Reilly, chief executive of Ryanair, Europe's biggest low-cost airline, likes to brag that whenever he opens a new route to an airport in Europe it triggers a property boom in the surrounding area.

The Dordogne, or "Dordogneshire" as it has been dubbed by one wag, is one of the best examples of this phenomenon. Since Buzz, the UK airline, flew its first flight from London Stansted in March 2002, average property prices in Bergerac have climbed between 30 and 40 per cent.

At the last count, there were more than 4,300 British people living more than half the year in the Dordogne, half of whom live in the Bergerac region. About 2m tourists visit the Dordogne each year, roughly a half of whom come from outside France - and two-thirds of those are from the UK.

"People say these aren't real tourists as they are buying property and living here," says Pascal Dupouy, bead of the Bergerac tourist office. "But that is not true. These are the best kind of tourists not only do they spend money themselves, but they also invite their friends and family to visit." The importance of the low cost flights to the area was underlined in April when Ryanair threatened to close the route following its acquisition of Buzz.

The news sent shockwaves through the area's British community, who had got used to the convenience of being able to fly to the UK for the cost of a round of drinks in a pub, and several thousand signed an online petition against the move.

The threat of closure also forced the local chamber of commerce to renegotiate the contract with Ryanair. In the end they agreed to pay an annual Pounds 150,000 contribution towards the cost of marketing and to invest Pounds 4.5m in improving the airport and elongating the runway to allow larger aircraft to land.

"We are not very well served by roads, as the auto route passed us by, so we did not want to miss the chance to develop our airport," says Daniel Garrigue, mayor of Bergerac and member of the French parliament for the Dordogne. "The airline asked us to make investments in infrastructure, but we are only doing it because we believe we will benefit." He says the influx of British tourists has boosted the profile of the region's exports, particularly its wines. "For our viticulture it is an essential marketing tool Bergerac wines are now much better known in the UK than they were five years ago.

Alan Lloyd, manager of the Dordogne branch of Coast & Country, which describes itself as the English estate agents in France", says the big attraction of the region is its low property prices compared with more popular areas, such as the Cote d'Azur or Biarritz.

"Properties range from a pleasant bungalow in a residential I)art of a village to a large mansion house with its own estate, but the bulk of the market is between f 100,000 and f350,tlOO," says Mr Lloyd. "The prices largely depend on how much work is needed on restoration of the property."

He cites an eight-bedroom mansion occupying a dominant position in a small village, on the market for f350,000, where restoration costs are likely to be at least f 150,000, as it "hasn't been touched since the 1930s"

While the arrival of the low-cost flights has accelerated house-buying, there has been a well-established British presence in Bergerac since the 1970s including William Boyd, the author who produces award-winning wine from the vineyards of his chateau, to Gordon Murray, the Formula One engineer, and the family of the late financier Sir James Goldsmith.

The strong British presence helped convince Elton John to play a concert in Bergerac in 2001. There are English-speaking lunching clubs, a conservative association, and in Eymet, a village south of Bergerac, a cricket club.

Mr Garrigue says the region's close ties with the UK are partly due to its close resemblance to the English countryside as well as the historical connections from the Hundred Years War, when Edward I ruled over this part of France and built many of the picturesque bastides, or fortified villages, in the area.

Although Bergerac has, like much of Europe, suffered a significant drop in tourism this year, Mr Garrigue remains optimistic for the long term. "We have more than 4,000 applications to build property from a population of just 20,000," he says. "If that isn't a positive sign for the future, I don't know what is."

Load-Date: July 16, 2003

Coming down or building speed again?: After some turbulence investors do not know what to expect from the low-cost airlines, writes Kevin Done

Financial Times (London,England)

July 11, 2003 Friday

London Edition 2

Section: COMPANIES UK; Pg. 25

Length: 626 words

Byline: By KEVIN DONE

Body

Investors in low-cost airlines have had it drummedinto them over the past 12 months that share prices in the sector can move down as well as up.

Even those who took part in EasyJet's deeply discounted rights issue last summer to finance the takeover of Go, the group's no-frills rival, have found themselves deep under water for much of this year.

As a result, the trading update to be delivered by EasyJet on July 22 is assuming great importance as a guide to whether the group can move back into a convincing profit in its second half - and maintain its share price recovery achieved in recent weeks.

Ryanair and EasyJet do not pay dividends, so investors are in there for capital growth. But in the past 18 months, the two airlines have embarked on a dash for volume growth, topped up with acquisitions, that is coming at the cost of lower margins.

Even so, profits and margins at Ryanair are still at a level that other airlines can merely dream about.

But some of the gloss is coming off the airline's eye-catching performance of the past two years.

Investors have no excuse for being unprepared though. Michael O'Leary, Ryanair's chief executive, warned again last month that the remarkable profit margins of the past two years had been "one-off and non-sustainable".

Ryanair is still operating in a league of its own, however. Despite a 50 to 60 per cent capacity increase, net profits are again forecast to rise in the year to March 2004 but "only" by around ten per cent year-on-year.

This compares with last year's jump of 59 per cent and 44 per cent the year before.

"We have had a couple of years of stellar earnings growth - that cannot continue for ever," says Chris Avery, aviation analyst at JP Morgan.

The dash for growth, however, is not endangering the low-cost airline business model, he says, but earnings will catch up only when the more moderate rate of capacity growth is resumed.

EasyJet is now back on that track while Ryanair still has a second successive year of hectic expansion to digest. At EasyJet there is rather more to prove, however. Its earnings are more seasonal than Ryanair's and it made a Pounds 48.1m pre-tax loss in the six months to March.

It must make up all of this lost ground and then drive ahead in the six months to September. Investors have been nervous about its ability to catch up.

The EasyJet share price has fallen from a 12-month peak of 390p in November last year to an all-time low of 163p in June, well below the 265p discounted price of last year's share issue. It closed 3 1/2p lower last night at 237 1/2p.

At Ryanair the white-knuckle ride has not been quite as extreme. But from a peak of Euros 8.20 last November, the share price fell to a low of Euros 5.10 in March before recovering unconvincingly to a close of Euros 5.73 last night.

Behind the financial performances of both airlines lies the strategic decision that they made in the wake of the September 11 terrorist attacks in the US to go on a dash for growth. It was a chance for them to take market share from traditional airlines at a time when their fortunes were at the lowest ebb.

Both airlines made opportunistic acquisitions aimed at increasing their market reach. EasyJet acquired Go last summer and Ryanair took on the lossmaking Buzz in April.

Both airlines have talked of following "sustainable" long-term growth rates in passenger volumes of around 25 per cent a year and have placed big aircraft orders to support such growth.

And in the longer term, analysts agree that the low-cost carriers still have a lot of room for expansion. The low-fare market should grow by around 20 per cent a year for the rest of the decade - with Ryanair and EasyJet continuing to take a dominant share, says CSFB, adviser to EasyJet. www.ft.com/transport

Load-Date: July 10, 2003

Air passenger numbers on the rise, says BAA TRANSPORT:

Financial Times (London,England)

July 11, 2003 Friday

London Edition 2

Section: COMPANIES UK; Pg. 25

Length: 316 words

Byline: By KEVIN DONE

Body

The "gradual recovery" in the air travel market following severe acute respiratory syndrome and the Iraq war was supporting a growth in airport passenger numbers, BAA said yesterday.

The world's leading airports group, which operates seven UK airports, said passenger numbers had risen 2.9 per cent year-on-year in June to 11.96m.

The main impetus for growth, however, is still from the expansion of low-cost air travel in the UK and Europe by discount and full service airlines.

BAA passenger traffic from European scheduled routes was 10.1 per cent higher year-on-year in June and 8.4 per cent higher on domestic UK routes.

Traffic on long-haul routes continued to recover from the impact of Sars and the Iraq war, said BAA. The decline on North Atlantic services eased to a fall of 1.6 per cent in June after a drop of 7 per cent in May and 5.4 per cent in April.

Other long-haul traffic fell 3.2 per cent in June compared with falls of 6 per cent and 7.5 per cent in May and April respectively.

Stansted, for the past three years Europe's fastest-growing large airport thanks to Ryanair and EasyJet, has begun to attract a new wave of low-cost airlines starting up around Europe. Airlines such as Iceland Express, Flying Finn, SkyEurope from Bratislava, Slovakia and Norwegian.no are using it as their gateway to London. It has also become the main UK destination for the German low-cost operators Air Berlin and Germanwings.

BAA's Southampton airport is also benefiting from the establishment of a regional base by FlyBE, the UK regional airline - passenger numbers jumped 69.8 per cent year-on-year in June.

FlyBE, formerly British European, is being restructured into a low-fare airline for the UK regions. It plans to open a base at Exeter airport in south-west England next March, initially serving southern Spanish destinations Alicante, Murcia and Malaga, as well as Belfast, Edinburgh and Glasgow.

Load-Date: July 10, 2003

SkyEurope aims high for EU entry

Flight International

July 8, 2003

Section: News; Air Transport; Pg. 11

Length: 297 words

Byline: Staff

Body

Slovakian low-cost carrier SkyEurope aims to establish bases across central Europe in a bid to become the region's leading leisure carrier ahead of entry into the European Union in 2005.

The Bratislava-based airline took delivery of its first jet, a Boeing 737-500, last week, reversing an earlier plan favouring the Airbus A320 family after the Slovakian government lifted a heavy import tax on non-EU aircraft.

The company operates its four 30-seat Embraer EMB-120 Brasilias to 11 points across central Europe and offers shuttle buses to its base at Vienna-Bratislava Express Airport from neighbouring cities. The 133-seat ex-Rio Sul 737-500, leased from GE Capital Aviation Services, will be joined by three more 737s over the next 12 months as the network to western Europe is expanded, says SkyEurope commercial director Pavol Mlady.

The 737 will be used on daily services to London Stansted this month and Paris Orly next month. It plans to serve Amsterdam, Brussels and Rome. "Much of the demand for these new services has come from non- Slovakians," says Mlady. These are chiefly Austrians, Czechs and Hungarians, he adds.

SkyEurope is to embark on a "brand awareness plan" in these countries and Poland, says Mlady, in an attempt to be the region's strongest low-cost carrier when these countries enter the EU. SkyEurope plans to establish services from cities in new-entrant countries soon after the planned 2005 EU membership extends fifth-freedom rights to new entrants. Western European airlines including EasyJet, Germanwings and Ryanair have expressed interest in flying from points in central Europe.

The airline, which expects to add its first Polish destinations soon -- Krackow and Warsaw -- has grown by 80% in revenue terms since June last year.

Load-Date: July 15, 2003

SkyEurope aims high for EU entry

End of Document

UK: Passenger growth slows at EasyJet TRANSPORT:

Financial Times (London,England)

July 8, 2003 Tuesday

London Edition 1

Section: COMPANY NEWS: UK; Pg. 22

Length: 412 words

Byline: By KEVIN DONE

Body

The recent period of spectacular growth in passenger numbers at EasyJet, the low-cost airline, is slowing, as the group reins in its capacity growth to bolster profitability.

The airline said yesterday that it carried 13.5 per cent more passengers in June, and had been able to fill 85.8 per cent of its seats, marginally higher than the 85.7 per cent pro forma load factor achieved in the same month last year.

The rate of growth in monthly passenger numbers year-on-year was one of the slowest for several years, and reflects the slowdown in capacity growth as the airline seeks to consolidate after a rapid growth spurt and the takeover of Go, its smaller rival, last summer.

The airline said it would issue a summer trading statement this month, which is expected to reassure investors that the deep decline in yields experienced in the first six months of its financial year from October to March has been halted during its second half.

Ray Webster, EasyJet chief executive, said the latest traffic figures were "in line with our own expectations". The share price rose 6p to 248p.

Investors have shown greater confidence in EasyJet in recent weeks, as statements from the airline have sought to underline that it is not suffering the same scale of erosion of yields as Ryanair, the rival no-frills operator, which is still in a phase of very rapid capacity expansion.

EasyJet capacity rose by 50 per cent year-on-year in the first half of its financial year from October to March, but this is expected to fall to a growth in capacity of about 21 per cent during the current second half from April to September.

By contrast, Ryanair has forecast a capacity increase of as much as 60 per cent, as it takes delivery of new aircraft and digests the takeover of Buzz, the former low-cost subsidiary of KLM of the Netherlands, which started flying under the Ryanair banner in May.

UK: Passenger growth slows at EasyJet TRANSPORT:

The Irish low-cost carrier said last month it expected its average fare levels to fall by 10 to 15 per cent this year. EasyJet with its slowing capacity growth indicated that in May, at least, its yields had fallen by only some 2 per cent, after a fall of 10.7 per cent in its first half.

By contrast with EasyJet's stable load factor - the share of seats filled - in June, Ryanair reported on Friday that its load factor had fallen from 88 to 79 per cent year-on-year.

This was in spite of a 47 per cent increase in passenger numbers to 1.83m, as it failed to keep pace with the big jump in capacity.

Load-Date: July 7, 2003

The peak of fine cuisine: La Pyramide, France's greatest restaurant until the 1950s, is undergoing a renaissance. Nicholas Lander pays a nostalgic visit:

Financial Times (London,England)

July 5, 2003 Saturday

London Edition 1

Section: FOOD AND DRINK; Pg. 9

Length: 988 words

Byline: By NICHOLAS LANDER

Body

One night backin 1949, myparents arrived at Fernand Point's La Pyramide, a world-famous staging post on the drive to the south of France. It was 11pm, and they were exhausted after a long day's slog along the routes nationales.

Flash forward to the present day, when I flew Ryanair from London Stansted to Saint-Etienne and arrived in time for a stroll round Vienne before dinner.

Yet during the meal I kept closing my eyes trying to imagine how much had changed since 1949.

The garden would have given off the same heady smells of the hot northern Rhone; the massive plane trees would have hung across the tables on the terrace at roughly the same angle. And by the entrance to the terrace there is still the large, stone font that a barber used to use to shave the original chef or patron every morning but today serves as a natural fridge for magnums of champagne.

My father would have paid a bill rendered in old French francs rather than euros however. And it is highly unlikely that he would have been served by a French sommelier who, with his younger brother who cooked our fish course, had just returned to his homeland after 12 years in Sydney.

But La Pyramide at Vienne - once the very greatest French restaurant under Fernand Point, who trained Bocuse, Chapel and les Troisgros among others - and now successfully restored and rejuvenated by Patrick and Pascale Henriroux, is venerable enough to take all of these changes in its stride.

The Henriroux have engineered this renaissance through a combination of hard work, skill and respect for what they took over - even if the hotel was closed for more than two years before they assumed control in 1989.

The peak of fine cuisine: La Pyramide, France 's greatest restaurant until the 1950s, is undergoing a renaissance. Nicholas Lander pays a nostalgic visit:

There are two examples of this successful but contrasting approach. One is the first page of the wine list, which pays homage to the six sommeliers who have guarded the cellar's secrets since 1882. The other is a menu whose novel layout I had never encountered before and which initially led to a certain amount of confusion.

Down the left hand side of the menu are the dishes' main ingredients - crab, crayfish, lobster, rabbit or foie gras as starters, with sole, zander, frogs' legs and red mullet in the fish section; and pigeon, beef, Bresse chicken, Limousin lamb, Salers beef or milk-fed veal in the meat section - and alongside them anything from two to four lines describing what would accompany them. But while we interpreted these as different options, they are in fact extremely detailed descriptors of each dish.

"I want to explain each dish as clearly as possible, to eliminate the possibility of anyone making a bad choice or encountering anything to which they are allergic," Henriroux explained the following morning - although perhaps an initial word from the otherwise convivial maitre d' would have clarified this.

Henriroux changes his menu, crockery and menu covers four times a year with each season and, as we were about to discover, he manages a highly skilled brigade.

As ever, the set menu, the "Menu Pyramide" in this instance, provided the best-value introduction: it offered three courses, plus cheese and dessert for the price of two a`la carte courses.

My father would have relished this quest for value. But he would have relished even more the first course, a futuristic, top-of-the-range re-interpretation of a prawn cocktail. At the bottom of a large Martini glass was a layer of a creamy mousse of lobster coral, topped by a deep, green asparagus pulp, then thin layers of lobster marinated in olive oil, wafer-thin asparagus tips to add crunch and, finally, a small

boule of surprisingly sweet rocket sorbet. Altogether pretty, refreshing and most appetising.

The fillet of John Dory roasted with olive oil, sliced olives and a Parmesan cornet stuffed with salt cod incorporated all the flavours of current Mediterranean cooking. Meanwhile, a ballotine of pigeon with peas, wild mushrooms and gnocchi tipped its culinary hat more to the past.

A trolley of some 40 cheeses in perfect condition then followed, as did two intricate desserts. But what left the most lasting memory was what arrived in a small round glass container with the coffee.

Inspired by childhood memories, Henriroux and his maitre d' have reconstructed guimauves, which used to be made by the confectioners of Lyon before the war. Guimauves are small, pink, powdery, feather light versions of a fine Turkish delight, which we decided felt like the nearest thing we would ever come to munching on a cloud.

We drank local wine, a half-bottle of white Saint Joseph made exclusively from Roussanne grapes by Gaillard and an intense 1999 Crozes Hermitage from Alain Graillot.

And because our accent was spotted, we spoke more English with the sommelier, Bertrand Lutaud, than we should. He and his younger brother, Sebastian, had gone out to Australia with their parents when their father had decided to open a patisserie in Sydney in 1989. They had drifted into the restaurant business but all had decided to return to France when their respective, well-reviewed businesses had closed.

I asked both what had been the biggest shock adapting to the Old World. Bertrand claimed that it was minimal, that in the heat of the service, waiters just got on with their jobs. (Although he was surprised by how much wine sales had fallen in the recent hot weather unlike Australia).

But Sebastian had detected a far bigger change: "It's much more strict in a French kitchen, there is no breaking of the rules and the hierarchical system is still enforced, even though there is much more mixing of the ingredients. But I have never worked for a head chef who is so willing to help others out. We often find him in the pot wash when that section gets very busy."

When I asked Henriroux about this compliment as a plongeur, he replied with a broad smile: "Well, it's nice to hear I am good at something."

In the hands of such a modest, talented chef La Pyramide looks good for many years to come.

Load-Date: July 4, 2003

Airlines THE LEX COLUMN:

Financial Times (London,England)
July 4, 2003 Friday
London Edition 1

Section: LEX COLUMN; Pg. 20
Length: 287 words

Body

The airline sector has witnessed a rare reversal of fortunes. Budget airline Ryanair, now Europe's most valuable airline, confirmed that rapid growth is taking a toll on load factors.

Two buffeted flag-carriers, meanwhile, offered glimmers of hope. British Airways and KLM are slowly clawing their way back from the dark days of the Iraq war and the Sars virus earlier this year. But investors still lack firm evidence to underpin the 35 per cent rally in the European airline sector since March.

KLM's traffic and load factor on Asia Pacific routes remain weaker than a year ago, but, at 77.9 per cent, the load factor is well above May's 60.2 per cent. In recent weeks, daily load factors on Asian routes have exceeded 2002 levels. But this is on 20 per cent less capacity, and pushing through price rises is still impossible. British Airways' traffic rose 5.8 per cent in June, while passenger load factors also rose by two percentage points to 76.8 per cent. It is promising a marginally positive first quarter operating result. But yields remain weak, and therefore revenue in the first quarter is expected to be below the year earlier.

And as aircraft fill up, the willingness of staff to bow to necessary cost-cutting measures is likely to dissipate rapidly.

While passengers are returning, as expected, international business and consumer confidence remain shaky. The prospect of airlines regaining pricing power - crucial for a strong recovery - still looks some way off. Achieving that could affect volumes, and the ability to raise prices could easily be hampered by capacity returning to the skies in anticipation of a broader upswing. Without evidence of stronger yields, the European airline rally looks premature.

Load-Date: July 3, 2003

UK: 'Fragile' outlook as BA warns of drop in first quarter TRANSPORT:

Financial Times (London,England)

July 4, 2003 Friday

London Edition 1

Section: COMPANIES: UK; Pg. 22

Length: 402 words

Byline: By KEVIN DONE

Body

British Airways warned yesterday that the outlook for the air travel market remained "fragile" and signalled that its operating profits had plunged in the latest quarter.

The warning came as Ryanair, the Irish low-cost airline and the most profitable carrier in Europe, indicated it was having problems filling its seats amid a big increase in capacity. Ryanair shares tumbled 7 per cent on the news, down 41 cents, to close at Euros 5.81.

Michael O'Leary, Ryanair chief executive, said it had only filled 79 per cent of available seats in June compared with 88 per cent in the same month a year ago. It increased the number of passengers carried in June by 47 per cent to 1.83m, but this failed to keep pace with the jump in capacity.

British Airways, meanwhile, said that while its traffic was gradually improving from the lowest levels seen earlier this year, the recovery was being achieved through price discounting and special promotions.

BA traffic rose 5.8 per cent in June based on a 3.1 per cent increase in capacity.

The airline said that revenues in the first three months from April to June, traditionally the second strongest quarter, would be "well down", however, from the level of a year ago and yields, or average fare levels, continued to be "weak".

Traffic volumes were "very sensitive to yield".

BA said that its operating result for the first quarter would be "marginally positive". Analysts' forecasts suggested a decline to an operating profit of Pounds 20m-Pounds 30m, down from Pounds 158m a year ago. Losses are expected at the pre-tax level.

The company said it was still difficult to see the trend of forward sales, as the present level of last minute bookings was much higher than in previous years.

UK: 'Fragile' outlook as BA warns of drop in first quarter TRANSPORT:

The airline industry is facing a tough battle to restore profitability. It has been hit hard in recent months by the decline in demand resulting from both the Iraq war and the spread of the Sars virus and still faces considerable overcapacity.

Analysts are forecasting that British Airways will fall back deeply into loss this year with a pre-tax deficit of as much as Pounds 150m against profits of Pounds 135m last year.

BA said it had suffered a loss of Pounds 79m on the recent disposal of Deutsche BA, its lossmaking German subsidiary. It also warned that its fuel bill would be about Pounds 100m higher this year, putting further pressure on costs.

BA shares rose 8 1/2p to close at 163p.

Load-Date: July 3, 2003

Late surge holds Footsie above 4,000 barrier LONDON:

Financial Times (London,England)

July 4, 2003 Friday

London Edition 1

Section: MARKETS; Pg. 44

Length: 732 words

Byline: By VINCE HEANEY and STEVE JOHNSON

Body

London's blue-chip index closely tracked the 4,000 level for much of yesterday but pushed ahead in late trade after shrugging off weaker-than-expected US unemployment data.

The FTSE 100 finished 0.5 per cent firmer at 4,024.8, while the mid-cap FTSE 250 closed 0.4 per cent firmer at 4,987.4. Volumes were high at 3.5bn.

The pharmaceutical sector was the standout gainer with AstraZeneca leading the FTSE 100, up 4 per cent at Pounds 25. Astra was aided by Deutsche Bank stating that it expected the US Food and Drug Administration to recommend the approval of 10mg-40mg doses of its cholesterol lowering Crestor treatment at a meeting on July 9. Deutsche's Mark Purcell said such approval would add 180p a share to Astra's market value, although a negative decision would slice its fundamental value by 120p a share, as well as damaging sentiment. Sector peer GlaxoSmithKline gained 3.3 per cent at Pounds 12.35.

British Biotech slid 7 per cent to 59 1/2p on news it planned to buy rival Vernalis for Pounds 48m, or 55p per share, in an all-share deal. The merger was to increase growth opportunities and cut costs. Vernalis fell 5.1 per cent to 47p.

"Two weak companies coming together will not necessarily make a stronger one," Sam Fazeli of Nomura warned. "This is a merger for cash, but Vernalis has outstanding payments due to Roche and GlaxoSmithKline, and is also committed to cofunding trials with Elan, so British Biotech will seemingly get little benefit from Vernalis' funds."

Shire Pharmaceuticals slipped 2.5 per cent to 376 3/4p on concerns of generic competition for its anti-convulsant Carbatrol capsule after news of an application for US FDA approval for a copycat version.

British Airways rose 5.5 per cent to 163p on news that June passenger traffic was 5.8 per cent higher than a year ago. Investors shrugged off accompanying statements warning that weak yields would translate into weaker revenues in the first quarter than in the same period last year and that the outlook remained "fragile". One view was that BA was buoyed by comments from Dutch airline KLM that passengers were beginning to return to its Asian routes after the hiccup caused by Sars.

Late surge holds Footsie above 4,000 barrier LONDON:

No frills rival EasyJet slipped 1.2 per cent to 230p as founder Stelios Haji-Ioannou said his EasyGroup vehicle had sold 1.9 per cent of the airline's stock.

Fellow low-cost carrier Ryanair slid 7.3 per cent to 400p as its June passenger load factor fell to 79 per cent from 88 per cent a year ago.

Greene King, the East Anglian brewer and pub operator, added 2.5 per cent at 814 1/2p after it announced an 8 per cent rise in annual profits and said the new financial period had started well. "Increasingly positive cash flow leaves it well placed to continue to acquire small packages of pubs or fund share buy-backs, or both," said Nigel Parson of Williams de Broe.

Hamleys rose 8.8 per cent to 253 1/2p as Soldier raised its offer for a second time to 254p, trumping the 230p offer from Tim Waterstone's Children's Stores Holdings. Soldier, the acquisition vehicle of a management buyout team backed by Icelandic retailer Baugur, raised its initial offer on Friday to 226p from 205p.

MMO, the mobile phone operator, sank 3.5 per cent to 55p to lead FTSE fallers on worries over intensifying competition. Bear Stearns was concerned about a "lack of clarity on strategic direction" and that "brand awareness in the UK appears to have decreased".

Alba, the electronic equipment group, gained 1.5 per cent at 510p after Investec placed 5.1m shares, or 10.1 per cent of the share capital, at 495p on behalf of the Harris family in a move designed to raise the free float to 65 per cent.

Christian Salvesen, the logistics company, fell 3.6 per cent to 53p on reports that its largest shareholder, Swedish investment company AB Custos, had sold its entire 9.5 per cent stake at 50p a share. Three years ago Salvesen rejected a 200p-a-share offer from Custos, and in May the Swedish group had called for a potential offer for Salvesen to be put before shareholders. An unprecedented 57m shares changed hands in Salvesen yesterday.

SMG, the media group which last week won a court case against controversial DJ Chris Evans, slumped 11.8 per cent to 75p on reports that house broker ABN Amro was set to remove the stock from its "buy" list. The talk was that ABN had lowered its full-year estimates based on a weak advertising outlook.

Load-Date: July 3, 2003

Airlines' bumpy ride

Financial Times (London,England)

July 4, 2003 Friday

London Edition 1

Section: SHORTS; Pg. 21

Length: 38 words

Body

Airlines' bumpy ride

British Airways said operating profits had plunged in the latest quarter and Ryanair, the most profitable carrier in Europe, indicated problems filling seats amid a big increase in capacity. Page 22; Lex, Page 20

Load-Date: July 3, 2003

Airline flies direct from Edinburgh NEWS DIGEST

Financial Times (London,England)

July 2, 2003 Wednesday

London Edition 1

Section: NATIONAL NEWS; Pg. 4

Length: 154 words

Byline: By KEN SYMON

Body

A new airline which aims to "bridge the gap between 'no-frills' operators and scheduled carriers" is to offer four routes from Edinburgh to other main European cities.

Duo, which until now has only operated flights for British Airways out of Birmingham airport, will offer flights to Oslo, Geneva, Zurich and Milan expected to start in October.

The routes have been launched after 'pump priming' aid was received from a Scottish Executive fund aimed at boosting the number of direct international services from Scottish airports. Duo will be the fourth airline to benefit from a Pounds 6.5m fund set up by the Scottish Executive to encourage new routes. BMI and German Wings announced new routes from Edinburgh and Ryanair added another two destinations from Prestwick airport.

But there has been criticism that none of the executive funding has gone to Glasgow airport because it has been unable to attract new routes. Ken Symon

Load-Date: July 2, 2003

Snecma reviews forecasts for 2003 as sales figures fall

Flight International

July 01, 2003

Section: News; Business; Pg. 24

Length: 247 words

Byline: Staff

Body

Snecma chairman Jean-Paul B chat says the group has reviewed its business outlook for 2003, forecasting lower sales than the 6.5 billion ($7.6 billion) posted last year, but it is still hoping for a stable net income of around 106 million. Snecma has received over 500 orders for CFM56-5B and CFM56-7 engines so far this year.

"We are increasing our market share," said B chat at last month's Paris air show, "but it is in no way certain that we will continue to receive large orders every month".

All Nippon Airways, EasyJet and Ryanair, among others, have recently ordered aircraft powered by the CFM International CFM56 engine. CFMI is a 50:50 joint venture between Snecma and General Electric of the USA.

B chat also spoke about the reorganisation of Arianespace, in which Snecma holds 7.83%. He said he and Philippe Camus, co-chief executive of EADS, who co-signed a letter to the French government outlining their ideas as to how best Arianespace could be reorganised, agree that "the industries which are going to participate in the capital should do so according to their industrial participation in the programme and Arianespace should become simply the marketing unit of the Ariane European space launcher programme". This would lead to EADS holding between 40% and 45% while Snecma would increase its stake to between 20% and 25%, with the remainder going proportionally to other industrial partners such as Air Liquide, Fiat Avio and Volvo Aero.

Load-Date: July 9, 2003

Lombard Aviation Capital has won the mandate to arrange the US Ex-Im Bank financing of 10 737-800 for Australian low-cost airline Virgin Blue.

Airfinance Journal

July 2003

Section: Pg. 7; No. 262; ISSN: 0143-2257

Length: 204 words

Body

Lombard Aviation Capital has won the mandate to arrange the US Ex-Im Bank financing of 10 737-800 for Australian low-cost airline Virgin Blue. This is only the second export credit transaction that the Royal Bank of Scotland subsidiary has won and it beat strong bids from Barclays and Citigroup.

The 737s are due for delivery between August 2003 and August 2004.

Lombard's first won its first export credit mandate in December from Ryanair.

Load-Date: February 1, 2005

Sizing up lessors: it's still tough out there for lessors, but there are signs of improvement. And with less cash to spend, leasing companies are more interested in managing other people's assets than buying new aircraft. (Operating Lease Survey).

Airfinance Journal

July 2003

Section: Pg. 24; No. 262; ISSN: 0143-2257

Length: 1999 words

Body

In the last two years, aircraft lessors have hardly seen their families. After the September 11 terrorist attacks lessors had to resolve problems with insurance cover and negotiate lower lease rates with many airlines.

Airline bankruptcies have forced many leasing companies to repossess and remarket aircraft and, with supply exceeding demand, keeping portfolios flying has been hard work.

With lessors struggling to place aircraft or simply extend leases on old aircraft, new aircraft deliveries have been an extra problem--and while new aircraft tend to get placed first--what seemed like great prices for new aircraft three years ago, no longer look so good.

In fact as both large aircraft manufacturers prefer selling to airlines rather than leasing companies, the prices that lessors paid now look expensive compared to the deals airlines like Ryanair and easyJet are getting.

Lessors are also angry that although manufacturers are relying on them more and more--not just to finance new aircraft, but also through speeding up deliveries to keep production lines going as airlines defer orders--they get treated as second class customers when ordering.

So it was hardly surprisingly that no lessors placed a single order at Paris. In fact one of the most experienced aircraft lessors is even more downbeat. "There will not be another new plane sold to a lessor for at least five years if ever again," he says.

Service business

After years of growing fleets and the much hyped race to be the third largest lessor, many leasing companies are now far more focused on managing rather than owning aircraft.

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This makes sense in a difficult market. Leasing company valuations have been hit by the fall in values of the assets they own and few have the cash to be able to take advantage of the many buying opportunities in the market. But even if they do not have unlimited cash, lessors have airline contacts and know how to place aircraft.

With banks and finance lease equity holders having aircraft that they never expected to see again returned to them, this is a growing market.

Unlike investors, lessors plan on having to place aircraft several times. This means they understand the technical side of aircraft much better than banks and know what they are doing if assets need maintenance or modifications.

"Following the problems at Ansett, US Airways, Sabena, Swissair and United, we helped by recovering aircraft, placing aircraft on lease and arranging sales," says Peter Moylan, chief financial officer at Pembroke in Dublin. "As we started providing third-party asset management services in 1993, we have gained an early-mover advantage that gives us a high profile in this area."

Orix Aviation Systems, a subsidiary one of Japan's largest finance companies, manages a large number of aircraft on behalf of Japanese lease equity investors and is also seeing an increase in demand for portfolio management.

"Third-party aircraft management is already the main focus in Japan, and now we are extending the concept to Europe," says Colin Hayes executive director and chief marketing officer of Orix Aviation Systems also in Dublin,

Power games

With a number of airlines still in bankruptcy protection, demand for third party management may grow, but the downturn is also hurting lessor's own portfolios.

Many lessors feel that bankruptcy courts are treating them unfairly, with leasing companies forced to give breathing space to airlines whilst absorbing the costs.

As a result, large lessors who have the power to fight back have become tougher with troubled carriers. While they are prepared to do deals on lower margins to prevent their aircraft lying idle, they are equally quick to threaten withdrawal of the aircraft when obligations are not being met.

The approach of GE Capital Aviation Systems (Gecas) to the problems at Air Canada was swift. Gecas originally threatened to apply to the courts for permission to seize 100 airplanes if rent payments were not made by July 2, something that would have effectively destroyed the airline if the petition was successful.

Shortly afterwards, the parties tentatively announced that not only had leases had been renegotiated and restructured, but also that Gecas would be providing financing to Air Canada to aid the carrier's attempts to escape bankruptcy and buy new aircraft.

The deal would enable Gecas to swiftly withdraw its aircraft from the airline in the event of liquidation, while gaining exposure to any upside in Air Canada's fortunes by through strict covenants and by ensuring that all loans are clearly collateralised.

ILFC has shown that it too is not afraid to act when airlines stop paying rents. Shortly after Swissair collapsed, ILFC took control of the 22 aircraft it had leased to the carrier and flew them to France forcing the Swiss government to speed up the process.

Both the world's largest lessors have also temporarily seized aircraft from Varig, the bankrupt Brazilian airline.

Smaller lessors tend to shy away from such methods. The market for midsize operating lessors is highly competitive and success depends on strong relationships as much as aggressive pricing. "We enjoy a good relationship with many start-up carriers," says Dave Thompson, CEO of GATX in San Francisco. "Only Transair has failed, and even then turnaround was quick."

Selling up

The downturn has surprised many owners of leasing companies and, though, there is no shortage of portfolios up for sale, few have attracted bids at the right price.

Although many owners are desperate to sell now, few can afford to crystallise losses by exiting at the bottom of the cycle.

Consolidation of second tier operating lessors makes sense according to Pembroke's Moylan, but no natural buyers are coming forward. "Price levels remain low, with most sellers awaiting the return to the market of purchasers and anticipating improvements in pricing. There is some pressure on sellers to close longstanding exposures, though."

Abbey National is still keen to sell IEM, but is now more likely to contract out the running of the portfolio to Boullioun pending the resolution of legal issues.

Morgan Stanley had found a buyer for Ansett Worldwide before September 11 but is unlikely to dispose of the company at a significant discount to the book value.

"Who is going to pay for consolidation?" asks Thompson, "financiers and owners have other things to do with their money. Cash rich players outside the industry, however, may become interested in betting on an improvement in fundamentals."

Hayes thinks it is unlikely that disposals will need to be made at distress values low enough to attract outsiders. "Instead existing lessors will acquire assets from companies rather than entire companies themselves. Today, lessors are owned by strong parents, unlike GPA," he says.

It should also be remembered that operating lessors provide more than just a flow of dividends for some parent companies. AIG, for example, benefits from the large tax losses generated at ILFC, estimated to be over $1 billion to date.

Waiting for good times

Leasing companies believe that an improvement in their fortunes is still some way off. Hayes believes that lease rates and aircraft values will recover by 2005 as, "the leasing industry tends to lag the wider market by around two years".

While 2005 seems to be the consensus year for recovery, some believe that fundamentals may worsen before they improve- David Thompson, managing director of GATX, says: "The pull to 2005 will be difficult. More failures are to come, probably in the final quarter of 2003 or first quarter of 2004."

Before any reliable predictions can be made for the next few years, a series of difficult decisions need to be taken by airlines, regulators and lessors alike. The futures of Air Canada, United and Avianca, are still uncertain, and there is the possibility that surplus aircraft could still be dumped into the market. Lower interest rates are an encouraging boost, but raising capital will continue to be difficult for all except those with exemplary track records and committed owners.

Lessors have been forced to face the year's challenges in a number of ways, and the next operating lease survey will chart how well the companies have fared with their differing approaches.

The Survey

Airfinance Journal asked leasing companies for information about their fleet. All the lessors listed responded although because of internal policies a few did not answer every category.

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This survey would not be possible without the help of all the operating lessors and Airfinance Journal would like to thank everyone who took part for their continued support.

Tops ops: 2003 operating lessor survey

Rank 2003 (2002)

	Average			
	2003 portfolio	aircraft		
	value	No. of	value	
	($million)	Aircraft	($ million)	
1 (2)	ILFC	32,400	614	52.8
2 (1)	Gecas	30,000	1100	27.3
3 (5)	debis Airfinance	5,600	129	43.4
4 (4)	Ansett Worldwide	5,000	181	27.6
5 (3)	CIT	4,180	195	21.4
6 (7)	Babcock & Brown	3,760	134	28.1
7 (-)	Lombard Aviation Capital	3,000	91	33
8 (7)	Pegasus	2,900	195	14.9
=9 (11) Boeing Capital	2,700 *	327	--	
=9 (11) Boullioun	2,700	90	30.0	
11 (14) Aviation Capital	2,336	100	23.4	
12 (9)	Sale	2,209	47	47.0
13 (9)	Pembroke	2,140	111	19.3
14 (13) BAE Systems	1,900	330	5.8	
15 (5)	GATX	1,883	135 **	13.9
	Aircraft			
	Aircraft	placed		
	on	in last	No. of	
	ground	year	lessees	

Sizing up lessors: it's still tough out there for lessors, but there are signs of improvement. And with less cash to spend, leasing companies are more intereste....

1 (2)	ILFC	2	67	140+
2 (1)	Gecas	6	150+	200+
3 (5)	debis Airfinance	0	77	72
4 (4)	Ansett Worldwide	--	--	67
5 (3)	CIT	7	--	74
6 (7)	Babcock & Brown	1	22	45
7 (-)	Lombard Aviation Capital	0	16	36
8 (7)	Pegasus	--	32	37
=9 (11) Boeing Capital	--	48	88	
=9 (11) Boullioun	1	18	39	
11 (14) Aviation Capital	--	--	49	
12 (9)	Sale	0	15	22
13 (9)	Pembroke	1	70	29
14 (13) BAE Systems	5	4	45	
15 (5)	GATX	3	43	61
	Majority owner credit rating			
	Owners	(Moody's/S&P)		
1 (2)	ILFC	AIG	Aaa/AAA	
2 (1)	Gecas	General Electric	Aaa/AAA	
3 (5)	debis Airfinance	DaimlerChrysler (50%),	A3/BBB+	
	Bayerische LB (15%),			
	Dresdner (15%),			
	HVB (15%), DZ (10%)			
4 (4)	Ansett Worldwide	Morgan Stanley	Aa3/A+	
5 (3)	CIT	CIT Group	A2/A	
6 (7)	Babcock & Brown	Babcock & Brown(80%),	Not rated	
	HVB (20%)	Aa1/A+		
7 (-)	Lombard Aviation	Royal Bank of	Not rated	
	Capital	Scotland	A2/A	
8 (7)	Pegasus	Privately owned	Aa1/AA+	
=9 (11) Boeing Capital	Boeing	Aa3/AA+		
=9 (11) Boullioun	West LB			
11 (14) Aviation Capital	Pacific Life			

12 (9)	Sale	Singapore Airlines	
	(35.5%),		
	Boullioun (35.5%),		
	Temasek (14.5 %),		
	Singapore Government		
	(14.5%)		
13 (9)	Pembroke	GATX (50%),	Baa3/BBB-
	Rolls Royce (50%)	Baa1/BBB	
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Source: Airfinance Journal Research

Load-Date: February 1, 2005

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Airfinance Journal

July 2003

Section: Pg. 24; No. 262; ISSN: 0143-2257

Length: 1826 words

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Lessors are also angry that although manufacturers are relying on them more and more--not just to finance new aircraft, but also through speeding up deliveries to keep production lines going as airlines defer orders--they get treated as second class customers when ordering.

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After years of growing fleets and the much hyped race to be the third largest lessor, many leasing companies are now far more focused on managing rather than owning aircraft.

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Tops ops: 2003 operating lessor survey

Rank 2003 (2002)

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		Owners	Majority owner credit rating (Moody's/S&P)
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2 (1)	Gecas	General Electric	Aaa/AAA
3 (5)	debis Airfinance	DaimlerChrysler (50%), Bayerische LB (15%), Dresdner (15%), HVB (15%), DZ (10%)	A3/BBB+
4 (4)	Ansett Worldwide	Morgan Stanley	Aa3/A+
5 (3)	CIT	CIT Group	A2/A
6 (7)	Babcock & Brown	Babcock & Brown(80%),	Not rated
		HVB (20%)	Aa1/A+
7 (-)	Lombard Aviation	Royal Bank of	Not rated
	Capital	Scotland	A2/A
8 (7)	Pegasus	Privately owned	Aa1/AA+
=9 (11)	Boeing Capital	Boeing	Aa3/AA+
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11 (14)	Aviation Capital	Pacific Life	
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		Rolls Royce (50%)	Baa1/BBB
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Load-Date: June 27, 2005

Ryanair's June passenger load factors fell from 88% to 79% year-on-year, prompting a single-day fall in its share price of 7%.

Airfinance Journal

July 2003

Section: Pg. 4; No. 262; ISSN: 0143-2257

Length: 184 words

Body

Ryanair's June passenger load factors fell from 88% to 79% year-on-year, prompting a single-day fall in its share price of 7%. Airline officials attributed the figures to the difficulties in consolidating the Buzz business, bought in 2002.

The news came as British Airways and KLM announced a recovery in load factors.

Load-Date: February 1, 2005

Ryanair THE LEX COLUMN:

Financial Times (London,England)

June 30, 2003 Monday

London Edition 1

Section: LEX COLUMN; Pg. 20

Length: 432 words

Body

Ryanair has set the pace in the European airline industry, and on its own plans, it is set to make all the running for years to come. But will the low-cost airline find, like Alice and the Red Queen, that all this running merely keeps it in the same place?

Ryanair's growth is based on increasing capital expenditure. It has embarked on an ambitious fleet expansion programme, taking delivery of 125 new Boeing 737-800s through to 2009. This should drive passenger volumes, and assuming margins and yields remain stable, ultimately profits. But the investment is taking its toll on Ryanair's cashflow. If it continues with the current delivery schedule, its free cash flow is not expected to turn positive until 2006.

The consensus forecast is for the airline to increase passenger numbers by 40-50 per cent this year. Thereafter, Ryanair's own forecast reckons 20-25 per cent annual passenger growth is sustainable for three to five years, before slowing to 15-20 per cent. Assuming faster growth to 2008, and slower growth thereafter, Ryanair would be carrying about 60m passengers by 2009.

On more modest growth assumptions for the overall European low-cost market, that would give Ryanair more than half the market - though Southwest's share of the US low-cost market is even higher.

But to achieve its targets, Ryanair must also, from 2006 onwards, begin to exercise some of the options it has over another 125 aircraft.

The airline won't disclose what passenger growth it thinks it could achieve if it decides to limit itself to the current order, which would see capital expenditure peaking at about Euros 700m in 2005. But analysts at JP Morgan estimate it at 25 per cent in 2005, 15 per cent in 2006 and 10 per cent thereafter - below current projections.

If, on the other hand, Ryanair decides to take up additional options, this would inevitably mean more capital expenditure and a corresponding reduction in free cash flow. The risk here is that with increased investment, returns could come under pressure.

The biggest dangers are that the company finds itself unable to fill new capacity; that it can fill it only by heavy discounting; or that it loses its legendary tight control of costs. Ryanair would then find it hard to exercise its options, and might even have to defer current deliveries. By this point, it would be a very different company.

Ryanair has little choice but to keep on running. Its whole story is built on ambitious growth targets. But perpetual motion - or in this case, keeping returns up while deploying ever-increasing quantities of capital - is hard to achieve.

Load-Date: June 30, 2003

Last of the founder's sons resigns from Ryanair board TRANSPORT:

Financial Times (London,England)

June 25, 2003 Wednesday

London Edition 2

Section: COMPANIES UK & Ireland; Pg. 24

Length: 213 words

Byline: By JOHN MURRAY BROWN

Dateline: DUBLIN

Body

Declan Ryan, son of Tony Ryan, founder of Ryanair, has resigned from the board of the low-cost airline.

A short statement issued to the stock exchange said he had resigned as non-executive director but gave no further details.

A spokesman said Mr Ryan had been on the board for 18 years and felt it was "time to do other things".

He is involved in Irelandia Investments, a Dublin-based company that looks after the family's other business interests.

Tony Ryan, founder and one-time chairman, remains non-executive director, the only family member on the board.

Cathal, Declan's older brother, a former pilot with the company, resigned just before the annual meeting last year.

This month Declan sold 4m shares, raising Euros 23.8m (Pounds 16.5m). He still owns about 2 per cent of the company.

Family members have been regular sellers of shares since the company floated in 1997.

At the IPO, the family raised Euros 61m and a further Euros 26m the following year. In 1999, they sold Euros 175m worth of stock.

In all, the family has raised close to Euros 400m since flotation, according to broker estimates.

The three sons - Cathal, Declan and Shane - are behind a project to build a business school in Dublin in honour of their father, called the Dr Tony Ryan Academy for Entrepreneurship.

Load-Date: June 24, 2003

Last of the founder's sons resigns from Ryanair board TRANSPORT:

How low can you go? Michael O'Leary has created the most highly valued airline in Europe It packs them in, charges them for the coffee and never gives a refund It's the flight of the masses to places they've never heard of

Financial Times (London,England)

June 21, 2003 Saturday

Section: FT WEEKEND MAGAZINE - Cover Feature; Pg. 16

Length: 4587 words

Byline: By GRAHAM BOWLEY

Body

Flight FR294 from Dublin to Stansted was due to leave at 9.30Pm but the blue monitors said it was already 15 minutes delayed. The 130 travellers sprawled around Gate A17 flicked through magazines, listened to personal stereos and gazed anxiously out at the runway. It looked like they were in for a long wait. But they'd booked on a cheapo airline. What could they expect?

Yet at 9.21pm a blue, yellow and white plane swooped out of the red sky and disgorged its passengers on to the tarmac. A fuel truck and a band of baggage handlers and engineers in yellow coats swarmed the aircraft. The passengers trailed into the hall, slipping on jackets and checking text messages, and were gone. At 9.31pm a mother and her three children trotted across to the plane. The rest of us followed, crowding up the steps - two men with rucksacks, three young girls in khaki shorts, and two women who had been hiking in Kerry, among the rest of the unlovely lot.

At 9.46pm, Kelly, the flight attendant - she wore a tight blue uniform and a shiny made-up face - thudded the door shut on a full plane. The rows of heads in front watched Kelly struggle with a blocked toilet. When I bumped my neighbour's knee, I said sorry. "It's cheap," he replied, shrugging as if no one could expect legroom at this price. "Sixty-five euros return," he said, loudly, as the plane roared back from the gate, only 38 minutes after landing.

Not so long ago, jetting above the clouds was not, except for a rare treat, for the masses like almost everyone on FR294. As we left the Irish coast, just about on schedule for London, it was clear that a revolution had taken place in our skies. Just how had we got there? Who on earth was responsible? And how much further did it have to go?

A few days later I was at a press conference in the elegant surroundings of the City Club in London, where Michael O'Leary - controversial, reviled and one of the most important people in world aviation today - said a remarkable thing. He declared that one day soon airline tickets could be free for everyone - even ultimately, in a decade or so, that airlines would pay travellers to fly on their planes.

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"There's no end in sight to how low fares can go," he said. Behind him, on a screen, Ryanair's golden arrows advanced like armies across a map of Europe. His voice was full of Irish lulls and barks. He spoke casually, almost as if anyone would be stupid to doubt his plans for continental domination. It was the same battle cry I had heard two weeks earlier when I watched him address a meeting of investors and analysts in sombre suits: "We are going to be driving down the airfare because we can. Why does Walmart continue to drive down prices? Because they can. We are, I believe, in a similar situation."

Neither of his audiences reacted, except for a few titters when O'Leary swore, which the 42-year-old Irishman tends to do quite a lot. Maybe they didn't believe him, for there are some who doubt his crowing ambitions. Yet he has led the latest revolution in the European skies. As chief executive of Ryanair, the Irish low-cost airline in whose blue, yellow and white plane I had flown, O'Leary has pursued the answer to a single question: how cheap can we make air travel? He has turned an industry on its head, cut the cost of flying to the price of a cup of tea, and changed the way millions of new passengers experience air travel.

In the process, he has transformed his small company into one of the biggest - and certainly the most highly valued - airlines in Europe. Its market capitalisation of around Dollars 5bn is higher than Lufthansa and almost a third higher than that of British Airways. "We are stellar!" he said, skipping from the hotel stage. "In 12 years' time we will be the world's biggest airline. There is no shortage of ambition here."

In the late 1980s Ryanair was a small family-owned business flying turboprops across the Irish Sea. The infant airline was losing money to large rivals Aer Lingus and British Airways when Tony Ryan, the Irish businessman who had founded the company in 1985, hired a rising young Dublin accountant called Michael O'Leary. Ryan sent him to the US to talk to Southwest Airlines. Herb Kelleher, the flamboyant, chain-smoking Southwest boss - who once famously settled a business dispute by an arm wrestle and held the company record for drinking seven Jack Daniels on one flight - had made a fortune by offering low-price tickets and taking on the established high-fare carriers in Texas. Southwest has since expanded successfully across most of the US, taking on the large, embattled carriers such as Delta and forcing some into launching low-cost subsidiaries of their own. At the time, O'Leary returned to Ireland converted to the low-cost model and ready to put it into practice in Europe at Ryanair.

"We were doing the same as everyone else," O'Leary tells me when I track him down. Up close, he is a youthful looking man, though his wiry short hair is turning grey. He wears a blue, open-necked shirt with rolled-up sleeves, tight blue jeans and Puma trainers. His face is hawkish and slightly tanned. He has sharp, persuasive brown eyes, animated eyebrows and an almost perpetual grin, which only occasionally turns sour. "The (Ryan) family were looking at closing it down back in the 90s. I was the biggest advocate for closing it down. But then came the road to Damascus."

O'Leary's conversion to the low-cost faith was helped by Ryan's agreement to give his protege a huge chunk of future profits (O'Leary was revealed to control about a fifth of the company when the company floated its shares in 1997). "Since 1972, Southwest has been the single most successful stock market investment in the US," Joe Gill, an analyst at Goodbody stockbrokers in Dublin, tells me. "What O'Leary tried to do is replicate that."

O'Leary began his revolution by insisting his company treat its workers differently from other airlines. He refused to recognise or negotiate with unions (although a few staff, including some pilots, still carry union cards) and, in 1998, in Dublin he shut out baggage handlers who were demanding better conditions. Earlier this year, when he bought the failed Dutch low-fares airline Buzz, he cut about 500 of the 600 jobs. He also refused to accept the existing union-backed contracts of those he wanted to transfer to Ryanair. The contracts would have given workers extra holiday and pension entitlements, which O'Leary wouldn't tolerate.

O'Leary is ferociously intent on getting his own way. But the pay- off is that those who play his game share in the rewards of Ryanair's thriving new empire. "Michael's genius is his ability to motivate and energise people even far away from his office," Tim Jeans, a former Ryanair marketing director, tells me. Jeans left Ryanair last year to run MyTravelLite, the Birmingham-based low- cost airline. "Michael was a great tutor. I learned a lot from his bollockings... I was one of the original gang of seven that took Ryanair out into mainland Europe in 1995 with 10 aircraft and seven routes... I was the only Brit allowed in the place... There is an incredible energy in that place. People work incredibly hard and get a lot out of it. They operate a very lean operation for a company of its size. It is without peer."

Those Buzz staff that joined Ryanair must now work some of the longest hours in the airline business. A typical Ryanair pilot flies about 80-90 hours a month, close to the legal maximum of 100 and around twice the BA equivalent. But the compensation is that Ryanair's pay (for pilots at least) is among the highest. (According to Ryanair, the average salary for all its workers is œ50,582 a year, roughly a third more than BA.) As well as the base salary, employees have share options, the prospect of rapid promotion, plus, for flight attendants, a slice of in-flight sales of lattes, booze and perfumes. The work-them-hard system O'Leary has established means that Ryanair can fly its 24m passengers this year with only 2,000 staff. In comparison, with its global network, traditional carrier Lufthansa flies twice as many people but with more than 30,000 employees in its airline business.

O'Leary extended his low-cost revolution to his aircraft. He abandoned the old mix and built his fleet around one new model - the Boeing 737, the standard workhorse of low-cost airlines such as Southwest. O'Leary calls them his fleet of Toyota Corollas. Engineers only needed to know how to fix one type of plane and stock one type of spares. By buying in bulk O'Leary could negotiate cheap deals with manufacturers, and he strengthened his bargaining power by timing his purchases to coincide with recessions. The new planes are also bigger than his rivals' aircraft, which means he can cram in more passengers. In airline jargon, this reduces the cost per available seat kilometre, which will have appealed to O'Leary's accountant's eye. (By contrast, EasyJet, O'Leary's slightly more upmarket UK rival, recently mixed its fleet by buying cheaper Airbus planes as well as Boeing aircraft, drawing criticisms that it was straying from the traditional Southwest- inspired low-cost model.)

Even before passengers boarded O'Leary's Toyota Corollas, he had chipped away at the edifice of costs. Ryanair's reinvention coincided with the emergence of the internet and, as more and more people went online, he abandoned the practice of distributing tickets via travel agents. Following EasyJet's lead, he switched instead to selling flights directly online. This meant he didn't have to print or post tickets, or even employ staff to take passengers' details. Typing in their own names and credit card numbers, the punters did the work for themselves. He also saved the 9 per cent cut of fares that travel agents used to take. "British Airways says you can't upset the travel agents," O'Leary says when I talk to him (although in fact BA has significantly cut its commissions to travel agents). "Screw the travel agent," he says, rolling his eyes and scratching his neck. "Take the fuckers out and shoot them. What have they done for passengers over the years?" He pauses, craning his head over my notebook. "So that's 'screw' in shorthand?"

Ryanair now sells nine out of 10 tickets online. Astonishingly, the web page gets around 500m page-views each month. O'Leary has struck deals with hotels, car rental, credit card and even mortgage companies, who hawk their services on Ryanair.com. Now he's the one taking the cut, and the so-called ancillary revenues make up about one eighth of Ryanair's total sales. The profits were further boosted by the way the internet enables Ryanair to monitor bookings. O'Leary's marketeers can gauge how full their aircraft will be minute by minute. Should the graphs on their computer screens dip, they can immediately slash prices to lure passengers into the empty seats. But beware: they don't hesitate to raise prices if demand is buoyant. As any late-booking traveller will know, this dark science of "yield management" means you don't always get as fantastic a deal as the ads promise. But, by and large, Europeans can now travel from Frankfurt to Barcelona for Pounds 59, from London to Rome for Pounds 18, or from Milan to Hamburg for œ8.

O'Leary decided that the only thing people wanted was prices like that, so he got rid of everything else. No meals. No assigned places. He could sell passengers a sandwich if they wanted one, but they could work out where to sit for themselves. With fewer cabin crew to pamper them, Ryanair passengers soon became used to the curt grimace which passes for customer service on an O'Leary flight. Most complaints, O'Leary tells me, are generated by the company's no-refund policy. "We don't fall all over ourselves if they... say my granny fell ill. What part of no refund don't you understand? You are not getting a refund so fuck off."

How low can you go? Michael O'Leary has created the most highly valued airline in Europe It packs them in, charges them for the coffee and never gives a refund ....

Fuck off granny is not the standard spiel you expect from your regular company executive. Most corporations, sincerely or not, build themselves around the mantra of the customer is always right. But what O'Leary's phenomenal success has shown is that he doesn't have to smile and be nice to his passengers as long as they don't have to pay for it. His pugnacious tactics may even reassure customers they are getting the best deal. In the late 1990s, his passenger persecution reached bizarre levels when he reneged on a pledge to give Ryanair's one millionth traveller free flights for life. She took him to court and won, the judge ruling that O'Leary had been hostile and aggressive when she rang him up. But O'Leary's investors must have loved the fact that their money was entrusted to such a miser.

Probably the most radical part of the O'Leary revolution was the new way he treated the places he landed. While the big airports such as Heathrow were full, and charged airlines expensive rates to land their planes, he noticed that around Europe there were hundreds of small airports - many of them former airforce bases - that were desperate for business. For the cost-conscious O'Leary, these so-called secondary airports had two big advantages.

First, unlike Heathrow, Paris Charles de Gaulle or Frankfurt-Main, they were not congested so his planes could land and take off again within half an hour. This has become a sacred rule for O'Leary: his planes must be in the air as much of the day as possible since it is only aloft that they earn him cash. If they are on the ground, they are costing him money. You can see this principle at work if you watch any airport that Ryanair serves - the planes flying in and out, depositing passengers and scooping them up, the teams of baggage handlers, engineers and cabin crew, all in a continuous rapid movement, like a hive.

The second advantage of local airports was even more radical. O'Leary discovered that not only would small towns across Europe charge him very little to land his planes - if he asked, they might even pay him money to start a direct route. So now he is winning passengers happy (usually) to put up with cramped seats and poor service if they arrive at their destination for less than the cost of a pizza, even if they are then faced with an hour's drive into the nearest big town. And he is being welcomed by towns and businesses eager to greet him and the tourist hordes his planes bring.

At around the time it sold its planes to O'Leary, Boeing, understandably anxious about doing a multibillion-dollar deal with a relative unknown, set up a computer simulation of Ryanair's system to test for flaws that could potentially damage the company's credit-worthiness. They zapped it with drops in demand, and fluctuations in exchange rate and aviation fuel price. "We could not find a quarter when they were not profitable. The lowest we could do was a breakeven," Eric Hild, Boeing's director of sales for the UK and Ireland, tells me. "It is probably the most robust model we have encountered." This month, during the meeting in the City Club, Ryanair announced that its after-tax profits had risen 59 per cent to œ239.4m in the 12 months to March, a year in which many other airlines around the world suffered big losses.

"What it is, is Tesco," says O'Leary, leaning back in his chair. "Ryanair is doing in the airline industry in Europe what Ikea has done. We pile it high and sell it cheap." But ultimately, if O'Leary gets his way and ticket prices fall closer to zero, a better comparison than supermarkets might be network TV - where viewers watch for free and advertisers pay for access to them - or the internet. In the same way that websites earn money for delivering click-through traffic to other online sites or advertisers, airlines in O'Leary's perfect world would get paid for redistributing people around Europe. We are all traffic now.

The losers in O'Leary's New Europe are the old national flagship carriers. Just as American incumbents such as Delta and United were dented by Southwest, on this side of the Atlantic airlines such as BA and Alitalia, still burdened with high costs, have struggled to compete with Ryanair. "They have waterfalls in the headquarters out at Heathrow, they swan around sipping cappuccinos, thinking they are masters of the universe. But BA are stuck on the horns of a dilemma. Their costs are high, so they charge high prices, while we are going like gangbusters," is how O'Leary puts it to me.

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The result has been an exodus from the national carriers. Aer Lingus, the state-owned Irish airline, was Ryanair's first victim. After almost closing down in 2001, it appointed a new chief executive, Willie Walsh, who is turning Aer Lingus into a virtual copy of Ryanair, sacking thousands of workers.

In 1998, after Ryanair added more British flights, BA finally reacted by launching its own low-cost airline called Go, run by the American Barbara Cassani. Tim Jeans says: "Michael called her 'the fragrant Mrs Cassani'. He used to say that until she arrived the industry was run by a dodgy Greek and a Paddy. Barbara gave it a terrible amount of respectability."

But wherever Go challenged Ryanair, O'Leary fought back ruthlessly. Until that time, he had avoided introducing a service between Dublin and Edinburgh because, in his view, Edinburgh was a high- cost airport. But when Go moved into Dublin in 2001 and started offering services to the Scottish capital, he immediately opened five flights a day at prices as low as œ10. Four months later, Go closed its Dublin flights. "After they left," Tim Jeans tells me chuckling, "some wag went across the airport and scrawled NE after their name. Nobody has gone head to head since that time."

In 2001, BA sold Go, and it has since been swallowed by EasyJet. Following its subsidiary's demise, BA has pursued an O'Leary-style low-cost revolution of its own. This involves cutting 13,000 jobs and shifting some ticket sales to the internet where BA now sells two-fifths of its short-haul flights. Its fares are lower than they were (in some cases 80 per cent lower) but normally remain higher than Ryanair's. It hopes passengers will be prepared to pay the extra margin for the comfort and frills, such as frequent-flier programmes, meals and assigned seating, that Ryanair eschews.

It is this belief - that some passengers will continue to prefer some kind of service on their flights and fly to convenient airports - that has prompted some analysts to put a limit on Ryanair's growth, or even question its entire low-cost philosophy. When I meet O'Leary, he is fulminating against a report, written by Andrew Lobbenberg, an aviation analyst at the investment bank ABN Amro, called "The Emperor Is Stark Naked". The report argues that Ryanair will eventually have to pay more money to regional airports and to its hard-pressed staff. "The company's not worth what it's trading at," Lobbenberg tells me.

But possibly the biggest weakness of Ryanair's model - certainly one that rivals such as EasyJet focus on - is the isolation of its airports. It has led to criticism that O'Leary is flying to places nobody wants to travel to. Why fly to Frankfurt-Hahn (100km from Frankfurt) or Paris Beauvais, when you could fly to Frankfurt-Main or Paris Charles de Gaulle instead? "There is only a certain level of market share which Ryanair is going to achieve," says Tim Coombs of Aviation Economics, a London consultancy (which advises EasyJet). "People will always want to fly between London Heathrow and Frankfurt-Main and will be prepared to pay more for the pleasure of doing so."

EasyJet has pursued the opposite strategy to Ryanair, flying directly into big cities such as Amsterdam, even if it has to pay the higher landing charges. But O'Leary simply points to the numbers choosing to fly his routes. "For the price-sensitive customers, distance is no problem," he says blithely.

When I ask whether there's room enough for both British Airways and Ryanair, he puts on a mincing voice. "There is too much: 'we really admire our competitors'. All bollocks. Everyone wants to kick the shit out of everyone else. We want to beat the crap out of BA. They mean to kick the crap out of us." He predicts Ryanair will be carrying more passengers than BA's 37m by the end of next year.

But, after Ireland and Britain, O'Leary's frenzied focus is turning to mainland Europe. This is the next stage of Ryanair's development. He is colonising the continent with new bases and destinations. This strategy is bringing him into conflict with Europe's biggest airline, Lufthansa. So far the German airline (or Lufty as he likes to call it) has played down the threat of low- cost fares, although Jurgen Weber, Lufthansa's chief executive, has founded a low-frills affiliate, called Germanwings. O'Leary says: "Weber says Germans don't like low fares. How the fuck does he know? He's never offered them any. The Germans will crawl bollock- naked over broken glass to get them."

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The swearing, chest beating, the triumphalism are what you get when you speak to Michael O'Leary. He talks to interviewers nose to nose, before flopping back in his chair and resting his feet on the table. He loves to talk. He has a manic energy. Often you hear the same lines over again. I heard this one twice during the course of our meetings: "They don't call us the fighting Irish for nothing. We have been the travel innovators of Europe! We built the roads and laid the rails. Now it's the airlines!"

His triumphalism is why many people loathe him. Of the nearly 50 people I talked to over the course of a month for this article, only three or four said they liked O'Leary, the person, though almost everyone respected his business know-how. (Some of Dublin's stock analysts - who have a lot to gain from association with the local success story - are sickeningly gung-ho about it.) In Ireland, where he is called everything from "arrogant pig" to "messiah", he has become a figure for public debate. But in London, one senior air industry official tells me: "He is not regarded as very lovely. He is a bully. He will have his run but he will almost certainly disappear in a puff of smoke. These people always do."

The whiff of devilry deepened this month when he cashed in œ23.8m of his Ryanair stake just one week after promising at the City Club press conference that he had no plans to sell any shares. He reduced his holding from 5.9 to 5.4 per cent, and remains the single largest shareholder.

His antics may be repellent, but they represent a Barnum-like genius for attracting attention. In this way he is no different from the crowd of headline-seeking entrepreneurs - from Freddie Laker, Richard Branson, Stelios Haji-Ioannou of EasyJet, and Herb Kelleher of Southwest - that the airline industry seems to collect. Except O'Leary is even more shameless. Last month, dressed in an army uniform, he drove a tank up to EasyJet's headquarters in Luton Airport blasting out the theme song from the A-Team. His point was that Ryanair, which had started new routes from Luton, was challenging EasyJet even on its home base. He has dressed up as St Patrick to promote a ticket offer. His ads have included one that claimed the fourth secret of Fatima was Ryanair's cheap fairs, drawing a rebuke from the Pope. He plasters the sides of his aircraft with his views: "Arrivederci Alitalia" reads one I see on a Stansted runway. His biggest recent publicity splash came earlier this year when he paid A6,000 for a Dublin taxi licence so his chauffeur could put a light on top of his black Mercedes and drive along Dublin's bus lanes.

O'Leary believes his escapades are for the company's good, but occasionally even he grows self-conscious. When I see him last he is posing for German TV cameras sprawled across a wooden bench on the balcony of the City Club (in spite of my requests, he is too busy to see me in his office). He is flirting with the blond interviewer who has asked him to take his sweatshirt off. "Give up!" he is barking to Lufthansa. His shirt is untucked, his legs are spread wide, his arms pointing above his head like he is about to take off. Then he blinks and lowers his arms with a giggle. "I did a business degree for this?"

The role of the uneducated provincial - an Irish bogman, a farmer's son - who is confronting the rich metropolitan elite for the sake of the common punter is one O'Leary loves to play. But he is in fact a highly educated, gently reared scion of Irish country aristocrats, as I discover when I talked to people who knew him in Dublin and Mullingar, his hometown in the Irish Midlands about 50 miles west of Dublin. Although Mullingar is where he grew up, he was educated at Clongowes Wood College, a Jesuit boarding school, which has been described as the Eton of Ireland. (It was James Joyce's alma mater.)

After Clongowes, O'Leary read business studies at Trinity College Dublin. After graduation, while he had a day job as an accountant, he bought a string of newsagent shops, which he traded on for profit. Dublin legend has it that the young entrepreneur minted his first million by the time Tony Ryan asked him to save his fledgling airline. The further millions Ryanair earned O'Leary over the next decade - he is estimated to be worth around a third of a billion pounds - allowed him to buy Gigginstown House, a grand manor near Mullingar where thoroughbred horses and black Angus cattle adorn his acres and he throws parties for Ireland's elite. It's a rather incongruous lair for Europe's self-styled Low Cost King, but a rock-solid testament to his success.

As O'Leary was building his wealth in the 1990s, and his company was growing, Ireland was changing around him too. The emergence of Ryanair coincided with the transformation of Ireland - lower taxes, a freer labour market -

that propelled the country to the top of the European growth league in the last century's final decade. But Ryanair is no longer only an Irish story. More and more, it is a tale about the modernisation of the whole of Europe. As deregulation has spread, so Ryanair has gradually transferred its low-cost model to the UK, and now to Scandinavia, France, Germany, Italy and Spain.

As it does so, its US-style mass transit operation is transforming the culture and geography of Europe. O'Leary brags that he triggers a property boom wherever he opens a new airport. When he threatened to close a route between the UK and Bergerac in France this year there were howls of protest from holiday-homing Brits and local businesses. According to Miranda Neame, editor of French News, a local English language newspaper, Bergerac Chamber of Commerce stumped up a few hundred thousand euro a year for, among other things, Ryanair's marketing budget. Ryanair reinstated the route.

For the rest of us, the rise of the discount airlines simply brings countries closer, and puts on to planes people who would rarely fly - or never have flown before. In some cases, the new, 21st century jet-setters are flying to destinations they had probably never even heard of five or 10 years ago: Carcassonne, Haugesund, Jerez. When you see English weekenders clutching œ15 tickets stumble directly from plane to bar in, say, Trieste, you suspect that many of the new low-cost adventurers are not travelling because they need to, nor even because they particularly want to, but simply because they can. "For years flying has been the preserve of rich fuckers," says O'Leary with his grin, confidently assured of his vision as ever. "Now everyone can afford to fly."

Graham Bowley is a freelance writer

Load-Date: June 20, 2003

UK & IRELAND: Ryanair to reject American Express cards over 'excessive' interchange fees TRANSPORT:

Financial Times (London,England)

June 20, 2003 Friday

London Edition 2

Section: COMPANIES: UK & IRELAND; Pg. 24

Length: 310 words

Byline: By JANE CROFT

Body

Ryanair, the budget airline, is to stop accepting American Express charge cards from the end of the month because of the "excessive" interchange fees charged by the card issuer.

The low-cost airline, which has a track record for cost-cutting, said Amex intercharge charges were substantially higher than those of the other leading credit card issuers like Visa and Mastercard.

The interchange fee is, in effect, a charge levied by banks on retailers each time a customer uses a credit card to buy goods in person or over the internet.

Amex, which has 57.8m card holders worldwide, justifies its higher interchange fees because of the quality of its customer base. This includes many high-spending corporate card holders.

Ryanair, which sells more than 90 per cent of its tickets online via credit or debit cards, said that Amex customers represented a "very small percentage" of its passenger numbers, with MasterCard and Visa accounting for most tickets bought by credit card.

Ryanair has been in negotiations for some time with Amex but said Amex had refused to lower its fees. "We have cost-cutting programmes across the board and this is one of the things we have to do to lower fares," the company said.

In the UK, the Office of Fair Trading is looking at the level of interchange fees charged by the credit card issuers - which are typically about 1.1 per cent of the transaction - because it believes these are too high.

Yesterday credit card experts were not surprised that Ryanair had made the decision to stop accepting Amex cards.

Richard Thompson, partner at PwC, said: "Amex does have higher interchange fees than Visa or Mastercard issued cards and this extra amount does matter for a low-cost, low-margin airline like Ryanair."

UK & IRELAND : Ryanair to reject American Express cards over 'excessive' interchange fees TRANSPORT:

Ryanair said it has no plans to stop accepting other types of credit card.

Amex said yesterday it regretted Ryanair's decision.

Load-Date: June 19, 2003

Fastmap

Financial Times (London,England)
June 17, 2003 Tuesday

Section: CREATIVE BUSINESS; Pg. 18

Length: 831 words

Byline: By DANIEL ROGERS

Body

As you read this, much of the British ad industry is living it up at the Cannes Advertising Festival. But the heady atmosphere of the Côte d'Azur is in ever-starker contrast to the business climate back home.

In these cost-cutting times, advertisers want to be sure that they are getting the best, most effective marketing ideas available. Whereas in 1995 British Airways splashed out Pounds 1.4m on a single TV ad, "Island", through Saatchi & Saatchi, today's highest-flying airline stock, Ryanair, opts to churn out dozens of in-house press ads. "I don't see any value in paying for outside agencies when I can use ideas from staff," says Ryanair's marketing chief, Sinead Finn. "It's about getting maximum bangs for each buck."

Marketing services agencies are feeling the heat from clients to prove that their creative output will work, and yet have little money to test it. WPP chairman Sir Martin Sorrell is clear that return on investment is the burning issue of the future, with his stated priority to shift his group towards direct response and research-based marketing techniques. Data consultancy CCB thinks it has come up with an answer. Last week it launched a service called fast.MAP (Marketing Action Panel) , a quick and cheap technique for measuring advertising.

Rather than a client or agency selecting a piece of creative and then measuring its merits through focus groups, fast.MAP tests a number of pieces of creative against an online panel of around 2,000 consumers, selected to match a specific profile, and provides a formal report on the findings within 10 days. The system has been used by News International's newspapers for some time to monitor print ads, but CCB now wants to sell the service to advertising and direct marketing agencies. It is being positioned as a cut-price effectiveness tool catering for a "new world of marketing": the lead-in price is a mere Pounds 1,000. "Lifestyle surveys like TGI (Target Group Index) give you a historical profile, focus groups can be unrepresentative and paper-based surveys are slow," says Tony Coad, CCB's chairman.

"This system provides a real-time panel of consumers that short-circuits the laborious testing process." A number of client companies have already tested fast.MAP. YMCA England used it to pre-test a fundraising campaign that had a budget of just Pounds 30,000. The charity says the system enabled it to discover that young, professional women were a sympathetic, yet largely untapped, audience and that Pounds 10 was the optimum donation. It then tested four pieces of creative work to find the most effective.

To prove the segmentation power of fast.MAP, CCB surveyed the 70 "marketing experts" at the launch on which YMCA creative they thought would be the most effective, before revealing that YMCA's chosen audience had preferred a different execution. "Advertising agencies must learn to realise that 'I like it' simply isn't enough when choosing a piece of creative," says Coad. Peugeot has also used fast.MAP to test two pieces of advertising creative for one of its cars. While one ad proved more popular overall, Peugeot discovered that the other execution attracted a greater number of "very interested" respondents. It was also able to drill down into the research to discover which sex preferred which ad and which papers they read.

"This is the future of research and direct marketing," says Drayton Bird, founder of the eponymous agency and author of the book Commonsense Direct Marketing. "People are actually exposed to the creative and they either respond or they don't. And it's also bloody cheap." However, Andy Annett, managing partner at Liquid Communications, is less effusive: "I don't think its unique, but I can certainly see us using it in pitch situations. The interesting bit is the way you can test creative and then profile audiences against it. The key is applying it back to data specifics: 24-year-olds in Newcastle versus, say, 62-year-olds in Weybridge."

A quick survey of agency heads at the launch suggests that while similar online testing products are available, fast.MAP appears to be more closely tailored to the needs of direct marketers. David Poole, chairman of agency DP&A, argues that "it undoubtedly opens up creative testing to a broader range of clients and campaigns, and provides finer levels of segmentation and profiling". And while Coad admits that fast.MAP is currently best-suited to direct mail and direct-response press advertisers, he argues that the same principles apply to measuring higher-profile campaigns and that a TV measuring system will be developed later this year.

"The advertising market has been lamentable in its measurement," says Coad. "It has measured almost everything except how people will respond and what they will buy. This is why direct mail has grown so much faster than advertising for so long." Returning Cannes revellers take note. dannyrogers2001@hotmail.com Daniel Rogers is associate editor of Marketing magazine

Load-Date: June 16, 2003

Emirates unveils its long-haul mission DUBAI:

Financial Times (London,England)

June 17, 2003 Tuesday

London Edition 1

Section: COMPANIES INTERNATIONAL; Pg. 30

Length: 560 words

Byline: By KEVIN DONE

Dateline: PARIS

Body

Emirates is on a mission. The Dubai-based flag carrier yesterday unveiled the largest-ever single aircraft order in the latest chapter of a long-term plan to transform itself into one of the world's largest long-haul airlines.

The state-controlled airline's development also parallels the ambitions of Dubai as a transit point to rival other trading and aviation centres such as Singapore and Hong Kong.

Despite its small home market, Emirates aims by 2010 to carry 29m passengers and 1.5m tonnes of cargo a year, up from 8.5m passengers and 525,000 tonnes last year.

Dubai airport is also being rapidly expanded to provide terminals and infrastructure with a capacity to handle 61m passengers by 2012. Traffic is forecast to rise from 16.3m last year to 51m in 2015.

To realise its ambitions, Emirates has become the largest single airline buyer of new aircraft at a time when many rival carriers around the world have been grounding aircraft in the midst of heavy losses and have been trying to negotiate the deferral or cancellation of existing orders.

Dubai's aviation infrastructure is also being rapidly developed as a result of a long term strategy and commitment made by the powerful ruling Al-Maktoum family.

Sheikh Ahmed bin Saeed Al-Maktoum is chairman of the Emirates group. General Sheikh Mohammed bin Rashid Al-Maktoum, crown prince of Dubai and minister of defence of the UAE, was also on hand yesterday at the feverish signing ceremony in a crowded Airbus chalet at the Paris Airshow, to give his seal of approval to what the airline described as "the biggest order in civil aviation history" valued at Dollars 19bn.

The emirate is not being thrown off course by the present turmoil in the world aviation industry, and instead has chosen to take advantage of the highly depressed market for new aircraft by ordering in bulk, while it is a buyer's market with heavy discounts. The same buying strategy has been followed by the fast-growing low cost carriers Ryanair and EasyJet in driving their big orders last year.

Emirates unveils its long-haul mission DUBAI:

There was more than a touch of hyperbole. In November 2001, only weeks after the September 11 terrorist attacks in the US, Emirates announced orders worth Dollars 15bn.

Of yesterday's orders for 71 aircraft, 33 were actually in the Dollars 15bn announcement as well, in the form of letters of intent. Yesterday they were turned into firm orders, however, and for good measure Emirates added another 38 firm orders.

With the backing of state and family the airline appears assured of the financing sources, when it eventually comes to pay for the aircraft, which are for delivery over almost a decade to 2012.

"We will fund them from our own reserves, from banks and institutional investors and through operating leases," said Sheikh Ahmed yesterday. Even he appeared to acknowledge that there could be some strain, however, when he declared that "by using operating leases we avoid burdening ourselves with large amounts of debt".

Maurice Flanagan, group managing director of Emirates, who first went to Dubai 25 years ago on secondment from British Airways, said that Emirates received no subsidies and operated in a completely unprotected environment in Dubai, which has no barriers to any rival airlines with traffic rights open to the world.

As Emirates grows into a world force, those claims are likely to come in for much closer scrutiny.

Load-Date: June 16, 2003

Emirates' Airbus deal is a blow to Boeing: Doubling of order by Dubai-based carrier will extend European aircraft-maker's lead over its US arch-rival

Financial Times (London,England)

June 17, 2003 Tuesday

London Edition 3

Section: FRONT PAGE - COMPANIES & MARKETS; Pg. 25

Length: 460 words

Byline: By KEVIN DONE

Dateline: PARIS

Body

Airbus intensified its battle with Boeing yesterday when Dubai-based Emirates confirmed the largest single aircraft order that extended the European manufacturer's lead over its US rival.

Emirates split the order of 71 aircraft between the two manufacturers, but added substantially to its Airbus commitment by doubling its orders for the new A380 superjumbo to 45 aircraft. All the Boeing aircraft will come from operating lease deals already booked by the US company.

The Middle East airline said the aircraft had a list price of nearly Dollars 19bn (Pounds 11.4bn), but it has secured large discounts because of the industry downturn. Neither Airbus nor Emirates would comment on the scale of the discounts.

Ryanair and EasyJet, Europe's leading low-cost carriers, both announced big orders last year for short-haul aircraft from Boeing and Airbus backed by generous manufacturer finance terms.

UK-based EasyJet is estimated to have secured discounts of up to 50 per cent as part of a deal that will see it switch from an all-Boeing fleet.

The Emirates deal was announced at the Paris Air Show, which has seen a heated exchange between Airbus and Boeing over their production rates, demand forecasts and customer incentives. The Emirates deal also brought new engine contracts worth about Dollars 900m at list prices for Rolls-Royce, the UK jet engine maker.

The deal underlines the ambitions of the small Gulf emirate to turn Dubai into one of the world's leading aviation hubs and Emirates, the state-owned airline, into one of the world's biggest long-haul carriers.

Emirates' Airbus deal is a blow to Boeing : Doubling of order by Dubai-based carrier will extend European aircraft-maker's lead over its US arch-rival

The airline now has a total order book of Dollars 26bn.

Yesterday's order gave a vote of confidence in the future of the 555-seat A380 superjumbo, which is being developed as the world's largest commercial airliner, and for which the Dubai carrier will be by far the largest operator.

It more than doubled its previous commitment from 22 to 45 A380s and now accounts for more than a third of the total Airbus A380 order book of 124 from 10 customers, including eight commitments.

Most of yesterday's order represents new business for the group, which is owned 80 per cent by European Aeronautic Defence and Space group and 20 per cent by BAE Systems of the UK. Only four of the Airbus aircraft are being acquired via leasing companies, which had previously placed the orders for the aircraft, with 41 coming as additions to the Airbus order book.

Rolls-Royce, which is already sole supplier of engines for the A340 aircraft, is understood to have submitted an unsolicited offer to supply the engines for the new tranche of A380s, despite having lost the previous contest at Emirates to General Electric/ Pratt & Whitney joint venture. Emirates unveils its mission, Page 30 www.ft.com/oraclepeoplesoft

Load-Date: June 16, 2003

UK: O'Leary raises Euros 24m in share sale

Financial Times (London,England)

June 11, 2003 Wednesday

London Edition 1

Section: COMPANIES: UK; Pg. 22

Length: 212 words

Byline: By KEVIN DONE

Body

Michael O'Leary, the outspoken chief executive of Ryanair, yesterday raised Euros 24m (Pounds 17m) by selling shares in his low cost airline, just days after saying he had no intention to sell.

Mr O'Leary and Declan Ryan, a non-executive director, each sold 4m shares representing about 1.06 per cent of the total issued equity of the group.

The shares were placed with institutional investors at Euros 5.95 per share by Davy Stockbrokers and Morgan Stanley, the airline's long-standing brokers and financial advisers, raising Euros 23.8m each for Mr O'Leary and Mr Ryan.

Mr O'Leary last sold shares in June last year, raising Euros 46.9m through the disposal of 7m shares at Euros 6.70 each.

The latest sale comes just a week after the Ryanair chief executive said: "I have no intention to sell shares at the moment. I don't need the money."

However, he appears to have taken advantage of the recovery in the share price, which has risen from Euros 5.68 last Tuesday, when the airline warned of falling fare levels, to close at Euros 6.10 on Monday.

The share price closed last night 13 cents or 2.1 per cent lower at Euros 5.97.

Mr O'Leary's stake has been reduced from 5.9 to 5.4 per cent, worth about Euros 243m at last night's close. He remains the single largest shareholder.

Load-Date: June 10, 2003

TBI bullish on traffic as no-frills airlines expand TRANSPORT:

Financial Times (London,England)

June 11, 2003 Wednesday

London Edition 2

Section: COMPANIES UK; Pg. 25

Length: 373 words

Byline: By KEVIN DONE

Body

TBI, the UK regional airports group, expects passenger traffic to rise strongly this year as low-cost airlines increasingly replace full- service and charter carriers at its main airports.

The shares rose by 2p, or 4 per cent, to 51 3/4p on the upbeat statement yesterday despite TBI reporting a sharp fall in full-year pre-tax profits. The company blamed the loss of business from British Airways and BMI British Midlands for the decline, but added it had attracted significant services from Ryanair and BMIbaby.

In Europe, TBI operates three UK airports, Luton, Cardiff and Belfast International, as well as Stockholm Skavsta in Sweden. BMIbaby opened its second UK base at Cardiff in November, while Ryanair launched a base at Skavsta in April.

The volume of passengers at all TBI airports increased last year by one per cent from 15.1m to 15.2m. However, the group said that in the first two months of the current year, passenger numbers at its European airports rose by 23 per cent to 2.3m.

The group reported a 38.6 per cent fall in pre-tax profit from Pounds 16.6m to Pounds 10.2m for the year to the end of March, and an 11 per cent fall in earnings before interest, tax, depreciation and amortisation from Pounds 53.1m to Pounds 47.3m.

Earnings were hit by a Pounds 1.7m increase in security and insurance costs. Also, pre-tax profit in the previous year had been boosted by a Pounds 4.9m profit on the sale of its Australian interests.

Stanley Thomas, TBI chairman, said: "Future increases in passenger numbers should convert into increased earnings." Turnover was Pounds 177.6m (Pounds 186.2m) and earnings per share 0.82p (1.47p). The dividend was unchanged at 2.3p.

* Passenger numbers at BAA's seven UK airports rose 2 per cent year-on-year in May to 10.9m. Traffic to and from the Middle East picked up quickly after the war in Iraq but the impact of severe acute respiratory syndrome on Asian routes continued into May with a 35 per cent drop in passenger volumes. North Atlantic traffic was also still being

affected by global "uncertainty". But overall, the fall in long-haul traffic was compensated by growth in European and domestic UK traffic with increases of 7.2 per cent and 3.6 per cent respectively. www.ft.com/transport

Load-Date: June 10, 2003

O'Leary sells shares

Financial Times (London,England)

June 11, 2003 Wednesday

London Edition 1

Section: SHORTS; Pg. 21

Length: 24 words

Body

O'Leary sells shares

Michael O'Leary, chief executive of Ryanair, raised Euros 24m (Pounds 17m) by selling shares in his low-cost airline. Page 22

Load-Date: June 10, 2003

Irish low-fare carrier's after-tax profits leap 59%

Flight International

June 10, 2003

Section: News; Business; Pg. 35

Length: 218 words

Byline: Staff

Body

Irish low-fare carrier Ryanair has reported a 59% jump in after-tax profits for the year ended 31 March as its business continues to grow rapidly.

After-tax profit totalled 239 million ($281 million), up from 150 million the previous year.
Earlier this year, Ryanair forecast a full-year net profit of 235 million.

Revenue was up 35% to 843 million and the number of passengers carried rose by 42% to 15.74 million. Average load factor increased to 84% from 81% and the carrier says this was "primarily due to a 6% reduction in average fares".

While revenue increased 35%, operating costs were up 26%, helping boost after-tax margins to 28% from 24%.

"These results demonstrate how robust Ryanair's lowest-fares business model is in Europe," says the airline. "Ryanair has -- for the 15th year in a row -- delivered increased profits, despite a 6% reduction in average fares, at a time when most of our competitors are reducing capacity and announcing losses."

However, the carrier warns its financial performance over the past year has been "exceptional", adding: "We have repeatedly stated that profit margins of almost 30% are a one-off and non-sustainable."

Ryanair's plan is to grow traffic on average by 25% a year and to maintain an after-tax profit margin of about 20%.

Load-Date: June 17, 2003

Results Irish low-fare carrier's after-tax profits leap 59%.

Flight International

June 10, 2003

Section: Pg. 35; ISSN: 0015-3710

Length: 228 words
Highlight: Ryanair profits for the year ended 31 March

Body

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Load-Date: February 1, 2005

UK: EasyJet shares rebound 23% NEWS DIGEST:

Financial Times (London,England)

June 7, 2003 Saturday

London Edition 1

Section: COMPANIES: UK; Pg. 2

Length: 263 words

Byline: By KEVIN DONE

Body

EasyJet, the UK low-cost airline, emerged as the second-strongest performer among the top 350 companies on the London Stock Exchange yesterday, ending a rollercoaster week in which it fell to an all-time low on Thursday.

The share price jumped yesterday by 23 per cent, or 38p, to close at 201p, ending five days of successive falls to the record low of 163p.

Investors had been unsettled earlier in the week that heavy price-cutting by rival airlines could damage EasyJet's profitability during the crucial summer months when it makes all of its profits.

In particular Ryanair, the Irish low-cost airline, which has been running a sustained negative publicity campaign against EasyJet, signalled an intensification of the price war in Europe and warned that it expected its average fare levels to fall by 10 to 15 per cent this year.

Ray Webster, EasyJet chief executive, however, reassured investors yesterday by declaring that the group's revenue per flight in May had "tracked at close to the same level as last year".

In the strongest indication yet that the low point in the airline industry's deep recession might have passed, Mr Webster said that "the market softness that we witnessed earlier in the year due to the effects of the Gulf conflict is now dissipating and we have seen a strong recovery".

Chris Avery, aviation analyst at JPMorgan, said: "This looks like the first tangible evidence that, without excessive capacity growth or Gulf War 2, the EasyJet business model will deliver strong earnings growth this summer on average fares which are barely down." Kevin Done

Load-Date: June 6, 2003

Liverpool's piece of the action

Financial Times (London,England)

June 7, 2003 Saturday

London Edition 1

Section: COMMENT; Pg. 11

Length: 715 words

Byline: By RICHARD MILNE

Body

The party to celebrate Liverpool's winning the European Capital of Culture for 2008 carried on until the small hours of Thursday morning. Even the Lord Mayor in full ceremonial garb danced away to Mustang Sally.

But as the hangovers fade and the city faces up to its responsibility for hosting the event, business leaders and political officials are asking what its real economic impact will be.

"The Liverpool currency has been revalued upwards," says David Henshaw, chief executive of the city council. David Wade-Smith, vice-chairman of Liverpool Chamber of Commerce, adds: "It was pretty bleak for the city in the latter half of the 20th century. But this gives Liverpool the chance to compete now."

The mood was greatly different when the city faced the aftermath of the Toxteth riots in 1981. And by 1990 the postwar migration meant the loss of a third of its population. Michael Heseltine, environment secretary in the 1980s, was dubbed "minister for Merseyside" because of his efforts to regenerate the area. He set up an international garden festival in the city in 1984 but the site soon fell into disrepair and today lies derelict.

By the early 1990s Merseyside was in such a sorry state that it became the first area in the UK to attract "objective one" status from the EU, awarded to areas where gross domestic product is less than 75 per cent of the European average.

But since then tourist numbers have increased from 7.1m in 1997 to 8.4m in 2001 as sights such as Tate Liverpool and the FACT contemporary arts centre have opened. Growth has also been fuelled by the choice of Liverpool's John Lennon airport as a base by budget airlines Ryanair and EasyJet.

Neil Pakey, managing director of the airport, says: "Looking ahead, there are still markets that aren't served by Liverpool, notably Germany, Scandinavia and Italy. And it raises the question why on earth don't we support flights to New York?"

An independent report by ERM Economics consultancy prepared for the Liverpool bid estimates that being Capital of Culture will mean extra investment of Pounds 53m annually and 1,380 additional jobs. This is set against the report's overall forecast that the city will attract Pounds 2bn of investment and create 12,000 jobs over the next five years.

But outside experts are sceptical. Peter Batey, professor of planning at the University of Liverpool, says that many of the new jobs would be only short-term ones in the construction industry with none of the projects likely to last more than five years: "There is a big leap of faith in all these figures," he says. "You will quickly find that some of the economic benefits are not felt immediately in the area."

But he says there will be tangible benefits such as an increase in the number of students going to university in the city and an injection of confidence into the regional economy.

Bid officials point to the experience of Glasgow, the UK's previous European cultural winner in 1990, which attracted 80 per cent more visitors in its cultural year, making a profit for the city of Pounds 14m on its Pounds 34m investment. The effects have continued with the number of financial services jobs in the period 1996-2000 rising by 19,000 to 88,000.

Sir Bob Scott, who led the 2008 bid as well as Manchester's successful approach for the Commonwealth Games, focuses on the fact that Pounds 54m has been pledged already by the private sector, the regional agencies and the city. On Thursday, he says one of the region's biggest businesses pledged Pounds 500,000 to the cause. "I believe in big events and the way they bring focus to a city. I think in Liverpool the culture is driving the regeneration."

But Anna Minto, the author of a forthcoming Demos/RICS report on cultural regeneration, warns Liverpool not to pursue economic development above all else. She cites the example of Dublin's Temple Bar area, which has gone from a hive of cultural activity to the main destination for stag parties, and warns the same could happen to Liverpool's Broad Street district.

"There is a destructive cycle of gentrification taking place in some cities with areas going from buzz to bland. And that is particularly relevant for post-industrial areas with strong creative industries such as Liverpool, Newcastle and east London."

Richard Milne

Load-Date: June 6, 2003

No Headline In Original

Financial Times (London,England)

June 7, 2003 Saturday

London Edition 3

Section: The week in review; Pg. 10

Length: 396 words

Body

BUSINESS

* Investors pounce on Puma Investors leapt at the chance to buy shares in Puma, the sports goods maker and one of the world's hottest brands, after the German group's largest shareholder, Monarch Regency, offloaded its 42 per cent stake.

* Domestic diva in the dock Martha Stewart, the US lifestyle promoter whose name is a byword for tasteful living, was indicted on nine counts of criminal charges stemming from her sale of ImClone Systems stock in December 2001. If convicted, she could spend up to 10 years in a simply decorated prison cell.

* Toying with Hamleys Baugur, the Icelandic retailer which has built up holdings in some of Britain's best-known high street stores, is preparing a bid for Hamleys that could value the iconic toy retailer at up to Pounds 46.2m. The Nordic raider is expected next week to offer between 190p and 200p a share. A successful bid by Baugur would take the toy retailer private.

* Ryanair rampant Ryanair, the Irish low-cost airline, on Wednesday signalled it was stepping up the price war in European air fares with a warning that it expected its average fare levels to fall by 10-15 per cent this year. The group reported record traffic and profits for the year to March, despite a 6 per cent decline in average fares.

* US relaxes media regulation Hungry US media giants have been given the opportunity to gobble up local newspapers and television stations after the Federal Communications Commission approved controversial changes to US media ownership rules. Under the new ruling, large newspaper companies such as Gannett, Tribune and The New York Times could purchase TV stations in markets where they own newspaper titles.

* C&W beats a retreat Cable and Wireless, the telecommunications group, pleased investors when it announced plans to withdraw from its loss-making US business and refocus on its core UK operations. Warning of hard times ahead, the company suspended its dividend for a year and reported a Pounds 303m operating loss in the UK in 2003.

* Central banks diverge The Bank of England offered no surprises when it kept interest rates on hold at 3.75 per cent. The decision followed a raft of mixed UK economic data this week. The European Central Bank meanwhile cut

rates by half a point to 2 per cent - their lowest ever level - as fresh data showed the eurozone economy registered zero growth in the first quarter.

Load-Date: June 6, 2003

C&W reverses early deficit to end 7% higher LONDON:

Financial Times (London,England)
June 5, 2003 Thursday
London Edition 2

Section: MARKETS; Pg. 46
Length: 738 words
Byline: By CHRIS FLOOD and STEVE JOHNSON

Body

London stocks resumed their upward progress yesterday, aided by an early rise in Wall Street on the back of better-than-expected US services activity data.

The FTSE 100 closed 0.3 per cent higher at 4,126.6, while the mid-cap FTSE 250 added 0.5 per cent at 4,866.9. Volumes were higher than average at 3.1bn.

Cable and Wireless was the leading faller on the FTSE 100 in early trade, down more than 13 per cent. The telecommunications group said it would exit its loss-making US data services business and suspend dividends for a year. Uncertainty over the timing and the costs of the restructuring unnerved investors initially, but by the close the company was the second-largest gainer on the FTSE 100, up 7 per cent at 103 1/2p.

"Richard Lapthorne (the chairman), got a good reception at the analysts' meeting and the shares recovered after that," said one trader. "He conveyed a sense of being in control and people appear willing to bet on his judgment that the company can be turned round."

But, sceptics remained: "They no longer intend to be a provider of global services and they now want to concentrate on their strengths in local markets," said Andrew Darley of ING Financial Markets. "However, the details they have provided are so vague that we don't see how anyone can build a convincing investment case."

Xstrata, the Anglo-Swiss mining group, led FTSE 100 fallers, down 4.9 per cent at 430p ahead of Friday's vote on its proposed takeover of Australia's MIM Holdings. Analysts attributed the drop in the ordinary shares to an increased expectation that the deal would go through, with traders buying the convertible unsecured loan stock, which is trading at a discount, and selling the ordinary shares. However, some warned that betting on a successful outcome was very risky, even at such a late stage. "The vote is too close to call. There's been such an outcry in Australia about the bid and it could be swung by a couple of small shareholders," said Charles Kernot of BNP Paribas.

Budget airline EasyJet built on Tuesday's 6.3 per cent fall, declining a further 4 per cent to 167 1/4p on heightened concerns of falling fares and margins in the sector. However, rival Ryanair, which threatened the fare price cuts on

C&W reverses early deficit to end 7% higher LONDON:

Tuesday, added 1.4 per cent at 410p. Flag carrier British Airways rose 3.3 per cent to 150p as it said passenger levels rose 2.1 per cent in May thanks to "post-war pent-up demand".

Dresdner Kleinwort Wasserstein triggered a sell-off in the life assurance sector, which it downgraded amid concerns over medium-term earnings growth.

"There are material pressures on the sector and the second-quarter trading outlook looks challenging," said analyst Jonathan Maddock.

Dresdner repeated its "reduce" recommendations on Aviva, down 1.7 per cent at 488 1/2p, and Prudential, off 4.5 per cent at 364 1/4p.

Prudential was also hurt by a downbeat note from James Pearce, Deutsche Bank insurance analyst, who reiterated a "sell" rating on the basis that each of the Pru's five main operating units (UK, US, Asia, Egg and M&G) was bedevilled by problems.

"We are concerned that market expectations for earnings are set unrealistically high," said Mr Pearce, who suggested achieved operating profits would be lower than consensus expectations, with a risk that the dividend may be cut by more than 40 per cent.

Support services group Capita headed blue-chip risers, firming 7.3 per cent to 241 1/4p, more than reversing Tuesday's 4.5 per cent slide as it said it had purchased 1m shares for cancellation.

Also helping were two broker notes that reiterated positive stances.

"The market has overlooked the positive news on underlying organic growth," said Adrian Cattley at Citigroup Smith Barney, while Emma Ormond at Oriel Securities said Capita had a bid pipeline of Pounds 2.4bn, with 22 bids being worked on. Aim-listed Synergy Healthcare added 5.3 per cent at 179p after better-than-expected interim results. It also benefited from hopes that would gain from expected moves to outsource NHS sterile services.

Kidde, the fire protection group, surged in late trade to close 9.9 per cent higher at 83 1/4p, on speculation that UTC, which has been linked with security services group Chubb, could be interested in staging a bid. "The share price move has an element of catch up with the strong industrial sector performance," said Nick Wilson of Dresdener. But Mr Wilson added that a link with UTC would provide synergies.

Load-Date: June 4, 2003

UK: EasyJet shares fall to a low on price-cut fears TRANSPORT:

Financial Times (London,England)

June 5, 2003 Thursday

London Edition 3

Section: COMPANIES: UK; Pg. 24

Length: 419 words

Byline: By KEVIN DONE

Body

Shares in EasyJet, Europe's largest low-cost carrier, fell to a record low yesterday amid investor concerns that heavy price-cutting by rival airlines could damage its profitability during the crucial summer months.

Ryanair, the Irish no-frills airline, which has been running a sustained negative publicity campaign against EasyJet, signalled an intensification of the air fare price war in Europe on Tuesday and warned that it expected its average fare levels to fall by about 10 to 15 per cent this year.

EasyJet suffered a pre-tax loss of Pounds 48.1m in the first six months of its financial year from October to March, and traditionally makes all of its profits in the second half, particularly in the peak summer months.

Its share price fell 7p yesterday to close at 167 1/4p, extending Tuesday's 6.3 per cent fall. It has fallen from a high point of 503 1/4p in March last year.

Ryanair announced this week that it was launching a special promotion with the sale of 1m low-fare seats during the peak summer months of June, July and August, as it seeks to fill seats in its rapidly expanding fleet in a still very weak overall market.

British Airways yesterday provided further evidence of the price war, when it disclosed a rise in both traffic and passenger numbers for May.

It said the increases were driven principally by pent-up demand after the end of the war in Iraq and by promotional campaigns.

Yields, or average fare levels, continued to be under pressure "from price discounting and downtrading across all areas," BA said, as business passengers continued to switch from premium to economy seats.

BA's overall traffic rose last month by 2.1 per cent year-on-year, in a further encouraging sign that the low point in air travel demand may have been passed. However, its premium traffic fell by 9.1 per cent in contrast to a 4.4 per cent rise in non-premium traffic.

BA warned that it was too early to see any recovery trend emerging and said that "forward visibility on revenue and traffic remains limited with considerable volatility in booking levels".

In contrast to the further fall in the EasyJet share price, Ryanair clawed back some of the ground lost on Tuesday with its shares rising 5 1/2p to close at 410p in London, following a drop of 35p a day earlier.

Anthony Bor, aviation analyst at Merrill Lynch, said "there is clearly a danger that 'fallen angel' status could stick to Ryanair and that this could emerge as a defining moment in the progression of the shares".

BA closed 4 3/4p up at 150p.

Load-Date: June 4, 2003

The unfriendly skies THE LEX COLUMN:

Financial Times (London,England)

June 4, 2003 Wednesday

London Edition 1

Section: LEX COLUMN; Pg. 22

Length: 250 words

Body

Michael O'Leary, Ryanair's chief executive, has never been short of confidence. But as he charges ahead in his quest to rid the skies of every other airline, it is becoming harder and harder for investors to share that self-belief.

Ryanair is still expecting to deliver the sort of growth that other carriers can only dream of - but it comes at an increasing cost.

Over the last year, Ryanair has increased load factors from 81 per cent to 84 per cent, but at the expense of cutting average fares by 6 per cent. Mr O'Leary now plans another round of fare-cutting. The consequence may be a further increase in traffic, but average fare yields are expected to decline by 10-15 per cent - with only 5 percentage points of this due to currency movements - bringing net profit margins back to the low 20 per cent level. And Ryanair expects average fares to keep falling at a 5 per cent annual pace over the next five years.

Ryanair's record for controlling costs, of course, is unmatched among European airlines and it expects to match the fall in fares with a 5 per cent a year reduction in unit costs. But cost-cutting will get trickier. An adverse ruling from the European Commission in its inquiry into Ryanair's contract with Charleroi airport would also undermine one of its biggest cost advantages. The airline is flying into a headwind: to maintain its growth rates, it will have to deploy increasing quantities of capital and keep wielding price cuts. Mr O'Leary's basis for confidence looks shaky.

Load-Date: June 3, 2003

Ryanair to step up short-haul fare price war

Financial Times (London,England)

June 4, 2003 Wednesday

London Edition 3

Section: FRONT PAGE - COMPANIES & MARKETS; Pg. 23

Length: 474 words

Byline: By KEVIN DONE

Body

Ryanair, the Irish low-cost airline, yesterday signalled it was stepping up the price war in European air fares with a warning that it expected its average fare levels to fall by 10-15 per cent this year.

The group, Europe's most highly valued airline, reported record traffic and profits for the year to March, despite a 6 per cent decline in average fares.

Michael O'Leary, chief executive, said lower fares would result in profit margins falling from last year's "exceptional" level.

Ryanair shares dropped 8 per cent, or 35p, to close at 404 1/2p in London, but rallied in late trading in Dublin to close 2.2 per cent lower at Euros 5.68.

The impact of the group's hectic growth spurt is clear from figures for May, when Ryanair passenger numbers jumped 53 per cent year-on-year - in part because of the inclusion for the first time of Buzz - but a plunge in fares.

Average fare levels, or yields, fell 15 per cent - of which five percentage points were due to sterling's weakness against the euro - as Ryanair cut prices to fill its growing fleet.

Mr O'Leary said he expected "no near-term improvement in either the low-fare environment or the strength of the euro" and forecast that yields for the year would continue to be 10-15 per cent below last year.

He said last year's results had been "exceptional" and warned that profit margins of almost 30 per cent were "a one-off and non- sustainable".

However, he stuck to his forecast for after-tax profit margins of "just over 20 per cent" for this year - a level unrivalled among European airlines - as well as "a material increase in profits" despite the fall in average fares.

Net profits jumped 59 per cent last year to Euros 239.4m (Pounds 171m) as passenger numbers rose 42 per cent to 15.7m. Operating costs increased 26 per cent, but this was outpaced by the 35 per cent rise in turnover to Euros 842.5m.

That helped Ryanair raise after-tax margins from 24 per cent to 28 per cent in a year in which many of the world's airlines suffered heavy losses.

In the current year, Ryanair would go through a period of "abnormal" traffic growth with passenger numbers forecast to increase by about 50 per cent to 24m, Mr O'Leary said.

To fill the extra capacity, Ryanair would have to lower fares by at least 10 per cent this year, possibly more, against a "normal" target of a decline of 5 per cent.

Mr O'Leary said Ryanair was negotiating with up to 40 new airports and nine potential new bases around Europe, giving it "more growth opportunities than we need for the next five years." It aimed to carry more than 30m passengers a year within three years to become Europe's largest short-haul airline, measured by passenger volumes, ahead of the traditional network carriers British Airways, Lufthansa and Air France - and EasyJet, the continent's largest low-cost airline. Observer, Page 20 Lex, Page 22

Load-Date: June 3, 2003

O'Leary's (free) flight of fancy OBSERVER COLUMN

Financial Times (London,England)

June 4, 2003 Wednesday

London Edition 1

Section: OBSERVER; Pg. 20

Length: 171 words

Body

Ryanair, the Irish low-cost airline, is about to get even cheaper. Michael O'Leary, Ryanair's chief executive, said yesterday that fares would drop at least a tenth this year.

Good news for those who think Brussels to Glasgow for Euros 3 is a bit steep. And it seems O'Leary's one of them.

The garrulous Irishman foresees a day when flying for free is routine. "I can see no reason in 10-15 years why half or three-quarters of passengers should not be flying for free. And why shouldn't airports pay us to deliver the passengers to them?" the great man muses.

They are, after all, just giant shopping malls and every passenger is a revenue opportunity - especially if there's no free inflight meal.

As luck would have it BAA, which owns Ryanair's Stansted base, also reported results yesterday. Mike Clasper, who takes over the control tower next week, saw the future of aviation rather differently.

"Michael is a visionary of course," he replied when asked about O'Leary's comments, "and sometimes he sees beyond where I can see."

Load-Date: June 3, 2003

Ryanair to step up 'war'

Financial Times (London,England)

June 4, 2003 Wednesday

London Edition 1

Section: SHORTS; Pg. 1

Length: 29 words

Body

Ryanair to step up 'war'

Ryanair upped the price-war ante, warning it expected its average fare levels to fall by 10-15 per cent this year. Page 23; Observer, Page 20; Lex, Page 22

Load-Date: June 3, 2003

Ryanair warns on price war

Financial Times (London,England)

June 4, 2003 Wednesday

Europe Edition 1

Section: SHORTS; Pg. 15

Length: 34 words

Body

Ryanair warns on price war

Ryanair, Irish low-cost airline, signalled an intensification of the airfare price war in Europe and said its average fares could fall by up to 15 per cent. Page 20; Lex, Page 14

Load-Date: June 3, 2003

BA cuts German losses for Euros 1

Financial Times (London,England)

June 3, 2003 Tuesday

London Edition 1

Section: FRONT PAGE - COMPANIES & MARKETS; Pg. 23

Length: 511 words

Byline: By KEVIN DONE and MATTHEW GARRAHAN

Body

British Airways has disposed of Deutsche BA, its loss-making German subsidiary, to Intro Verwaltungsgesellschaft, a German aviation consultancy and investment group, for a symbolic Euros 1.

The deal, the latest move in the restructuring of Europe's aviation industry, came as some airlines and travel groups signalled that a low point in the industry's deep recession may have been reached, sending share prices in the sector higher.

BA shares rose 4.4 per cent even before the announcement of the DBA disposal, which came after the London market closed. KLM, the loss-making Dutch national airline, rose 9.3 per cent; Lufthansa and Iberia rose 5 per cent and Air France 4 per cent.

The disposal of DBA to Intro Verwaltungsgesellschaft, headed by Hans Rudolf Wohrl, a Bavarian businessman with interests in retail, clothing and property, marks a further step in the rationalisation of BA, one of the top three European airlines.

The exit, which will cost BA about Euros 71m (Pounds 50m) in further financial support to DBA, ends its costly efforts during the past decade to compete in the domestic markets of Lufthansa and Air France, its biggest rivals.

BA had previously disposed of its French domestic subsidiary Air Liberte, which has since collapsed into bankruptcy and liquidation. BA is driving the rationalisation of its loss-making short- haul operations with the aim of breaking even in Europe by March next year.

The German and French flag carriers have successfully defended their domestic turf against traditional rivals, but Lufthansa in particular is facing another fierce battle against low-cost carriers including Ryanair, Hapag-Lloyd Express and Air Berlin as the European aviation sector restructures.

The airline industry is still mired in the worst financial problems in its history, but leading executives from Europe and Asia suggested that the worst of the crisis may have passed, prompting the sharp rally in airline and travel stocks.

Jurgen Weber, chief executive of Lufthansa, said in an interview with the Reuters news agency that "from today's point of view, if nothing completely new and terrible happens, then we have the worst behind us".

Cheong Choong Kong, chief executive of Singapore Airlines, said: "There are indications over the last couple of weeks that the traffic (drop) has bottomed out. Barring unforeseen circumstances, I think we have seen the worst."

Michael Frenzel, chief executive of Tui of Germany, the world's largest travel group, said the concern had recorded "double-digit percentage sales growth" since the end of the conflict in Iraq.

Giovanni Bisignani, director general of the International Air Transport Association, warned yesterday, however, that the aviation industry still faced severe challenges.

It had lost Dollars 25bn (Pounds 15.3bn) globally in 2001 and 2002; a third of Latin American airlines were technically bankrupt; and the top six US airlines had more than Dollars 100bn of debt, but a market capitalisation of only Dollars 4bn. BA sacrifices German arm, Page 24 Tui gains, Page 42 www.ft.com/transport

Load-Date: June 6, 2003

Low-cost menaJet aims high

AirFinance Journal

June 2003

Length: 315 words

Highlight: Mazen Hajjar, 29, could become the youngest airline CEO in the world. Hajjar is hoping to launch menaJet, the first low-cost airline in the Middle East.

Body

With the planned launch of a new low-cost airline being announced nearly every day, it is not surprising that the Middle East has been targeted. But apart from his age Hajjar's business plan has something that sets it apart from most other airlines - cash.

With Gulf Finance House, one of the region's largest banks, and manufacturing conglomerate the Al Zamil Group, investing $50 million between them, Hajjar's menaJet is not just hype and will be flying before December.

MenaJet will operate out of Sharjah International Airport in UAE, starting with two A320s and flying within the Middle East. Routes have not yet been announced.

MenaJet will borrow the low-cost model from airlines such as Southwest, JetBlue and Ryanair but will adjust it to fit the Middle East.

"We can't push all marketing through the internet," says Hajjar.

He adds: "Not because of technology, but simply because credit cards are not widely used. So we will sell through travel agents, as well as having a call centre and online booking."

The airline is also expecting to have longer turnaround times because of ground-handling monopolies. MenaJet will also have assigned seating.

Hajjar, who spent almost seven years working for Lebanese banks, had originally looked at flying out of Beirut. He worked on a feasibility plan with a number of manufacturers, but found the UAE keener to award a license.

Sharjah Airport is the region's largest cargo hub, but has far less passenger business than Dubai and the airline is hoping to increase passenger traffic through the airport in the same way that Ryanair has in Europe.

The airline will be compliant with Islamic law and the first aircraft will most probably be financed through operating leases. MenaJet will outsource as many functions as possible.

"We are not inventing gunpowder," says Hajjar. "We are taking a tried and tested model and offering consumers a new choice."

Load-Date: October 4, 2007

Low-cost menaJet aim high

AirFinance Journal

June 2003

Length: 315 words
Highlight: Mazen Hajjar, 29, could become the youngest airline CEO in the world. Hajjar is hoping to launch menaJet, the first low-cost airline in the Middle East.

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Load-Date: October 4, 2007

Low-cost menaJet aims high. (People).

Airfinance Journal

June 2003

Section: Pg. 6; ISSN: 0143-2257

Length: 472 words

Highlight: the 29-year-old Mazen Hajjar is forming menaJet

Body

Mazen Hajjar, 29, could become the youngest airline CEO in the world. Hajjar is hoping to launch menaJet, the first low-cost airline in the Middle East.

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Load-Date: February 1, 2005

All-economy and low-cost Gulf airlines take shape.

Flight International

June 1, 2003

Section: Pg. 26; ISSN: 0015-3710

Length: 388 words

Body

After years of being dominated by full-service airlines, the first attempts to develop operations more relevant to specific market segments are emerging in the Middle East.

Gulf Air is launching an all-economy airline from Abu Dhabi, while start-up menaJet is planning a low-cost operation from Sharjah, also part of the United Arab Emirates.

Gulf Traveller will operate six of Gulf Air's nine Boeing 767-300s in a single-class with 257seats to destinations in the Indian subcontinent and Africa. Gulf Air stresses that the new carrier is not a no-frills operator, but will offer a full economy in-flight service.

Adopting an all-economy service on these routes fits market demand much better than Gulf Air's two-class offering, which featured 18% of capacity inbusiness class, says Fareed Al Alawi, Gulf Air vice-president networks. However, the passengers on these flights are mainly local guest workers, and theairline was only selling 0.5% of these seats, he says.

By transferring the aircraft to one-class and by basing the aircraft in Abu Dhabi, GulfTraveller lowers its unit costs and increases aircraft and cabin crew utilisation considerably, he says. From June, all six 767s will be operating on Gulf Traveller routes with 172 weekly flights to 17 destinations, says Al Alawi. Gulf Air is also considering expanding the concept to secondary European airports like Manchester and Munich, and to Johannesburg in South Africa.

Investors from Bahrain and Saudi Arabia are seeking to raise the finance to launch what would be the region's first low-cost airline. Their aim is for menaJet to begin operating two Airbus A320s from Sharjah in December.

The main shareholders in menaJet are Bahrain's Gulf Finance House and the Al Zamil Group, a Saudi-based industrial company. It will be based on the Southwest Airlines and Ryanair business model, says menaJet general manager Mazen Hajjar, operating services within the region at first.

According to Gulf Air president James Hogan: "This is the shape of things to come. The introduction of low-cost or single class carriers in the Middle East market is inevitable."

All-economy and low-cost Gulf airlines take shape.

Gulf Air has also stated its interest in operating to Baghdad, Iraq's capital, as soon as possible.

mark pilling london346

Load-Date: February 1, 2005

The tigers are landing: the last couple of years have arguably been the most exciting in the Asian aviation business. (Asia).

Airfinance Journal

June 2003

Section: Pg. S2; ISSN: 0143-2257

Length: 2028 words

Body

Crisis? What crisis? Five years after Asia's worst-ever economic downturn, the region's airlines can barely remember the bad years of 1997 and 1998. Eyes are firmly focused on present and future profits. Cathay Pacific, for example, has just reported a $4HK billion ($500 million) profit for 2002--almost six times higher than 2001's $657HK million.

While US carriers have been busy retrenching themselves--or disappearing altogether--and European ones trying to convert themselves to Ryanair look-alikes, Asian airlines have been busy reshaping and restructuring themselves ahead of what could be the largest growth area in the aviation business in the coming decade.

And though the arrival of the disease, Sars (severe acute respiratory syndrome) in Asia in early 2003 hit airlines hard (see box) it looks set to be only a temporary set-back. By early summer 2003 the viral infection was under control in most parts of the world and its effects on air traffic are receding. Analysts are now saying that by summer it will be business as normal.

The challenge Asian carriers face is as good as unique in modern finance in that whole markets--and the financing techniques appropriate to them--are being created overnight.

In the People's Republic financiers are having to take on board doing business with an economy that is centrally planned but--within the space of four years given the country's accession to the World Trade Organization--about to embrace the full flood of market forces. Or look at Vietnam which--of all countries to look for financial assistance--is using US Exim money to finance its first delivery of 777s.

And it's not just a different way of working in countries that manage their economies differently, as yet untried--at least in Asia--financing techniques are being used for the first time in the region.

A classic example of this is Hainan Airlines, which last December became the first non-state owned Chinese airline to secure non-guaranteed debt in the international capital markets. The deal--to buy a 767--was structured by setting up a special purpose vehicle called North American Aircraft Leasing Company which acted as a lessor to

Hainan and with DVD arranging an underwriting the senior loan and using the proceeds of the operating lease as its payback mechanism.

But that's not to say all is innovation. Regular corporate finance disciplines, for example, those of mergers and acquisitions have been important as the region's airlines restructure themselves.

Perhaps the most significant in this respect has been the merger of Japan Airlines (JAL) and Japan Air System (JAS).

Although not finished--the first phase started in last October with the formal listing on the Tokyo Stock Exchange of Japan Airlines System Corporation, the holding company of the new JAL Group--the merger will create Asia's largest airline and is one of the largest ever seen in the aviation business.

The two put together will create one of the world's largest airlines with combined revenues of [yen] 2.1 trillion ($18 billion), ranking the merged entity third in the world behind American Airlines and United Airlines.

Group net profits for the new company are estimated at [yen] 29 billion for the 2003 financial year, which ends in March 2004.

In the second phase, due to start this summer, JAL and JAS will merge on an operational basis. Analysts say that the real synergy and cost benefits won't start to materialize until the divisions are restructured, and the new group is likely to incur some initial merger-related costs. Sales are estimated to total [yen] 2.2 trillion for the 2003 financial year, up [yen] 78 billion from predicted combined sales for the year before.

Over the next four years, JAL and JAS should be able to save about [yen] 60 billion as a result of the merger, say analysts--though JAL predicts an even higher figure.

The full integration of the two Japanese airlines will be completed by April 2004. The new group will have almost 50% of the domestic market, almost equalling All Nippon Airways' market share.

This move to holding a stranglehold over large chunks of the market is in many ways a natural consolidation of carriers and echoes a similar process that has been a regular feature of US carriers and, to a lesser extent, their European counterparts.

Similarly, the same forces are at work elsewhere in the region. The Australasian airline market has changed almost beyond recognition in the past three years with Qantas' grip on its domestic airspace still tightening. Qantas is as near a monopoly player as any airline in the developed world.

The only credible competitor in the Australian domestic market is Virgin Blue which has taken over Ansett Australia.

And if the tie-up between Qantas and Air New Zealand goes through the two could secure Qantas's grip on the Australasian market indefinitely.

If the three-part deal is approved, Qantas will buy a 22.5% equity investment in Air New Zealand for $550NZ million ($305 million).

First, Qantas will buy convertible notes, equivalent to 4.99% of new equity in Air New Zealand. The Australian airline will then convert the notes into shares and, at the same time, subscribe to new Air New Zealand shares to bring Qantas' equity stake in Air New Zealand to 15%. Finally, Qantas will take an additional 7.5% of new Air New Zealand equity at either $0NZ.455 per share, or buy new shares at a 15% discount.

Similar to the JAL/JAS merger, the deal will generate numerous operational synergies and growth opportunities for both carriers.

The tigers are landing: the last couple of years have arguably been the most exciting in the Asian aviation business. (Asia).

There is one difference however, in that the deal eliminates potential competitors from entering the Australia/New Zealand aviation market through a strategic equity stake. (This would have been possible if Air New Zealand had remained single. Other benefits will include mutual fare pricing and route schedule coordination.

Clearly moves to create super-carriers or, in the Australian case, set problems for government regulators. It is by no means assured the deal will receive approval from either the shareholders or regulators. Historically, the Australian Competition and Consumer Commission has not always supported Qantas' plans and may block the Air New Zealand tie-up.

Two key minority shareholders in Air New Zealand--Singapore Airlines and Brierley Investments--may also demand a higher valuation, a further snag to the deal.

The gains to be made from the alliance with Air New Zealand are as much about revenue growth as cost savings and expansion. "Much depends on the market environment, but we are expecting a combined benefit per year of $330NZ to $450NZ million in revenue upside and cost savings as a result of the deal," says an ANZ official.

If the alliance is potentially very good news for Qantas, it may well be the saving of Air New Zealand. According to analysts, Air New Zealand loses about $200NZ million a year on its international operations.

One major factor that will continue to differentiate the Asian market and that of Europe and the US will be the lack of low cost airlines following the Southwest/Ryanair model.

For the moment the economics seem against this idea taking off--even though revamped Air Asia appears to be doing well. Although low-cost airlines of one type or another already exist in Asia, including Japan, Thailand and Australia, they are different from the cut-price, independent carriers such as Ryanair or Southwest.

From the right hub, an airline that adopted a Ryanair-style business model of operating 737s on short-haul routes would have a potential market at least as large as western Europe's and a population of around 500 million. However, for the moment of this captive audience most cannot afford to fly. Even in affluent Malaysia only 6% of the population have ever been inside a plane.

"But it's just a question of time," says one analyst. "Asia has come an enormous distance in a very short time. It cannot be long till the day when the average middle-class Asian thinks nor more of flying

Others are looking at other parts of the aviation business. Asia's share of the global air cargo industry will expand enormously in the coming years.

Airbus says that seven of the world's most important global cargo directional flows are to and from Asia. "At the moment these seven sub-markets account for 35% of today's freight tonne-kilometres by 2020 they WIU account for 40%," says an Airbus official.

RELATED ARTICLE: SARS: after the fever has gone.

It looked touch and go at one point. But airlines are set to survive the sudden touchdown of severe acute respiratory syndrome--the viral infection better known as Sars--that happened in early 2003.

Fears of the virus were well founded, despite the media nonsense that surrounded the news.

The infection rate is low, but the mortality rate high. Sars kills around one in 20 that are infected. For airlines, Sars is a particular worry in terms of contagion, where the air is recycled and large groups of people are sitting close to each other. Air travel has been largely blamed for the worldwide spread of the disease.

In early 2003 the picture looked grim.

The tigers are landing: the last couple of years have arguably been the most exciting in the Asian aviation business. (Asia).

The problem for airlines was twofold. First passengers didn't want to fly for fear of contagion. And second, economic growth--effectively the reason why large numbers of people need to fly or can afford to fly--was threatening to stall five years of economic growth across the region.

The initial figures for the airline business looked catastrophic.

Hong Kong's airport authority reported almost 40% of flights were being cancelled at the peak of the crisis and a drop in passenger numbers of more than 60%.

A one stage Cathay Pacific was losing $3 million a day. Fears about the epidemic looked so bad that the airline had an internal debate about whether to ground all its planes for the duration of the crisis. Singapore Airlines (SIA) had similar problems.

China cancelled the nation's week long May Day holiday, one of the times when domestic and international traffic is at its busiest.

And for Golden Week, the traditional Japanese spring holiday, Japan Airlines Group and Japan Airline System (JAS) reported advance passenger bookings down a third.

In terms of economics, however, the picture was mixed. Sars alone, according to Morgan Stanley analysis, looked set in early spring to lower annual GDP growth from 5.1% to 4.5% for non-Japan Asia. If Sars had taken hold across the region, GDP growth could well have moved negative in months.

But that was then. In late May 2003, medical experts were more or less in agreement that the peak of infection had been passed and that containment had been successful. Worries about infection in China continued but the international dimension to the disease had disappeared.

Earlier grim figures on airline profitability are being dismissed. One investment bank's analysts, for example, are forecasting--given an end to Sars--a profit of $590S million ($340 million) for SIA in its second quarter (which includes the peak summer travel period) and a profit for Cathay of $2HK billion ($256 million).

In terms of air finance, the atmosphere has changed completely. Airlines had feared Sars would put conservative Japanese leverage lease (JLL) investors off from investing into Japanese operating leases (JOLs). JOLs have been widely used by Asian airlines. Cathay, Dragonair, Korean Air and Air New Zealand had all considered JOL transactions in early 2003.(c) Euromoney Institutional Investor PLC This material must be used for the customer's internal business use only and a maximum of ten (10) hard copy print-outs may be made. No further copying or transmission of this material is allowed without the express permission of Euromoney Institutional Investor PLC. Mail to: publisher@euromoney.com Copyright 2003 Euromoney Institutional Investor PLC1818

Load-Date: February 1, 2005

European flying goes cheap: the last two years have seen dramatic changes to Europe's aviation landscape. (Europe).

Airfinance Journal

June 2003

Section: Pg. S12; ISSN: 0143-2257

Length: 1508 words

Body

There are two major changes that make the European aviation landscape look so different from just two years ago.

First, the inexorable--or so their flagging competitors believe--rise and rise of the low cost carriers. Following a standing start firms such as Ryanair, easyJet have come to dominate the marketplace. "When you see that the stockmarket valuation of Ryanair is larger than that of Lufthansa," says a UK aviation commentator, "then you know that some big changes are afoot."

And, second, following the high-profile collapse of Swissair and Sabena, a clear case of the writing being on the wall for Europe's assortment of largely unprofitable national carriers.

Although the fall of Swissair seems in large part to have been a case of management failure and a pinch of bad luck, the fall of Swissair's junior Sabena, Belgium's national airline, was largely inevitable. Some analysts predict its demise will herald the eventual unraveling of all Europe's national carriers.

In the end, they say, British Airways, Air France Lufthansa, and probably Iberia will continue to exist in their own right while the others will need to acquire or merge to survive. The underlying sovereign guarantees underpinning national carriers will eventually be a thing of the past if the European Union has its way, they argue.

But the biggest change has already started to happen: the rise to dominance of the low cost flying model. Indeed, one of the first signs that the low cost business model was showing signs of maturity when easyJet's decided to buy its competitor Go, itself a former subsidiary of British Airways, last summer.

EasyJet paid 374 million [pounds sterling] for Go, which takes into account 116 million [pounds sterling] of cash on the Go balance sheet and financed the takeover by a deeply discounted four-shares-for-one rights issue on June 17. In a stroke, easyJet pulled ahead of Ryanair as the largest low-fare airline in Europe, carrying 12 million passengers a year compared with the Irish firm's 11 million passengers.

European flying goes cheap: the last two years have seen dramatic changes to Europe's aviation landscape. (Europe).

Smaller low cost carriers such as KLM's buzz (which Ryanair is in the process of buying) and Virgin Express would need to expand by 50% a year to keep up.

In many senses Ryanair is not competing with easyJet. The two airlines have complementary business models. Ryanair focuses on how to make the flight the cheapest, whereas easyJet and Go cater to a different market by using primary airports. Since easyJet and Go were competing with themselves and the major airlines for scarce landing slots, taking out one of the players lessens the pressure for easyJet.

EasyJet says it now has ambitious plans of 25% growth a year and the acquisitions give it new slots and airports to develop. At the time of the acquisition EasyJet was talking about exercising an option to buy DeutscheBA, another low cost carrier from British Airways. This spring, however, the firm pulled out citing Germany's labour laws as being too restrictive to make the take-over a success.

One thing is certain that the low cost model is now where most analysts see the largest growth potential in Europe. Two airlines, snowflake (from SAS) and Now (based in the UK) have been launched in the past couple of months.

What has astonished everyone since has been the clout of easyJet/Go and Ryanair which have managed to become the major buyers of aircraft over the last two years. In the depths of the post-September 11 air recession, Ryanair made a spectacular buy of 103 Boeing 737s in early 2002.

And last September after protracted negotiations easyJet agreed to buy 120 A319s. With one order, it finally ended Boeing's dominance of the European low-cost market.

While the deal is a significant win for the European manufacturer, it is clear that easyJet got a very good deal--and made Airbus work hard to win it. Airbus wanted the deal the most to break the Boeing low-cost monopoly and, although the list price for the order is more than $4 billion, it is clear that easyJet got a substantial discount.

As well as a low price for the 120 A319s, the order also includes maintenance guarantees and residual guarantees on the 10 737-300s the airline owns. Airbus is guaranteeing that maintenance for the A319s will not cost more than easyJet's 737-700s and every three months costs will be calculated with the manufacturer paying the difference if the A319s cost more.

Cleverly easyJet is not becoming an Airbus-only carrier. The A319s are replacing older Boeing aircraft that were due to come off leases and this is not a rollover order.

In fact, by 2007 the airline will be flying 44 737s--more than its whole fleet now. This also means that in five years, when easyJet plans its next order, it will again be able to negotiate with both manufacturers.

Despite all this, some commentators say the term, low-cost airline is starting to get outdated. Although carriers such as easyJet and Ryanair continue to cut out any non-essential costs, it no longer sets them apart from other European airlines which are all targeting waste.

That said, the question for the future of European aviation--as the fall of Swissair showed--is not whether cutting out costs is relevant to all carriers but whether there is enough room in the market for all the struggling national carriers. Consolidation appears inevitable.

"More fundamental to the banking industry than the events of September 11 was the collapse of European flag carriers Swissair and Sabena," said a leading analyst at the time. "You cannot now say that any credit entity is a sure bet. Swissair was a premium brand a platinum-coated entity that couldn't collapse, backed by a government that would not allow it to collapse."

Financiers are only too conscious that it could happen again. Indeed the collapse of the airline is, many think, the signal for a rethink and remix of the way Europe's national carriers function. It incidentally casts a pall over the future of Swiss International Air Lines--better known as Swiss--which was launched in January 2002.

European flying goes cheap: the last two years have seen dramatic changes to Europe's aviation landscape. (Europe).

The disaster goes back to the late 1990s when Swissair--in an attempt to compete with major alliances--conceived the brave notion of making itself the nucleus of its own Qualiflyer group. Swissair embarked on its hunter strategy of gathering up stakes in its troubled partners.

As well as Sabena, LOT Polish Airlines, TAP Air Portugal, AOM/Air Liberte of France and Turkish Airlines all received large investments from Swissair.

The hunter strategy stretched the management of the group. These were significant real cash investments and they had to turn them around. But each day they were further from being able to control their different operations."

It was not long before Swissair reported for 2000 the first loss in its 75-year history--some Swfr2.9 billion ($1.8 billion). Total debts stood at more than $4.7 billion. In January 2001 the Swiss government fired Philippe Bruggisser, the architect of the expansion plan, and shortly afterwards brought in Mario Corti, the former finance director of Nestle, to save the company.

By late August--with debts almost doubling to $9 billion--Corti had agreed a plan that facilitated a Swfr3 billion injection of public and private capital cash. By then Swissair had effectively abandoned all pretensions of being a major global airline, announced the selling of assets--Nuance, which runs airport retail concessions, and Swissport, a ground operations and services unit--and the culling of 1,250 jobs.

That was the plan, but it was rudely interrupted by the events of September 11. A global crisis in the airline industry was felt even more sharply by cash-strapped Swissair, which saw desperately needed funding outlets suddenly closed. Flightlease, its leasing subsidiary, had been furiously selling aircraft in a bid to raise cash, but all the likely buyers were gone. September 11 slashed cash flow for everybody at a time when outflow was heavy, almost entirely because the affiliate operations were draining cash.

Leaving aside the merits or dismerits of the Swiss's Phoenix Plus plan--a Swfr4.2 billion recapitalization of the former Crossair as the new flag carrier by the government--the collapse of Swissair has highlighted the increasing vulnerability of Europe's national carriers. Their days are numbered.(c) Euromoney Institutional Investor PLC This material must be used for the customer's internal business use only and a maximum of ten (10) hard copy print-outs may be made. No further copying or transmission of this material is allowed without the express permission of Euromoney Institutional Investor PLC. Mail to: publisher@euromoney.com Copyright 2003 Euromoney Institutional Investor PLC1327

Load-Date: February 1, 2005

Crises leave trail of first-quarter losses.

Flight International

June 1, 2003

Section: Pg. 19; ISSN: 0015-3710

Length: 1070 words

Body

First-quarter results from European airlines demonstrated that the combined forces of the Iraq war, SARS and intense competition were hurting virtually all airlines - low-cost included.

Among the most closely followed results was an unexpectedly high half-year loss from easyJet. The carrier ended its first six months to March with a pre-tax loss of ?24 million ($39 million). Yields were down by over 10% with an average sector fare of ?37. The result is one of the first signs of financial stress among the lead low-cost carriers and put further pressure on the easyJet share price which has halved since late last year.

Chris Tarry, consultant at CTAIRA, argues that the fight back by the mainline carriers has targeted the kind of mid-market passengers that are a key element of the easyJet business model. By contrast, he adds, Ryanair has pursued an aggressive lowest-cost model, well below the prices at which network majors could compete.

EasyJet's load factors were actually up by 1.1 points to 82.2%, as the low-cost carrier cut ticket prices to attract passengers. Chief executive Ray Webster says that it is too early to predict the strength of fares over the summer ahead. "However, we expect to maintain high load factors, albeit with yields continuing to be under some pressure," he adds.

By contrast, British Airways was in upbeat mood as it revealed a net profit for its 2002/3 financial year to March, turning around the previous year's loss. The carrier says that the improvement was driven by its Future Size and Shape programme, launched early in 2002, which saw ?570 million of savings in its first full year - ?120 million ahead of schedule. The 11,880 reduction in headcount was ahead of the 10,000 target.

Chief executive Rod Eddington is keen to point to the progress made on BA's perenially loss-making European services, where the deficit was more than halved to ?117 million for the year. That came despite the battle with the low-cost sector and BA's bold experiment to make short-haul discount fares widely available over its revamped website, without the traditional stay restrictions. Yields in Europe were down by 4.7% for the year, but load factors rose by 4 points.

The March quarter, however, brought some devastating figures for Europe's carriers as traffic spiralled down in the wake of the Gulf War and SARS. Systemwide yields at Lufthansa were down by a hefty 12%, while KLM saw a 10%

decline, SAS 9% and BA just over 7.4%. That fed through to the bottom line, with the combined net loss for the leading flag carriers rising threefold to $1.3 billion for the quarter (see table below).

The heaviest loss came from Lufthansa, which recorded a huge c415million ($448 million) deficit for the quarter, and warned it will be in the red for 2003 as a whole. "Air transport worldwide is facing its greatest economic crisis ever. The situation has never been so serious," says Lufthansa chairman Juergen Weber.

"The word you hear time and time again at Lufthansa is unexpected," says Tarry, adding that the carrier was too optimistic at the start of the year, and as a result has too much capacity. In contrast, Tarry says that BA has taken a far more realistic approach.

Thomas Tomkos of Cell Consulting in Germany notes that Lufthansa has been focusing on three business areas which have all been under pressure: the Asia-Pacific market has been hit by SARS the no-frills sector is experiencing a fierce price war within Germany and the business jet concept, now being employed on the transatlantic, is not expected to see significant benefits for a year or two.

KLM, which posted a c252 million operating loss for the quarter, also says that it sees no upturn in the short term. "The current industry situation is unprecedented and we believe that the revenue environment has permanently changed. Our yields are decreasing and our cost base does not currently compensate for this development," warned chief executive Leo van Wijk.

Looking forward, carriers are understandably offering little in the way of forecasts, given the heightened threat of terrorism, continued problem of SARS and uncertainty on the timing of an economic recovery. BA speaks for most when it reports: "The outlook is that revenue in the June quarter will be lower than last year. Visibility beyond this is not clear."

Weekly statistics from the Association of European Airlines (AEA) show that by the start of May, traffic on Far East services was running at just under 30% below the levels of a year earlier. While the numbers look more stable there were few signs of any major rebound. "Evidently the SARSeffect is as strong as ever, if not stronger,"said AEA secretary general Ulrich Schulte-Strathaus, doubting reports that the outbreak was being brought under control.

Traffic on Middle East routes was down by more than 50% in late March as the Iraq war reached its climax. Since then there had been signs of improvement through to early May, although that was before a spate of terrorist bombings in the region.

The AEAalso notes that traffic swings on the key European and North Atlantic markets remain "very volatile" with no clear signs of a sustained upturn.

colin baker London

European airline group financial results Apr-Mar - Full year 2002/3

GroupGroup revenueOperating result ($m)Operating marginNet result ($m)

$millionchange20032002200320022003200

Air France13,6991.3%1,587.31,253.611.6%9.3%129.6165.2

British Airways12,325-7.8%607.6655.74.9%4.9%216.4537.0

KLM7,0031.0%-143.6-101.5-2.1%-1.5%-449.2-168.4

Virgin Express2457.2%2.91.71.2%0.7%0.40.1

European independent airlines financial results Oct-Mar - First half 2002/3

EasyJet59725.4%-50.73.7-8.5%0.8%-39.113.3

Crises leave trail of first-quarter losses.

European airline group financial results Jan-Mar - First quarter 2003

GroupGroup revenueOperating result ($m)Operating marginNet result ($m)

$millionchange200320022003200220032002

Lufthansa Group 3,969 -4.6%-448.113.0-11.3%0.3%-384.4-200.8

Air France 3,239 -1.3%-154.423.8-4.8%0.7%-119.91.1

British Airways 2,685 -14.2%-262.9-72.1-9.8%-2.3%-320.6-136.3

SAS Group 1,612 -0.5%-224.3-165.3-13.9%-10.2%-220.6-170.0

KLM1,487 -7.6%-272.1-133.9-18.3%-8.3%-482.2-168.4

Iberia 1,128 -1.4%-54.8-7.0-4.9%-0.6%92.8143.1

Alitalia 1,097 -4.8%----213.8111.2

Austrian Airlines 484 -3.0%-51.5-43.8-10.6%-8.7%-57.6-55.6

TOTAL 15,701 -5.4%-1,468.1 -384.9-10.1%-2.5%-1,279.6 -475.8

Load-Date: February 1, 2005

Ryanair, the no-frills carrier, has reported an operating profit of 264 million [euro] ($311 million), up 62% from 2001/02, in its 2002/03 full year results.

Airfinance Journal

June 2003

Business and Industry

Section: Pg. 5; ISSN: 0143-2257

Length: 184 words

Body

Ryanair, the no-frills carrier, has reported an operating profit of 8264 million [euro] ($311 million), up 62% from 2001/02, in its 2002/03 full year results.

The airline warned that the figures were exceptional, and that results for the next financial year were likely to be less impressive as margins come under pressure.(c) Euromoney Institutional Investor PLC This material must be used for the customer's internal business use only and a maximum of ten (10) hard copy print-outs may be made.

Load-Date: February 1, 2005

The Break - Dune roaming

Financial Times (London,England)

May 31, 2003 Saturday

Section: FT WEEKEND MAGAZINE - Don't miss; Pg. 42

Length: 313 words

Byline: By REBECCA ROSE

Body

Instead of sitting slumped in an airless office glued to your computer screen, how about a gentle swim in the cool, clear Mediterranean, clearing your mind of debris and looking up at an even clearer sky? These days, thanks to cheap flights, this daydream is not just for the jet set: you can swim in the Med at the weekend and return to work on Monday feeling refreshed.

The closest, clearest and least spoilt patch - with reliable sunshine - is Sardinia. Ryanair flies three times daily to Alghero on the north-west of the island, with two morning flights on a Saturday, so you can be backstroking by early afternoon. The airport is only a 20-minute taxi ride from Alghero, a small and unspoilt medieval town on the coast. At the heart of it, the Hotel San Francesco makes an excellent base for your after-swim stay.

From town, grab a taxi or take the bus that journeys north up the coast. Jump out 10 minutes later, walk over the sand dunes and through the scented pine forest which fringes the lengthy white- sand beach. Then, after changing your clothes, plunge straight into the sea.

It is possible to hire sun loungers and umbrellas - but who needs them with pockets of shade to be found on the beach? There is little in the way of eateries, so do as the Italians do: visit one of Alghero's supermarkets or delicatessens and fill your hamper with white peaches, dessert wine, prosciutto and cheeses.

To enjoy the sea at its wildest - and away from other picnickers - hire a speedboat from Alghero's marina, which costs about A80 (Pounds 50).

To cap the day off in this little bit of paradise, join the locals on their daily passeggiata - a sunset stroll along the walled seafront - before settling in at one of Alghero's many excellent seafood restaurants.

www.ryanair.com, 0871 246 0000

Hotel San Francesco: 0039 079 980 330, A78 for a double room in June, A85 in July and August

Load-Date: May 31, 2003

In Brief

Flight International

May 27, 2003

Section: News; Air Transport; Pg. 11

Length: 310 words

Byline: Staff

Body

Boeing order

Staff

Turkmenistan Airlines has ordered two more Boeing 717-200s to add to the three it already operates on domestic and regional services. The $78 million deal, signed with Boeing earlier this month in Turkmenistan's capital Ashgabat, will see the 120-seat aircraft enter service next year.
Gulf operations

Staff

Gulf Air is planning a significant scale-up of its operations from Muscat's Seeb airport in Oman. From July, the airline will increase its weekly Muscat services from 74 to 116, adding flights to Dhaka, Bangladesh; Frankfurt, Germany; and Islamabad and Lahore in Pakistan. Services will also be reinstated to Zanzibar, Tanzania, using a Boeing 767-300ER. Weekly frequencies to Abu Dhabi will be increased to 33; Bahrain frequencies will rise to 20; Delhi, India, to seven; and London Heathrow, UK, to 13.

Future 50 launch

Staff

Fokker Services has launched the Future 50 programme to revitalise aftermarket sales of the Fokker 50 turboprop, following in the footsteps of Future 100 programme launched in February for the Fokker 100 (Flight International, 11-18 February). Aircraft Financing & Trading and Fokker 50 operator Denim Air have also signed a letter of intent to remarket the aircraft.

Runway upgrades

Staff

Ryanair is to close several of its regional French destinations for runway upgrades as it integrates Buzz routes into its network. The Irish low-cost carrier aims to phase out Buzz's fleet of eight BAe 146 regional jets before September and has requested airport upgrades from several destinations as part of landing rights negotiations. Ryanair plans to move towards a one-aircraft fleet of Boeing 737-800s before 2005, but the ex-military bases used by former KLM UK low-cost subsidiary Buzz are currently unable to accommodate the larger aircraft, says Ryanair.

Load-Date: June 3, 2003

in brief.

Flight International

May 27, 2003

Section: Pg. 11; ISSN: 0015-3710

Length: 312 words

Body

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in brief.

Load-Date: February 1, 2005

Low-cost carriers seek delay on EC review

Flight International

May 27, 2003

Section: News; Air Transport; Pg. 13

Length: 285 words

Byline: Staff

Body

The European Commission has extended its deadline for air transport policy amendments until the middle of next month, following last-minute interest from low-cost carriers. The EC has received "several" requests for a delay in its review of air transport liberalisation laws, but insists that it still aims to publish proposals before the end of the year.

The EC says its aim at this stage is to see how various aspects of the third package of air transport liberalisation reforms, adopted in 1992, are working. "It is important that we speak to all interested parties, and a month's delay is not important in the grand scheme of things," says Marc Skreikes, responsible for drafting the legislation in the EC's air transport economic regulation division. The EC did not receive any contributions from low-cost carriers before its original May deadline, but representatives from Irish carrier Ryanair met the EC's transport commissioner Loyola de Palacio last week to present their case.

The EC is considering streamlining several measures that are ill-defined or abused in the current legislation. Loss-leading, or "dumping" of flights, for example, is likely to be more strictly legislated against, with airlines being required to prove that each route operates at more than cost.

Another measure being proposed for future legislation is the creation of a single European air operator's certificate. The EC is also likely to recommend a "simplification" of public service subsidies, granted by member states for "socially important thin routes".

The EC is to consolidate all contributions received by 16 June before publishing its full list of recommended amendments in October, says Skreikes.

Load-Date: June 3, 2003

Liberalisation Low-cost carriers seek delay on EC review.

Flight International

May 27, 2003

Section: Pg. 13; ISSN: 0015-3710

Length: 298 words
Highlight: European Commission decision on deregulation

Body

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Load-Date: February 1, 2005

Flights cancelled because of strike in France

Financial Times (London,England)

May 27, 2003 Tuesday

London Edition 2

Section: NATIONAL NEWS; Pg. 3

Length: 237 words

Byline: By REBECCA BREAM

Body

Travellers flying between Britain and France will face serious problems today because of a one-day strike by French air traffic controllers.

Plans for the strike have caused British Airways, BMI, Ryanair, Easyjet, Aer Lingus and other European carriers to cancel most of their flights to and from France.

Disruptions to flights were due to start last night and services will not get back to normal until sometime tomorrow.

British Airways said at the weekend that only a handful of its services to and from France would be running today, and that some of those flights would be delayed and rescheduled.

No-frills airline Ryanair said 48 of its flights to and from France would be cancelled today, while Aer Lingus has cut six French services.

Air France has cancelled 65 per cent of its short and medium-haul flights, al-though today's long-haul flights are expected to go ahead as planned.

Passengers affected would be entitled to refunds or to fly free of charge on a different date, said the companies.

The airlines' decisions came after the Foreign Office warned Britons trav-elling to France to expect severe disruption because of today's industrial action.

The air traffic controllers' strike is due to run from 6am until 11pm.

Further strikes are expected in France on June 2 and 3, which could also hit the rail network.

French trade unions are taking action in protest at government plans to reform the state pension system.

Load-Date: May 26, 2003

Flights cancelled because of strike in France

And finally Ryanair

Financial Times (London,England)

May 27, 2003 Tuesday

London Edition 1

Section: PEOPLE; Pg. 20

Length: 22 words

Byline: By RUTH SULLIVAN

Body

* Jim Callaghan is to become company secretary of Ryanair. He joined the low-cost airline in 2000 and is also head of regulatory affairs.

Load-Date: May 26, 2003

End of Document

Holiday package not yet undone

Financial Times (London,England)

May 26, 2003 Monday

London Edition 2

Section: LETTERS TO THE EDITOR; Pg. 16

Length: 297 words

Byline: By CHARLES GURASSA

Body

From Mr Charles Gurassa.

Sir Michael Skapinker ("The holiday package undone by the internet", May 21) argues that low-cost airlines and internet-based hotel sites have changed the package holiday industry forever.

The reality is very different.

There is little overlap between the charter and the new low-cost players. Of more than 105 destinations that Britannia, the UK's leading package holiday airline, serves from the UK, Ryanair flies to one and only six have any low-cost competition. Britannia's own "seat only" business via the web is growing exponentially and will reach record levels again this year. And remember, low-cost has no cost advantage against the package holiday airlines. These airlines fly larger aircraft, 757s and 767s, with better seat-mile economics, higher load factors (a year-round average of 92 per cent) and higher utilisation than their low-cost cousins.

But what about the new hotel web sites? These are simply electronic travel agents offering internet access to publicly available rates. No site today takes the risk of bulk-buying a large number of hotel beds in return for a discounted rate unlike the package holiday companies. So the result is you are left at the mercy of what stock is left at an hotel and what price they are prepared to charge.

So is it the internet that is undermining the package holiday? Again the facts point in the opposite direction and prove that, as Michael Skapinker states, "brands matter more than ever when people buy online". Direct-sell package holiday brands are witnessing dramatic sales growth through the internet. Top high-street brands are also seeing an increasing number of customers confident in buying their holidays online.

Charles Gurassa, Chairman, TUI Northern Europe and Airline Group, London NW1 7SD

Load-Date: May 25, 2003

Holiday package not yet undone

End of Document

The Break - Around the ragged rocks

Financial Times (London,England)

May 24, 2003 Saturday

Section: FT WEEKEND MAGAZINE - Don't Miss; Pg. 42

Length: 175 words

Byline: By DAVID BAKER

Body

Before the summer takes hold, grab a good book, hop on one of Ryanair's former Buzz routes to Jerez de la Frontera and spend a few days eating calamari and sampling the local sherry on the Costa de la Luz in south-west spain.

This wonderfully rugged piece of Atlantic coastline is almost deserted at this time of year.

You may see a few windsurfers, but for the most part you'll have mile after mile of white-sand beach and windswept dunes to yourself.

The best way to explore the region is to rent a car at Jerez and head west but it's easier to find a base north of Cadiz and spend the days exploring south towards Trafalgar. El Puerto de Santa Maria has good accommodation, excellent seafood and a lively nightlife, but wherever you go you are sure to return refreshed and amazed that people don't go there more often. Ryanair flies to Jerez at weekends; if you want to go for longer than a night but not as long as a week, you could go with British Airways or Iberia, changing in Madrid or Barcelona.

www.ryanair.com 0871 246 0000

www.ba.com 0845 773 377

Load-Date: May 24, 2003

Cost-cutting helps BA to weather storm

Financial Times (London,England)

May 21, 2003 Wednesday

London Edition 1

Section: COMPANIES UK; Pg. 27

Length: 569 words

Byline: By KEVIN DONE

Body

British Airways started taking the bitter medicine of cost-cuts and restructuring earlier and, arguably, in bigger doses than most of its rivals in Europe and North America. And the results are starting to show.

Last year, revenues fell and yields - or average fare levels - declined.

Lucrative business passengers disappeared in droves as the global economy continued to weaken. Confidence in flying was further undermined by the long build-up to the war in Iraq and, in the final weeks of March, by the start of the spread of severe acute respiratory syndrome.

In the US, the airline industry is mired in losses for a third year. In Europe, the number four carrier, KLM, announced two weeks ago the biggest loss in its 84-year history, and Lufthansa, one of the big three Europeans, has been forced to ground 70 aircraft.

BA, meanwhile, announced on Monday a Pounds 335m turnround in the year to the end of March, climbing from a pre-tax loss of Pounds 200m a year ago, its worst result in 20 years, to a pre-tax profit of Pounds 135m.

It recovered from an operating loss of Pounds 110m a year ago to an operating profit of Pounds 295m, even after taking an Pounds 84m exceptional charge for the planned retirement of its supersonic Concorde fleet in October.

The flight path is still bumpy. For a second year running, there is no dividend, with the need to conserve cash in highly uncertain times still the overriding priority. And the operating margin, while at least positive again at 3.8 per cent, is still a country mile from the target of 10 per cent set by Rod Eddington, chief executive, 18 months ago.

But the group is delivering on its restructuring targets and the recovery is entirely down to cost reduction.

The job cuts, started just before the September 11 2001 terrorist attacks, are on track to remove 13,000 jobs, or 23 per cent of the workforce, by September.

Between August 2001 and the end of March, BA had cut 10,182 jobs and at much lower cost than budgeted, owing to the high level of natural wastage and the strong take-up of offers of unpaid leave.

It has also taken out 20 per cent of capacity. The group achieved annualised cost savings of Pounds 570m in the year to the end of March - well ahead of the Pounds 450m target - and is confident of exceeding the cumulative target of Pounds 650m by March 2004.

The airline is also on track to end almost a decade of losses on its short-haul European network, with the target of reaching break-even by March 2004.

BA has borne the brunt of the first wave of the attack in Europe by the low-cost carriers, such as EasyJet and Ryanair, which built their bridgehead in the UK.

BA is also abandoning its presence at Plymouth and Newquay in south-west England as part of the continuing restructuring of British Airways CitiExpress, its UK regional business, which is seeking to make annualised cost savings of Pounds 20m, including Pounds 7m this year.

It is driving more bookings on to the internet, saving huge costs in the process. In April last year, ba.com was generating revenues of Pounds 1m a week: it is now well above Pounds 1m a day.

The harsh reality for BA, however, is that there can be no let-up. Mr Eddington said the group "must deliver further cost efficiencies in the coming year," and many analysts are forecasting that it could slide back into pre-tax loss, unless the market, in particular for business travel, finally picks up.

Kevin Done

Load-Date: May 20, 2003

UK: Virgin Express scraps Orly move TRANSPORT:

Financial Times (London,England)

May 20, 2003 Tuesday

London Edition 3

Section: COMPANIES: UK; Pg. 26

Length: 420 words

Byline: By KEVIN DONE

Body

Virgin Express, the Brussels-based low-cost airline controlled by Sir Richard Branson, has given up its attempt to expand its European presence by opening a second operating base at Paris Orly airport.

The failure of the move into France is the group's second such setback in less than a year. It gave up plans to expand into Germany via a base at Cologne/Bonn airport last September in the face of intense competition from rival low-cost start-ups by Tui, the German travel group, and Eurowings, an affiliate of Lufthansa.

Virgin Express had sought a base at Orly following the collapse and liquidation this year of the French airline Air Lib, the airport's second-largest operator.

The Branson-controlled airline blamed the setback on its inability to gain sufficient take-off and landing slots at Orly from Cohor, the French airport co-ordinator, to support a viable business.

It said it had applied for 25,000 slots, enough to support a 12-aircraft low-fare operation from Orly, but had been offered just 5,840, enough to operate only three allocated routes.

It has given up its discussions with CMA-CGM, the French shipping group, about setting up a joint venture low-fare airline in France and will focus on developing its presence in Brussels, from which it offers 16 destinations.

EasyJet, Europe's largest low-cost airline, said yesterday it hoped to benefit from the re-allocation of the Virgin Express slots.

It has written to Loyola de Palacio, European transport commissioner, to demand urgent action to address "the chronic lack of airline competition in France".

The UK operator received only 7,300 slots at Orly following the Air Lib collapse, instead of the 20,000 it applied for. It said the Air Lib slots should have been allocated to airlines that were capable of providing strong competition to Air France, the majority state-owned national carrier.

"The whole point of the European slot allocation rules is to increase competition against the major airlines," said Ray Webster, EasyJet chief executive. "Yet exactly the opposite has happened in Paris - Air France has become more dominant as the valuable slot pool held by Air Lib has been scattered to the four winds."

Jean-Charles Corbet, former Air France pilot, head of the SNPL pilots union at the airline, and the short-lived chief executive of Air Lib, told a French parliamentary inquiry last week that a rescue attempt had been made with the connivance of Air France to keep low-cost airlines such as EasyJet and Ryanair out of Orly. www.ft.com/transport

Load-Date: May 19, 2003

British Airways set to pull out of Eurostar NEWS DIGEST

Financial Times (London,England)

May 16, 2003 Friday

London Edition 1

Section: COMPANIES UK; Pg. 23

Length: 218 words

Byline: By REBECCA BREAM

Body

British Airways is likely to withdraw from the consortium that owns Eurostar after National Express announced on Wednesday it was pulling its investment.

Apart from the poor financial performance by Eurostar, which is thought to be losing some Pounds 100m a year, the withdrawals are being prompted by a restructuring of the company that operates passenger services through the Channel tunnel.

Eurostar comprises three separate companies, running the UK, French and Belgian parts of the network. National Express owns 40 per cent of Eurostar UK, with French and Belgian state rail companies SNCF and SNCB owning 25 per cent each and British Airways has 10 per cent.

But Eurostar is working towards streamlining the three companies into a single entity before the end of the year, a plan code-named Project Jupiter.

SNCF is thought to be keen to take the dominant role and is expected to buy National Express's stake. BA said: "In the light of the announcement by National Express, British Airways is certainly considering our position regarding Eurostar and are in discussions with the other shareholders."

Having previously poached customers from the big airlines, Eurostar has this year suffered from falling passenger numbers because of competition from low-cost airlines such as Ryanair and Easyjet. Rebecca Bream

Load-Date: May 15, 2003

UK: EasyJet LOMBARD

Financial Times (London,England)

May 8, 2003 Thursday

London Edition 1

Section: COMPANIES: UK; Pg. 24

Length: 435 words

Byline: By MARTIN DICKSON

Body

EasyJet has given investors plenty of reasons to doubt its strategy over the past year, what with its high-priced acquisition of Go, its flirting with a takeover of Deutsche BA and its large order for Airbuses complicating the simple fleet model that is supposed to be the norm among no-frills carriers. All this, coupled with a poor operating environment, has more than halved its share price.

So at a superficial glance, yesterday's poor interim figures could be taken by the doubters as fresh ammunition. The company normally makes a small loss at this stage, since its profitability depends largely on the crucial summer holiday period, which falls in the second half. But this year it lost Pounds 48.1m pre-tax. That was broadly in line with analysts' expectations and included several special factors, including Pounds 24m of goodwill and non-recurring charges relating to the Go acquisition and abortive Deutsche BA negotiations.

The operating figures, with passenger numbers up 40 per cent and yields falling 10.7 per cent, reflected EasyJet's rapid - arguably over-rapid - increase in capacity (which tends to reduce average fares) and the impact of the war in Iraq, which the airline counteracted with discounted sales. Furthermore, the important Easter period falls this year in the second half.

Against such an unstable backdrop, not too much should be read into the figures. The crucial question now is how the summer will shape up. Ray Webster, chief executive, is being very careful in his forecasts. Back in February he predicted increased second-half yields. Now he expects to maintain a high load factor, with yields continuing to be under some pressure compared with last year, partly offset by lower capacity growth.

Caution is understandable: a softening of consumer spending could hit revenues, though low-cost carriers have traditionally done better than large airlines in economic downturns. Post-Iraq terrorist activities are an unknown.

On the plus side, fear of the Sars virus could increase European travel at the expense of long-haul Asian trips, while EasyJet, which does not hedge its fuel costs, could benefit from falling oil prices.

April's passenger volumes were up 34 per cent, with yields down just 3 per cent, which looks encouraging, but that month was helped by the Easter holidays and pent-up demand in the wake of the Iraq war.

With so little forward visibility, and intensifying competition from the large carriers and Ryanair, there looks little reason to chase the shares, though they stand on a pretty undemanding forward p/e of 13. martin.dickson@ft.com www.ft.com/lombard

Load-Date: May 7, 2003

Sunday Times BRIEFING: THE WEEKEND PAPERS

Financial Times (London,England)

May 5, 2003 Monday

London Edition 1

Section: COMPANIES UK; Pg. 22

Length: 427 words

Body

* The owner of Tussauds Group has held talks with investment banks about plans for a flotation in the final quarter of this year for between Pounds 800m and Pounds 1bn.

* CVC, the private equity group, plans to buy Northumbrian Water using just Pounds 43m of equity and Pounds 2.35bn of debt and loans resulting in a debt-to-equity ratio of 5,000 per cent.

* Robert Tchenguiz, the property tycoon, is considering tabling a Pounds 580m bid for Selfridges, the fashion retailer.

Sunday Telegraph

* Philip Green, the retail entrepreneur, may withdraw from the battle for Safeway if the Takeover Panel rules rivals can make conditional offers for the supermarket group in response to a formal bid by Mr Green.

* Friends of Tom Hunter, a leading bidder in the battle for Selfridges, have made it clear that Peter Williams, the new chief executive, faces the sack if Mr Hunter's bid beats a rival management buy-out plan headed by Mr Williams.

* PCCW, the Hong Kong telecoms group, is preparing bids for 15 UK regional wireless licences in an attempt to build a national broadband network.

The Observer

* ICI faces a class action by US and UK investors alleging the company misled shareholders over the financial health of its Quest fragrance division.

* RSA, the UK insurer, faces criticism from some of its largest investors over bonus payments to top executives.

* Cost cutting at the Express newspaper has helped proprietor Richard Desmond increase 2002 operating profits at his private holding company Northern & Shell by 25 per cent.

Independent on Sunday

Sunday Times BRIEFING: THE WEEKEND PAPERS

* Cordiant faces losing the Wella account if Proctor & Gamble are successful in its bid for the German hair products group.

* Chrysalis, the media group, is expected to reveal problems at its book division when it unveils interim results on Tuesday.

* Ryanair, the low-cost carrier, is to be taken to the European Court over allegations it receives illegal state aid by Air Mediterranee and Air France affiliate Brit Air.

The Business

* Publicis, the world's fourth largest advertising agency, is considering a bid for Cordiant Communic-ations, valuing the group at Pounds 70m.

Mail on Sunday

* Abbey National is forcing a third of its 7,200 staff to reapply for their jobs in a radical overhaul of its branch network.

Sunday Express

* Big Food Group is being stalked by venture capitalists that are likely to value the former Iceland group at 100p per share.

Financial News

* Goldman Sachs has offered expatriate staff in its risk management, futures and brokerage departments a reduced pay package or a job at home to cut costs.

Load-Date: May 4, 2003

UK: EasyJet shares hit all-time low on fears of loss TRAVEL:

Financial Times (London,England)

May 3, 2003 Saturday

London Edition 1

Section: COMPANIES: UK; Pg. 2

Length: 463 words

Byline: By KEVIN DONE

Body

Shares in EasyJet, Europe's biggest low-cost airline, fell to an all-time low yesterday ahead of the release next week of the group's results for the first half of its financial year, which are expected to show a significant loss.

The share price fell by 11 1/2p, or 6.2 per cent, to close at 173 1/2p compared with a high of 503 1/4p in March last year and a deeply discounted share issue at 265p launched in May last year to finance the group's Pounds 374m takeover of Go, its smaller rival.

Investors have been unsettled in recent days by the heavy fare discounting campaigns employed by EasyJet and Ryanair to fill their aircraft during a period of weak demand when the global airline industry is in the midst of the worst financial crisis it has ever suffered.

The market was also affected by a downgrade issued by Morgan Stanley - which has an investment banking relationship with Ryanair, EasyJet's big rival among the low-cost airlines.

Martin Borghetto, Morgan Stanley aviation analyst, said: "EasyJet's business case has weakened to a degree that makes it difficult for us to maintain a positive view on the shares."

EasyJet's traffic and yield figures during the last six months had been "disappointing," said Mr Borghetto, and its expansion had come with steadily decreasing margins and lower returns on the additional capital employed.

Morgan Stanley expressed concerns about the longer term opportunities for EasyJet, which is seeking to expand its operations at main hub airports in many cases, where additional take-off and landing slots are difficult to secure.

EasyJet itself has voiced unhappiness at the way slots at Paris Orly airport were redistributed recently following the collapse of Air Lib, the French airline. EasyJet received barely a third of the slots it had sought at Orly and has been unable to develop Orly as a fully-fledged operating base.

Ray Webster, EasyJet chief executive, said recently that "access to slots at Europe's major airports remains the biggest hurdle to a truly open and competitive airline market within Europe".

UK: EasyJet shares hit all-time low on fears of loss TRAVEL:

EasyJet warned last month that its loss in the first half of its financial year from October to March would be "exacerbated" by the timing of Easter and the weakness in fares.

Historically EasyJet has generated the lion's share of its profits in the final quarter of its financial year from July to September.

EasyJet achieved a profit in the two winter quarters, from October to March, in its last financial year, the first time it had achieved this since it was founded in 1995.

The first half had previously been lossmaking each year because of the seasonal nature of the business.

JP Morgan forecast this week a first half pre-tax loss at EasyJet of around Pounds 48m, including exceptional costs estimated at Pounds 22m.

Load-Date: May 24, 2003

Dealwatch.

Airfinance Journal

May 2003

Business and Industry

Section: Pg. 36; ISSN: 0143-2257

Length: 1153 words

Body

Recent operating lease deals

Operator	Country	Type	Lessor
Aero Mexico	Mexico	9x737-700	ILFC
Air Berlin	Germany	737-800	Boullioun
Air Emilia	Italy	ATR42-300	Rossair
Air Lithuania	Lithuania	ATR42-300	GPA-ATR (Magellan)
Air Luxor	Portugal	A320 (CFM)	Showa Leasing
Air Mauritanie	Mauritania	737 (CFM)	ILFC
Air Mediterranee	France	A321-100 (CFM)	ILFC
Air Tanzania	Tanzania Airways	737-200	South African
Airlinair	France Investissement	ATR42-500	Air Vendee
China Eastern	China	3xA320 (CFM)	ILFC
East African Safari	Uganda	767-300 (PW)	ILFC
Eritrean Airlines	Eritrea	1x767-300ER (PW) Boeing Capital	
Finnair	Finland	A319 (CFM)	Gecas
Finnair	Finland	A319 (CFM)	ILFC
Futura International Spain	737-400	Boeing Capital	
Garuda	Indonesia	737-300	ILFC
Islandsflug	Iceland	737-300	AerCo
JetBlue	US	A320 (IAE)	ILFC
Kenya Airways	Kenya	737-200A	ALS Nairobi
Lithuanian Airlines	Lithuania	2x737-324	ILFC
Martinair	Netherlands 2xA320-200	Sale	

Dealwatch.

Onur Air	Turkey	2xA321-200	ILFC
Onur Air	Turkey	A300-600	ILFC
Ryanair	Ireland	2xA320-200	ILFC
Sichuan Airlines	China	2xA320-200	ILFC
Skymark	Japan	767-300ER (CFM)	Gecas
Swift Air	Spain	727-200	Finova
Vietnam Airlines	Vietnam	2x777-200ER (GE) ILFC	

Operator	Country	Term	Delivery
Aero Mexico	Mexico	7 years	Nov 03-Dec 04
Air Berlin	Germany	Medium	Mar 03
Air Emilia	Italy		
Air Lithuania	Lithuania		
Air Luxor	Portugal		
Air Mauritanie	Mauritania	8 months	Q1 04
Air Mediterranee	France	7 years	
Air Tanzania	Tanzania		
Airlinair	France		
China Eastern	China	10 years	Oct 04
East African Safari	Uganda	5 years	Feb 04
Eritrean Airlines	Eritrea		
Finnair	Finland	Apr 04	
Finnair	Finland	4 years	Apr 04
Futura International Spain			
Garuda	Indonesia	5 years	Mar 03
Islandsflug	Iceland		
JetBlue	US	12 years	Jan 04
Kenya Airways	Kenya		
Lithuanian Airlines	Lithuania	5 years	Apr 03-May 03
Martinair	Netherlands	Mar 03	
Onur Air	Turkey	42 months	May 03
Onur Air	Turkey	64 months	Jun 03
Ryanair	Ireland	1 year	Mar 03
Sichuan Airlines	China	5 year	Apr 03
Skymark	Japan		
Swift Air	Spain		
Vietnam Airlines	Vietnam	Apr 03	

Source: Airfinance Journal

Deal pipeline

Borrower	Asset adviser	Structure	Arranger/
May			
Atlantic Southeast 6xCRJ700	Unknown	Natexis	
CIT	2x737-707	Lease	BNP
Ethiopian Airways	3x767-300ER, 3x767-300	Export credit	Barclays
EVA Air	2xA330-200	PDP	Credit Lyonnais
Japan Airlines	777-200,	JLL	Diamond Leasing,

Dealwatch.

System	777-200ER	SMBC Leasing,	
	NTT Leasing		
	777-200ER	JLL	Mizuho
Korean Airlines	3x747-400F, 777-200ER	Ex-Im	Citibank
LVNL	ATC	QTE	Connell Finance
Qantas	4x747-400ER	Loan	Lombard
	2x747-400ER	Loan	China Const.
	Bank		
Qatar Airways	4xA320 Credit Lyonnais	Loan	Natexis,
Safair Lease Finance	3x737-800	Export Credit	SCMB
Singapore Airlines 747	Lease/saleback	Stan Chart	
Vietnam Ailrlines	4x777 Citibank	Ex-Im	ABN Amro,
Virgin Blue	10x737-800	Ex-Im	
April			
All Nippon Airways 767-300ER	JLL	BTM, SMBC, UFJ	
	767-300ER	JLL	Mizuho
	767-300ER	JLL	Orix
	Dash 8		
American Airlines	DIP loan	Citigroup	
easy Jet	11x737-700	Operating	
	5xA319-111	lease/loan	
Dragonair	2xA321	Loan	
Emirates	3xA330-200,	Loan	
	3xA340-500	Export credit	
Egyptair	2xAirbus (adviser)	Export credit	Bank of New York
Hainan Airlines	767-300ER	Operating lease	DVB
Japan Airlines	2x777-200ER,		
System	777-200		
Korean Airlines	3x747-400	Ex-Im	
Oman Airways	737-800	Ex-Im	
Qantas	Corporate borrowing	Loan	Barclays
	2x747, 4x737-800		
Royal Air Maroc	2xA321	Export credit	
South African Airways	3xA340-600	Export credit	
Thai Airways	747-400	Loan	
Borrower	Asset close	Status	Expected
May			
Atlantic Southeast 6xCRJ700	Mandated	2003	

Dealwatch.

CIT	2x737-707	Mandated	2003
Ethiopian Airways	3x767-300ER, 3x767-300	Mandated	Nov 03
EVA Air	2xA330-200	Mandated	2003
Japan Airlines System	777-200, 777-200ER	Mandated	Jul 03
	777-200ER	Mandated	Jun 03
Korean Airlines	3x747-400F, 777-200ER	Mandated	2003
LVNL	ATC	Mandated	2003
Qantas	4x747-400ER	Mandated	2003
	2x747-400ER	Mandated	2003
	Syndication		
Qatar Airways	4xA320	Mandated	2003
Safair Lease Finance	3x737-800	Structuring	2003
Singapore Airlines 747	Syndication	2003	
Vietnam Ailrlines	4x777	Mandated	2003
Virgin Blue	10x737-800	Issued RFP	2003
April			
All Nippon Airways 767-300ER	Structuring	Apr 03	
	767-300ER	Structuring	May 03
	767-300ER	Structuring	Jul 03
	Dash 8	Issued RFP	2003
American Airlines	On hold		
easy Jet	11x737-700 5xA319-111	Reviewing bids	May 03
Dragonair	2xA321	Planning	2003
Emirates	3xA330-200,	Planning	2003
	3xA340-500	Export credit	2003
Egyptair	2xAirbus	Issued RFP	2003
Hainan Airlines	767-300ER	Syndication	Apr 03
Japan Airlines System	2x777-200ER, 777-200	Issued RFP	2003
Korean Airlines	3x747-400	Issued RFP	May 03
Oman Airways	737-800	Issued RFP	2003
Qantas	Corporate borrowing	Syndication	Apr 03
	2x747, 4x737-800 Issued RFP	May 03	
Royal Air Maroc	2xA321	Planning	Nov 03
South African Airways	3xA340-600	Planning	May 03
Thai Airways	747-400	Planning	2003

Source: Airfinance Journal

Closed deals

Borrower	Asset	Size	Structure	Arranger

Dealwatch.

	($ million)			
May				
Air Nostrum	2xCRJ200	JOL	Natexis	
AirTran	100	Convertible	Morgan	
	Stanley			
China Aviation	160	Loan	China	
Oil	Everbright,			
	ICBC			
debisAirFinance	20xA320	840	Export credit Credit	
	Lyonnais			
Delta	9x767-400	403	LC	GE
	3x777-200			
	Engines			
	Engines	135	Bond	GE
	5x767-400	120	Bond	GE
	Engines			
	Parts			
	Parts	96.5	Bond	GE
Korean Airlines	4x737-900	172	Loan	Credit
	Lyonnais			
	91	LC	Credit	
	Lyonnais			
Mesa Air	2xCRJ700	USLL	Citibank	
PIA	3x777	150	PDP	Citi Islamic
	DB, Islamic			
	DB, United			
	Bank			
April				
Air France	A340-300	147	Loan	BTM
Air Mauritius	A319	Export credit		
		Barclays		
Emirates	A330-200	160	Loan	Credit
	Agricole			
	Indosuez			
Kenya Airways	2x777-200ER 54	Predelivery	Barclays	
	loan			
Qatar Airways	A330	Predelivery	Barclays,	
	loan	Natexis		
March				
Atlantic	6xCRJ700	Loan	BNP Paribas	
Southeast				
Boeing	1000	Bond	CSFB,	
	Deutsche			
	Bank JP			
	Morgan			

Dealwatch.

Frontier	70	ATSB Loan	WestLB,
	Wells		
	Fargo		
Hainan Airlines	767	Finance lease Shenzhen	
Korean Air Lines	92	Letter of	Credit
	credit	Lyonnais	
Mahan Air	2xA340	Loan	Standard
	Bank		
Sale	8xA320,	360	Export credit BNP Paribas,
	2xA321	KfW, WestLB	
Borrower	Asset	Debt	Equity
May			
Air Nostrum	2xCRJ200	Natexis, ICO	Sumisho
AirTran			
China Aviation	China Merchants,		
Oil	Beijing CCB, Nord LB,		
	Shanghai Pudong DB		
debisAirFinance	20xA320		
Delta	9x767-400		
	3x777-200		
	Engines		
	Engines		
	5x767-400		
	Engines		
	Parts		
	Parts		
Korean Airlines	4x737-900	Credit Lyonnais	
Mesa Air	2xCRJ700	DVB, Citibank	Gecas
PIA	3x777		
April			
Air France	A340-300	BTM, Citibank, SMBC,	
Air Mauritius	A319		
Emirates	A330-200	National Bank of Dubai,	
	NorddeutscheLB,		
	KfW, Mashreq Bank,		
	Standard Chartered,		
	BNP Paribas		
Kenya Airways	2x777-200ER Barclays, IFC,		
	Rand Merchant Bank,		
	Standard Bank,		

	Eastern		
	& Southern African		
	Trade & Dev Bank,		
	National Industrial		
	Credit Bank		
Qatar Airways	A330	Barclays, Natexis	
March			
Atlantic	6xCRJ700		
Southeast			
Boeing			
Frontier			
Hainan Airlines	767	Bank of China	Shenzhen
Korean Air Lines			
Mahan Air	2xA340		
Sale	8xA320,	NordLB, Lloyds	
	2xA321	TSB, Dekabank,	
	Standard Chartered		

Source: Airfinance Journal

Load-Date: February 1, 2005

Share benefits;
Pan-European leisure travel groups are increasingly looking for ways to share aircraft, flightcrew and buying power across their airline subsidiaries

Flight International

April 29, 2003

Section: Features; Cover Story; Pg. 30

Length: 2499 words

Byline: Mark Pilling / London

Body

For a leisure travel group such as TUI, which has airline units in six European countries, the future looks clear if it wants to compete in the new world of low-cost airlines: merge them into one unified carrier.

It is a conclusion that other groups such as Thomas Cook, with airlines in four countries, are also coming to.

"It is the logical way to go," says Tim Mallorie, chairman of the Britannia Airways Company Council and a pilot with the TUI-owned, UK-based airline. "There could be a single European airline with a single European workforce operating under a single European governance. If the business was subject to a single air operator's certificate, all the layers of management in each airline would disappear, with a massive reduction in overheads."

Whatever the logic behind such a proposition, the reality is more complex and involves more than a paint job to create a common brand across the fleet. With one eye on the labour front, it probably does not suit these companies to move so far at present, even if they could.

However, low-cost carriers such as EasyJet and Ryanair, with their ability to open bases across Europe, have shown how start-ups can create cost-effective operations in different countries. For leisure giants MyTravel, Thomas Cook and TUI, the task is to maximise the benefit from the size and scale of their combined airline operations to match their low-cost rivals. Thomas Cook and TUI already plan to use their bulk-buying power for major re-equipment orders across their fleets (Flight International, 8-14 April).

This year, Thomas Cook has begun to form teams across its airline units -- Thomas Cook Airlines Germany (TC Germany, formerly Condor/Condor Berlin), Thomas Cook Airlines UK (TCUK, formerly JMC Airlines), SunExpress and Thomas Cook Airlines Belgium (TC Belgium) -- to find ways to leverage their combined buying power in areas such as ground handling and catering, says Ian Smith, director operations control at TCUK. There are groups examining ways to find operational advantages.

The quick wins will be taken first. For instance, one of the largest destinations for TC Germany and TCUK is Palma, Majorca, and the joint purchasing of services at this airport would produce considerable savings. One of the first group actions saw Lufthansa -- which has a 50% stake in Thomas Cook -- buy all the fuel for member carriers.

TUI appears to have made more progress. "There is a vertical model in each country where each airline exists to serve their home market and is sized accordingly," says Maurice Boyle, chief operating officer at Britannia UK. "The profit responsibility rests with the source market tour company and the airline job is to be the production unit that delivers it the lowest cost seats."

The horizontal part of the model has seen the formation of TUI Airline Management, which seeks to draw maximum efficiencies across the group in areas including the purchasing of fuel and spare parts, and in training and fleet planning. With the establishment of the Hanover-based Group Global Operations Centre in Germany last year, TUI is starting to centralise the operational control of some of its airlines.

Flight management

This centre manages the daily flights of Britannia Airways AB of Sweden, Hapag-Lloyd and NEOS of Italy. Britannia UK will transfer operations control from its London Luton base to Hapag-Lloyd's headquarters in Hanover in the third quarter.

As these companies pick off the first gains, the tougher task is to address issues with a labour dimension. But it is a task many realise they must tackle, particularly in terms of pilot productivity and their reward mechanisms. "There is a challenge going forward for traditional and charter carriers as the no-frills airlines are re-writing the rulebook," says Boyle. For instance, pilots at low-cost carriers often earn the same total amount as pilots at longer-established airlines. They "just receive a lower fixed element and a larger productivity based element," he says.

For the last few years, at TUI Group level and specifically at Britannia UK, unions and management have been forging a partnership that is moving some way towards re-writing the rulebook. According to Mallorie, Britannia UK's pilots were heavily influenced by the Southwest Airlines Pilots' Association in the USA, which shared the union's experiences and philosophies with their UK-based counterparts in the late 1990s. Although a low-cost carrier, Southwest's pilots are among the highest paid in the USA, and one of the most productive.

"We drew a lot of inspiration from them. At the time, Britannia pilots had good pay and conditions, but we realised that as the business gets harder and more competitive we would need to work harder and smarter," says Mallorie.

Fractious beginning

But the partnership with management did not start promisingly, with fractious labour relations at the end of 1990s as The Thomson Group, then owner of Britannia UK, formed a German version of Britannia and bought a Swedish tour firm that operated carrier Blue Scandinavia, renamed Britannia Airways AB. Britannia UK's pilots threatened to strike over how the pilot force at the German operation was going to be formed. At the same time, the pilot unions at the various carriers banded together to form what has since become the TUI Pilots Group to enable them to present a co-ordinated face to the company.

"It turned out to be a turning point in our working relationship," says Mallorie. "We agreed on how to proceed in setting up the German airline. It put pressure on the company to reconsider trade unions." In 1999, pilot union representatives from the German, Swedish and UK airlines and management conferred to discuss how they should work together. The result was a group production committee, an extension of a concept already used by Britannia AB. This committee goes into intricate detail on how pilots can be moved around the various elements of the group, covering areas such as pilot rosters, hotel accommodation, transport and so on.

"Pilots and aircraft are the most expensive assets in the business, so it is crucial for the business to make the best use of them," says Boyle. "It is easy to move aircraft around, so while each business sizes its fleet to meet the needs of its own national market, there are times and opportunities when it is useful to do so." Moving people around is another issue. Pilots, like most people, prefer to live and work in one place. "However, there are opportunities for short-term deployments, and having these arrangements to move pilots in limited numbers has proved beneficial," says Boyle.

Rule compliance

The first opportunity came when the Swedish operation was short of crews to fly its Boeing 757s on some long-haul routes, and needed UK pilots to fly from Sweden, using Swedish-registered aircraft. The complexity of what on the face of things appears relatively straightforward is shown by the need to deal with four different sets of rules to make it work: UK and Swedish flighttime limitations, and Swedish and UK pilot union rules. A filter was applied to settle on a formula that mets all the rules and satisfied civil aviation authority requirements.

The experience gained was useful when the Next Generation 737 was being introduced to the group, with two aircraft for the UK and five for Sweden. "The 737NG was effectively treated as one fleet across both carriers," says Mallorie, with an agreement reached to allow pilots from each carrier to fly in either country on this type. This was particularly beneficial during the pilot training phase. It aided the smooth introduction of the aircraft and avoided the need to hire expensive temporary pilots.

The process has continued. There was not enough work for Britannia AB's two 767-300ERs from Sweden, so the aircraft were transferred to the UK register and now work for Britannia UK. However, from TUI's winter 2002-3 season, one of the 767s has been operating with its original carrier from Stockholm to Phuket in Thailand. "This created another unprecedented situation, with a UK-registered aircraft being flown from Scandinavia, mostly by Scandinavian-employed pilots," says Mallorie. The UK Civil Aviation Authority required some UK pilots to operate on these flights for a degree of regulatory oversight.

Of the 10 joint operations conducted across the TUI Group, most have been between the Scandinavian and UK carriers. But some German pilots have flown for Britannia AB on routes from Malmo in Sweden, while the bankruptcy of Air Lib in France in February has brought Corsair -- the airline arm of TUI's French tour subsidiary Nouvelles Frontiers -- into the frame.

French gap

Air Lib's failure meant Nouvelles Frontiers had extra work for Corsair, but did not have the capacity. "By coincidence, the UK business has spare aircraft that can fill the gap, enabling us to keep the work inside the group," says Mallorie. Accordingly, one Britannia UK 767-300ER, crewed by UK pilots with Corsair cabin crew, is operating to the French Caribbean until September.

To date, the other carriers in which TUI has a stake, NEOS and Poland's White Eagle Aviation, have not been included in any joint operations. "We have no formal contact with them, primarily because they are non-unionised," says Mallorie. In addition, in March, TUI suspended the passenger operations of White Eagle, citing a lack of demand in the Polish charter market.

Although the number of joint operations is still relatively small, Mallorie believes they are important. "All these activities are in essence at the margins of the main business, but I argue that the margins are where the profits and losses are to be made. Being smart at the margins may be enough to tip the balance," he says.

According to Boyle: "Anything you can do to improve pilot and aircraft utilisation has got to be a good thing. But it is a short-term tactical benefit that evens out the peaks and troughs in flight programmes. It buys limited flexibility at very little cost." While these operations require detailed planning and are time-consuming to organise, they do "deliver benefits in utilisation across borders which we would not otherwise have achieved", he adds.

The process has also enabled both sides to develop a pan-European level of industrial relations experience and harmony few others have achieved. But, says Boyle: "A company pan-European pilot workforce is not on our radar scope. We have been able to achieve limited flexibility -- the key is not paying for total flexibility." For their part, the unions see possible advantages in moving towards a more unified workforce, enabling them to harmonise terms and conditions across the group.

Few have attempted to follow TUI's lead in the area, often daunted by the array of rules and regulations between different carriers and in different countries. TCUK's Smith notes that there are similar complexities relating to issues of aircraft standardisation and operation across the Thomas Cook group. For instance, TC Germany and TCUK operate 757-200s and -300s, but a basic stumbling block for joint operations is the different seating capacities each carrier adopts for their local markets. TCUK operates its 757s with 235 seats, while TC Germany configures its aircraft for 217-226 seats. "This makes it difficult to align operations," he says. Other areas that are part of the standardisation exercise are seat pitch, cabin crew working practices, and a variety of technical issues, including standard operating procedures, manuals and training.

Thomas Cook did, however, accidentally make its debut in joint operations in 2001 when Brussels-based CityBird entered bankruptcy protection in mid-2001. This charter carrier was contracted to fly Thomas Cook's leisure programme from Belgium. Thomas Cook considered buying CityBird, but chose instead to launch its own carrier, TC Belgium, starting in March 2002 with five Airbus A320s from JMC, which was looking to shed this aircraft type. Before the start of the new Belgian operation and the aircraft moving to the Belgian register, the A320s flew from Brussels with TCUK pilots.

Thomas Cook and TUI are working towards fleet planning across their airlines to obtain these benefits. "We will harmonise on aircraft types and standard operating procedures so that if the need exists for limited cross-border seasonal operations, we can exploit them," says Boyle. TUI, for example, is studying a group purchase of both narrowbody and widebodies to standardise on two basic aircraft families, replacing the 14 aircraft and 11 engine models in operation.

Fleet reviews

Thomas Cook is also in the early stages of evaluating its group aircraft requirements, while MyTravel Airways is midway into a fleet-renewal programme planned across its Scandinavian and UK airline operations. It is acquiring eight A320s and 13 A321s to replace aircraft with leases expiring this year and next. All will be branded as MyTravel Airways, completing the full transition from the former UK-based Airtours International and Scandinavian division Premiair brands announced in late 2001.

Although loss-making MyTravel Group declared in March that it is seeking to increase the utilisation of its aircraft as part of its turnaround strategy, it is too early to say to what extent this will feature cross-border operations in the TUI mould. However, the group's centralised aircraft purchasing strategy, which brings in benefits such as common cockpits and engine types, at least positions it for the possibility.

MyTravel's main example of inter-group co-ordination is the formation of its low-cost arm. The UK airline division of the group transferred two A320s to MyTravelLite for its start-up from Birmingham in October 2002. Flight and cabin crew are seconded from the mainline carrier. Two more A320s joined the no-frills operation from the mainline airlines for the 2003 summer season as the route network expands.

Charter fleets April 2003

Mark Pilling

MyTravel Group

Airline divisions: MyTravel Airways UK & Scandinavia; MyTravelLite

Fleet: 54 aircraft

24 x Airbus A320, 8 x A321, 4 x A330-200, 4 x A330-300, 4 x McDonnell Douglas DC-10, 7 x Boeing 757-200, 3 x 767-300ER

Thomas Cook AG

Airline divisions: Thomas Cook Airlines Belgium, Germany and UK; Sun Express (Turkey -- 40% shareholding)

Fleet: 87 aircraft

23 x Airbus A320, 2 x A330-200, 8 x Boeing 737-800, 30 x 757-200, 15 x 757-300,9 x 767-300ER

TUI Group

Airline divisions: Britannia Airways UK and Sweden; Corsair (France); Hapag-Lloyd/Hapag Lloyd Express (Germany); Neos (Italy) and White Eagle Aviation (Poland)

Fleet: 95 aircraft

6 x Airbus A310-200/300, 2 x A330-200, 4 x Boeing 737-400, 8 x 737-700, 38 x 737-800, 5 x 747-300, 1 x 747SP, 19 x 757-200, 12 x 767-300ER. On order: 1 x Boeing 737-800

Source: Airlines/Airclaims CASE database (excludes turboprops)

Load-Date: May 6, 2003

Ryanair wins nod for Buzz takeover NEWS DIGEST

Financial Times (London,England)

April 29, 2003 Tuesday

London Edition 2

Section: COMPANIES UK; Pg. 25

Length: 149 words

Byline: By KEVIN DONE

Body

The UK Civil Aviation Authority has approved the takeover by Ryanair, the Irish low cost airline, of the heavily loss-making operations of Buzz, the former no-frills subsidiary of KLM of the Netherlands based at Stansted airport. The Buzz operation has been grounded during April, but Ryanair said last night that the restructured business would resume flying as planned from May 1.

Ryanair has only taken on around 130 of the previously 600-strong Buzz workforce.

The Irish group's newly formed UK subsidiary Buzz Stansted Ltd will act as a "subservice" flying directly for Ryanair and under the Ryanair brand on about 10 routes.

The takeover allows Ryanair, which is already the biggest operator at Stansted, to increase its share of take-off and landing slots at the airport from 33 per cent to 49.5 per cent this summer. The deal is still to be approved by the UK Office of Fair Trading. Kevin Done

Load-Date: April 28, 2003

Low-costers vow to beat EU move

Flight International

April 22, 2003

Section: News; Air Transport; Pg. 12

Length: 292 words

Byline: Justin Wastnage / Brussels

Body

No-frills airlines are confident of achieving a last-minute alteration to the European Commission's denied boarding compensation proposals ahead of a European Parliament vote this week. Ryanair is leading other members of the newly formed Low Cost Group lobbying body to ensure that compensation claims are only valid when denied boarding is the fault of the airline.

Jim Callaghan, Ryanair's head of regulatory affairs, says the proposal, which has been approved by transport ministers, has now gone too far to be rejected, but that the wording can be "clarified further" in no-frills carriers' favour. Callaghan admits that, for most of its existence, Ryanair saw the EC as a "repository for complaints about network carriers' abuse of competition law" and that it has suffered from not taking an interest in regulation until the last minute. In December, the Irish carrier joined EasyJet and several other no-frills airlines to present a united front in Brussels.

The Low Cost Group is now seeking changes to the text to make third-party delays exempt. The current proposal rules out air traffic control delays and natural disasters, but is vague in the area of ground workers' disputes, local infrastructure failures and meteorological constraints, says Callaghan. The proposal sets a minimum level of 250 ($270) in passenger compensation for cancelled, overbooked or seriously delayed flights.

Peter Faross, head of the economic regulation unit of the EC's transport and energy directorate-general says the level of impact on low-cost carriers was not very well assessed during the preliminary stages and that he expects parliament to make compensation conditions "more coherent" before measures come into force later this year.

Load-Date: April 29, 2003

Regulation Justin Wastnage / Brussels Low-costers vow to beat EU move.

Flight International

April 22, 2003

Section: Pg. 12; ISSN: 0015-3710

Length: 304 words

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Load-Date: January 31, 2005

Briefing

Flight International

April 15, 2003

Section: News; Headlines; Pg. 05

Length: 673 words

Byline: Staff

Body

EADS forms new division

Staff

EADS is creating a new Defence and Security division by merging its Defence and Civil Systems and Military Aircraft businesses. The division will have revenues of 5 billion ($5.3 billion) and employ 24,000 people in nine countries. EADS co-chief executive Philippe Camus and Rainer Hertirch say defence is a "core strategic priority" and full integration of its defence units will "move us substantially towards this goal".

Boeing to take $1.2bn charge

Staff

Boeing's first quarter results, due out next week, could see the company drop into the red as it takes a $1.2 billion charge against its pre-tax profits. Of that, $931 million represents a fall in the value of companies bought by Boeing in the commercial aircraft and space sectors since 1996, Boeing says. Acquisitions included Hughes Electronics, McDonnell Douglas and Rockwell International. The rest of the charge will go mainly to the Boeing Capital leasing operation, to reinforce its balance sheet as commercial aircraft values continue to fall and the risk of customer bankruptcy grows.

Buzz takeover complete, but not yet cleared

Staff

Briefing

Ryanair says it has completed the takeover of the KLM low-cost subsidiary Buzz -- but the deal has still to be cleared by UK regulators. The no-frills carrier will take Buzz's six Boeing 737-300s and four of its six BAe 146s and will operate 12 of Buzz's 24 routes at increased frequencies. The four 146s will be returned to KLM next year. Ryanair now says that only 130 Buzz staff will stay with the airline. Ryanair had earlier blamed the Office of Fair Trading (OFT) for delaying the merger, originally due to be completed on 1 April. But the OFT says Ryanair did not notify it of the merger in advance, and a decision will now be impossible before 30 April --the day before the merger goes ahead. Advance notification would have put the merger through far faster, the OFT says, but would have been more expensive for Ryanair.

Success for Ariane 5

Staff

Arianespace successfully launched India's Insat 3A and PanAmSat's Galaxy 12 communications satellites last week using an Ariane 5G, restoring some of the confidence lost when the enhanced Ariane 5 ECA failed on its maiden flight in December. The Indian Space Research Organisation, which built Insat 3A, plans to launch Insat 4A next year and Insat 4B in 2005, again using Ariane 5s. Galaxy 12 was built by Orbital Sciences. A test launch of the Ariane 5 ECA with a dummy payload is expected early next year.

A340-500/600s beat 777s in Thailand

Staff

Thai Airways International's board has endorsed a plan to order eight long-range Airbus A340-500/600s. Directors last week approved the A340 selection over the competing Boeing 777-200LR/300ER. A definitive order requires the Thai cabinet approval, but if this comes soon deliveries may begin next year. Thai wants the A340-500s and -600s for its Chinese, European, Indian and US routes, on which it plans to replace its Boeing 747-400s. The 747s will be transferred to shorter routes in Asia. The proposed A340-500/600 order is in addition to Thai's plans to acquire seven used 747-400s from Star Alliance partner United Airlines.

Colombia abandons Mirage offer

Staff

Colombia's defence minister Martha Lucia Ramirez has confirmed the Colombian air force will not receive eight Dassault Mirage F1EDA/DDA fighters offered by Spain in late February as part of a military assistance package. Ramirez says "the sad mishandling, in Colombia, of this subject led to Spain's retraction of selling us these fighters". Spain's proposed sale of the Mirages at $1 million each met opposition in Colombia, not least from the air force chief-of-staff Gen Hector Fabio Velasco, who argued the aircraft would be too expensive to operate and maintain. Velasco is a staunch supporter of a light strike turboprop-powered aircraft acquisition to meet the air force's need to replace Cessna A-37Bs and Rockwell OV-10A/Ds.

Load-Date: April 22, 2003

Orders fall as Boeing output wanes

Flight International

April 15, 2003

Section: News; Air Transport; Pg. 12

Length: 387 words

Byline: Staff

Body

Boeing has borne the brunt of production cuts as its combined output with Airbus fell 25% in the first quarter compared with a year ago.

The US manufacturer's deliveries fell by a third to 71 aircraft, compared with the same period in 2002. Airbus delivered 65 aircraft, just seven fewer than the same period last year, and edged closer to its ambition of producing half the world's mainline airliners. Airbus should achieve this in 2003 with the production of 300 aircraft, compared to Boeing's expected level of around 280. However, the European manufacturer warns it will be unable to confirm this year's output until at least next month.

Orders have also tumbled compared to last year, but this is primarily because last year's figures were skewed by the 100-aircraft 737-800 order placed by Ryanair in early 2002. In total, the two rivals accumulated 74 gross orders, better than some feared given the poor trading conditions.

Airbus was victorious in gross terms, but total net sales (adjusted for cancellations and modifications) were split evenly between the two. Ryanair again made a major contribution to the Boeing tally, ordering 22 737s. Airbus's biggest order was China Airlines' 12 A330s. It has not yet firmed up Malaysia Airlines' January A380 commitment.

Both manufacturers suffered cancellations, with Airbus losing six orders and Boeing two. In the Airbus cancellations were the two A340-600s on order for EgyptAir, which were dropped as part of the airline's deal for seven A330s.

Airbus and Boeing Q1 2003

	Gross Orders	Net Orders	Deliveries
Airbus			
A300	6	6	3
A310	0	0	0

A318	0	0	0
A319	7	19	15
A320	9	3	31
A321	0	-8	8
A330	20	20	7
A340	0	-4	1
A380	0	0	0
Total	42	36	65
Boeing			
717	0	0	3
737	31	35	41
747	1	1	6
757	0	-1	5
767	0	0	9
777	0	-1	7
Total	32	34	71
Grand total	74	70	136

Load-Date: April 22, 2003

Production Orders fall as Boeing output wanes.

Flight International

April 15, 2003

Section: Pg. 12; ISSN: 0015-3710

Length: 302 words

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Airbus and Boeing q1 2003

GrossNet

OrdersOrdersDeliveries

Airbus

A300663

Production Orders fall as Boeing output wanes.

A310000

A318000

A31971915

A3209331

A3210-88

A33020207

A3400-41

A380000

Total423665

Boeing

717003

737313541

747116

7570-15

767009

7770-17

Total323471

Grand total7470136245

Load-Date: January 31, 2005

End of Document

Air Berlin to double fleet in bid for low-fare supremacy ; German carrier starts negotiations with Airbus and Boeing about expansion ambitions

Flight International

April 08, 2003

Section: News; Air Transport; Pg. 17

Length: 250 words

Byline: Justin Wastnage / Berlin

Body

Air Berlin is holding initial discussions to double its fleet over the next five years as it aims to maintain its position as one of Germany's largest low-fare carriers. The German charter airline has added 15 aircraft since the launch of its City Shuttle services last October and says it wants to add a further 50 narrowbodies by 2007.

Carsten Kr ger, Air Berlin's sales director, says the growth potential of City Shuttle, which carried 800,000 passengers in its first six months, has led to the airline assessing its future requirements. The carrier is taking delivery of the final two Boeing 737-800s it has on order this month, increasing its -800 fleet to 31 aircraft. It also operates five 737-400s and two 737-700s.

Despite its all-Boeing fleet, Air Berlin is not tied to the US manufacturer, says Kr ger. "We have started talks with both Airbus and Boeing concerning an order for around 50 aircraft," he says. Economic woes in Germany are making banks nervous of aircraft acquisition loans, so "either manufacturer could win if it comes up with good financing", he adds.

Air Berlin City Shuttle is now locked into a race for market share in Germany, which has seen the launch of several new low-fare airlines, including Germania, German- wings and Hapag-Lloyd Express, while Ryanair is also establishing itself in the market. Air Berlin plans to counter the single-hub operations of its competitors by offering limited destinations from as many regional airports as possible.

Load-Date: April 15, 2003

Air Berlin to double fleet in bid for low-fare supremacy ;German carrier starts negotiations with Airbus and Boeing about expansion ambitions

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End of Document

Briefing

Flight International

April 08, 2003

Section: News; Headlines; Pg. 7

Length: 656 words

Byline: Staff

Body

OMF unveils four-seat Symphony

Staff

OMF Aircraft has begun work on the first prototype of a four-seat variant of its OMF-160 Symphony two-seat trainer. OMF unveiled the Symphony 4 at last week's Experimental Aircraft Association Sun 'n' Fun air show. The new aircraft's fibreglass fuselage will be stretched by 1m (3ft 4in) to around 8m and the span of its aluminium wing will increase by 0.6m to 11.3m. OMF plans to announce the supplier of the aircraft's 175kW (235hp) engine later this year.

Thumbs up for Air France partial sell-off

Staff

The French parliament has approved the privatisation plans for Air France, allowing the state to cut its shareholding from 54.5% to under 20% as soon as market conditions improve. Transport minister Gilles de Robien says: "The government does not intend to sell off the taxpayers' interests at a ridiculously low price and this operation will only take place when market conditions are conducive to do so." The share price of the airline is around 8.50 ($9) and has gone up slightly since the outbreak of hostilities in Iraq. However, it has a long way to go before reaching the 14 a share it was worth when the government sold its first tranche of shares in February 1999.

Daniels leaves Enstrom

Staff

Enstrom Helicopter and Steve Daniels, the widely respected industry executive brought into revive the struggling Missouri-based rotorcraft manufacturer, have parted ways after less than 10 months amid talk of an irreconcilable breakdown of trust between the new management and the company's private owner over financial backing. Daniels has left his position as president, along with vice-president Frank Gallagher. He is replaced on an interim basis by former Kaman colleague and Enstrom consultant Pete Parsinen.

Boeing reports first quarter numbers

Staff

Boeing delivered 71 airliners during the first quarter of the year, but managed to accrue only 34 orders (net of cancellations) in the same period. The 737 made up the bulk of orders and deliveries, with 35 net orders and 41 deliveries. The only other order was for a 747-400 Freighter from Cargolux. Meanwhile, the 757 and 777 suffered a single cancellation each and there was no activity on the 717 and 767 orderbooks. The company also delivered three 717s, six 747s, five 757s, nine 767s and seven 777s. The largest order of the period was Ryanair's January deal for 22 737-800s.

Alitalia seeks further restructuring

Staff

Alitalia's 2002 results show no significant signs of a recovery, leading the management to plan further restructuring. The Italian airline's net profit was 93.1 million ($98.1 million), while sales fell 9% to 4.8 billion. The 2003 forecasts are not encouraging, given the predicted negative impact of the Iraq war. Alitalia plans further cost cuts, possibly including firing staff and reducing board member numbers. Alitalia president Fausto Cereti says in the near term the airline plans to extend its partnership with Air France beyond codesharing on Italy-France routes. By mid-2004, the carriers expect to fly codeshares from France and Italy to Germany, and on intercontinental routes.

HAI warns on New York GA ban

Staff

Helicopter Association International (HAI) president Roy Resavage has told members of US Congress that a recommendation by Congressman Steve Rothman to ban all helicopter and general aviation traffic from the airspace 24km (15 miles) around New York City would have a "severe financial impact" on business and corporate operators. He says: "Helicopters are not recreational vehicles used by weekend pilots. They typically are commercial business operators or corporate operators of Fortune 500 companies". Resavage says helicopters are not a threat to New York City. "They require a significant amount of training to be flown and they are kept in secure locations due to their high cost."

Load-Date: April 15, 2003

Briefing.

Flight International

April 8, 2003

Business and Industry

Section: Pg. 7; ISSN: 0015-3710

Length: 661 words

Body

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DEVELOPMENT OMF Aircraft has begun work on the first prototype of a four-seat variant of its OMF-160 Symphony two-seat trainer. OMF unveiled the Symphony 4 at last week's Experimental Aircraft Association Sun 'n' Fun air show. The new aircraft's fibreglass fuselage will be stretched by 1m (3ft 4in) to around 8m and the span of its aluminium wing will increase by 0.6m to 11.3m. OMF plans to announce the supplier of the aircraft's 175kW (235hp) engine later this year.

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Load-Date: January 31, 2005

in brief.

Flight International

April 1, 2003

Business and Industry

Section: Pg. 15; ISSN: 0015-3710

Length: 326 words
Highlight: air transportation briefs

Body

GE for HONG KONG

Air Hong Kong has selected the General Electric CF6-80C2 engine to power its future fleet of Airbus A300-600 freighters over the rival Pratt & Whitney offering. The Cathay Pacific Airways subsidiary firmed up a deal with Airbus in March for six A300-600Fs, with options on four more. Deliveries will begin in the second half of 2004.

CHARleROIboost

Belgium's regional government for the French-speaking Wallonia area has announced a g100 million ($107 million) expansion programme for Brussels South Charleroi Airport. Ryanair created a base at the airport in 2001, resulting in passenger numbers increasing eightfold to 1.8 million. Work will be finished in 2005 and will include a new 25,000m2 (270,000ft2) terminal building which will double capacity to 3 million passengers.

y-8 variant to fly

China's Shaanxi Aircraft expects its Y-8F600 civil freighter to make its first flight this year and enter service in early 2006. Late last year the Pratt & Whitney Canada PW150B turboprop was formally selected to power the new Y-8 variant. Smiths Aerospace unit Dowty Propellers has been awarded a contract to provide a six-bladed, all-composite propeller system with a 4m (13.5ft) diameter. Dowty expects more than 120 aircraft will be delivered in the 20 years after certification.

Connexion a hit

British Airways says it has received "very positive feedback" during its operational trial of Connexion by Boeing onboard passenger internet access on a Boeing 747-400 operating between London and New York. During the first 34 flights, 80 people used the service, most on the westbound route. BA says that of 36 respondents to its online survey, 54% were "very" satisfied with the service, while 42% were "fairly"satisfied. A total of 39% of respondents would be willing to pay $25 or more for the service and 78% would use it again, the airline says.

in brief.

Load-Date: January 31, 2005

Ryanair in law suit threat. (Regulatory News).

Airfinance Journal

April 2003

Section: Pg. 21; ISSN: 0143-2257

Length: 217 words
Highlight: Ryanair sued by UK Disabled Rights Commission

Body

Ryanair may be sued by the UK Disabled Rights Commission for its alleged treatment of disabled passengers.

The commission is planning a class-action case against the airline and the British Airports Authority for passengers who have been charged for the use of a wheelchair.

"It is outrageous that Ryanair are forcing disabled people to pay for something so vital," says Bert Massie, chairman of the commission.

A spokesman for Ryanair denies the claim and says that the airline has never charged anyone for a wheelchair.

Load-Date: January 31, 2005

In Brief

Flight International

April 01, 2003

Section: News; Air Transport; Pg. 15

Length: 325 words

Byline: Staff

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Load-Date: April 8, 2003

Ryanair's acquisition of buzz, KLM's low-cost subsidiary, was put on hold at the beginning of April.

Airfinance Journal

April 2003

Section: Pg. 7; ISSN: 0143-2257

Length: 162 words

Body

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Load-Date: January 31, 2005

Briefing

Flight International
March 18, 2003

Section: News; Headlines; Pg. 5

Length: 631 words

Byline: Staff

Body

JetBlue cements training deal

Staff

JetBlue has signed a three-year, C$28 million ($19 million) training deal with Airbus and CAE. Under the deal, CAE will supply three flight-training devices -- replica cockpit simulators without simulated vision or movement --for initial training of JetBlue's Airbus A320 pilots. The pilots will then move to A320 full flight simulators operated by Airbus in Miami.

RASCAL gets approval from DARPA

Staff

Space Launch has been selected to proceed with the design of the US Defense Advanced Projects Agency's (DARPA) responsive access small cargo affordable launch (RASCAL) system. RASCAL is intended to air-launch a 75kg (165lb) satellite into a 500km (270nm) sun-synchronous orbit with a cost per launch of $75,000 and a 24h turnaround time. Following 18 months of risk-reduction work, DARPA will decide whether to proceed with two flight demonstrations in 2006.

American Airlines rejects union demands

Staff

American Airlines continues to negotiate with its labour groups, seeking $1.8 billion in concessions, amid growing speculation that it is close to filing for Chapter 11 bankruptcy protection. The Oneworld alliance member admits it is haemorrhaging $5 million a day and says "time is of the essence" to reach giveback deals with its unions. The Transport Workers Union, which represents American's mechanics and other ground workers, says the carrier's proposals amount to "laundry lists" of requests that go beyond what is required for the carrier to avoid bankruptcy.

Now set to rival low-cost leaders

Staff

The latest UK start-up low-cost airline plans to take on industry leaders EasyJet and Ryanair in the increasingly crowded Western European market. Scheduled to launch by the end of June, Now will operate two Boeing 737-300s on routes from London Luton to Hamburg, Ibiza, Jersey, Lisbon, Manchester, Rome and Tenerife. The airline plans to add a third -300 before switching to an all-737-700 fleet.

US Congress may speed up Deepwater

Staff

The US Coast Guard has validated the Integrated Coast Guard Systems (ICGS) selection of the EADS Casa CN235, but has dropped plans to order the Extended Range (ER) version in favour of the -300M version. Meanwhile, the USCG, in response to a US Congress request, has submitted a report looking at the cost of accelerating the entire Deepwater programme by 10 years. Late last week the USCG commandant was understood to have signed off the CN235-300M selection to fulfil the fixed-wing maritime patrol (MPA) element of the Deepwater programme.

France's Dassault and Thales profit in 2002

Staff

Dassault Aviation expects 2003 revenues to be down on those of 2002 "taking into account the current climate", but despite the unstable economic situation last year the company's net profit in 2002 rose to 312 million from 274 million in 2001. Turnover was almost stable at 3.44 billion from 3.47 billion the previous year. Dassault's profits came largely from its Falcon business jet division which recorded a turnover in 2002 of 2.23 billion, a slight drop from the 2.65 billion recorded in 2001. Thales saw an 8.2% increase in revenues for 2002 to g11.1 billion, largely due to gains in its defence business.

LOT chief executive steps down

Staff

Jan Litwinski, chief executive of LOT Polish Airlines, has resigned in face of allegations that he and other board members took "extra salaries" from former Qualiflyer partner Swissair, say reports in the Polish media. Parent SAir Group owned a 25% stake in LOT before its collapse in 2001. Litwinski will be replaced by Marel Grabarek, of the Polish finance ministry, which owns 68% of the airline. LOT denies the accusations.

Load-Date: March 25, 2003

Briefing.

Flight International

March 18, 2003

Section: Pg. 5; ISSN: 0015-3710

Length: 630 words
Highlight: news from the aerospace industry

Body

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Load-Date: January 31, 2005

Alliances Pino Modola / Genoa Alitalia dumps Volare for Meridiana.

Flight International

March 11, 2003

Section: Pg. 14; ISSN: 0015-3710

Length: 195 words
Highlight: Volare Group, Merdiana Alitalia partnership plans

Body

In a surprise move, Alitalia has abandoned plans to form an alliance with Volare Group in favour of a possible partnership with Sardinian carrier Meridiana.

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Talks will be aimed specifically at the establishment of a domestic low-cost operation to counter increasing competition from foreign carriers such as Germanwings and Ryanair.

Many observers saw a link with leisure group Volare as the best fit because the company's structure gave it a significantly lower cost base than that of Alitalia. Meridiana is more conventionally structured, and headed by former general director of Alitalia and Air One founder Gianni Sebastiani.

According to Volare sources, Alitalia dropped Volare after strong opposition from its powerful pilot union Anpac, which feared the airline would revamp its labour agreements after evaluating the higher efficiency of Volare operations.Copyright 2003 Reed Business Information LimitedCopyright 2003 Reed Business Information Limited158

Load-Date: January 31, 2005

Alitalia dumps Volare for Meridiana

Flight International

March 11, 2003

Section: News; Air Transport; Pg. 14

Length: 182 words

Byline: Pino Modola / Genoa

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Load-Date: March 18, 2003

New for old?; Over-capacity in a market where older systems are not being phased out is hurting simulator sales. But there is better news on the horizon

Flight International

March 04, 2003

Section: Features; Civil simulators; Pg. 29

Length: 1415 words

Byline: Karen Walker / Washington DC

Body

Old aircraft never die, they simply get parked. Old simulators, unfortunately, are not even parked. The sad truth is that there are too many simulators in the field for today's depressed market needs and the training industry is hurting as a result.

Over-capacity is one of several challenges that stared the commercial airline training industry hard in the face during 2002 and will be no less harsh this year. It hurt new full-flight simulator (FFS) sales -- there were just 16 commercial airline FFSs sold in the worldwide commercial market, compared with the previous year's 23 and 2001's 38 -- and training providers saw increasing pressure on simulator hourly prices in what has become a fiercely competitive market.

The consensus is that the 2003 global market for new, external FFSs is estimated at between 10 and 14, ensuring the resulting competitions will be no less bloody and manufacturers can expect to be further squeezed to deliver top-notch products at bottom-line prices.

In all the gloom, however, there can be found reasons for optimism. First, some training equipment manufacturers and training providers are being buoyed by growing demand for their military products and services even as the commercial side runs flat, providing a cushion to help them ride out the airline slump.

Bright spots

Second, there are bright spots within the commercial training sector. Seven of 2002's 16 "open" FFS sales were to airlines in the Asia-Pacific region, where carriers are still expanding their fleets and are hungry for new training centres. Another growth market is the low-cost airline sector, accounting for another three of last year's FFS sales with two Boeing 737-800s for Ireland's Ryanair and a 737-800 for Canada's WestJet. Virgin Blue of Australia, meanwhile, is the launch customer for FlightSafetyBoeing's (FSB) new training centre under construction in Brisbane.

There also is good news to be found in the upgrades market, especially in updating older simulators and training devices with current technology visual systems so that they stay in line with new regulatory standards. For visual systems providers, in particular, upgrade business across commercial simulators worldwide may be the saving grace that at least helps hold revenues steady during these turbulent times. Evans & Sutherland (E&S) general manager of commercial simulation Richard Flitton says: "Of the potential orders that we are looking at in 2003, around half could be upgrades."

With new US Federal Aviation Administration standards potentially around the corner that would more strictly define Level D and, in particular, mandate that airport databases of visual systems be kept up to date, the visuals upgrade market looks strong. Older simulators are also being updated as manufacturers come up with new computer and maintenance packages that make FFSs more cost-efficient. Thales Training & Simulation (TTS) estimates around 10-20% of its revenue in 2003 could come from simulator upgrade business.

Opportunities for all

Finally, Airbus is expected soon to issue its request for proposals for the first A380 FFS and the whole new market for A380 training equipment will start to open up over the next 12 months as A380 airline customers enter FFS contract talks. TTS general manager, aircraft and simulator business line, Jeremy Standen believes there will be opportunities for all the major players. "There will be an advantage to whoever gets the first Airbus simulator, but I am sure there will be more than one solution in the market," he says.

Canadian manufacturer CAE dominated the new simulator business in 2002, securing 10 of the 16 competed FFS deals for a market share of around 60%. TTS accounts for the remaining 40% share with six FFS sales -- one Boeing 777 FFS each to Air France, KLM, EgyptAir and Singapore Airlines, and two 737 FFSs to an undisclosed customer.

CAE led the field in visual system orders for those new FFSs, claiming a 67% share of the market against the 33% of E&S. TTS, however, which allies with E&S in bids for competed FFS contracts, puts the visuals market share for 2002 at 53% for CAE versus 47% for E&S. Despite the emergence of off-the-rack, PC-based visual offerings from independent manufacturers, airlines are still turning to CAE or E&S for their top-of-the-line, Level D visual systems. There is little to no evidence of the visual system independents making inroads at this level, although they are seeing success in applications such as basic flight trainers, air traffic control trainers and other task trainers -- themselves growth markets for CAE's and E&S's new PC-based visuals.

The industry saw a dramatic reduction in the number of regional jet simulators ordered in 2002, resulting in a direct knock-on effect on the simulator market that was exacerbated by the collapse of Fairchild Dornier and the ending of the BAE Avro RJ production line. Two Fairchild Dornier 728 FFSs ordered by Lufthansa from CAE were subsequently cancelled, leaving 2002's net tally for competed regional jet FFSs at just one -- an Embraer 170 ordered by GECAT from CAE. The overall regional jet training market remains a growth sector, but is mostly provided for by training centres and does not appear to be prompting much activity in the open FFS market. CAE, for instance, announced plans last year for a training centre in Arizona that will focus on regional jet training and anchor customer Mesa Air Group, a US regional. CAE also will be adding a Bombardier CRJ FFS at its new Denver, Colorado, training centre.

Frenetic training centre activity last year was both a blessing and a curse to the industry. CAE, for instance, has watched the market for new FFSs decline, but has compensated for the lost revenues with a dramatic increase in its civil flight training ventures. Last year it expanded its worldwide training centre simulator fleet to 75 and saw almost half of its civil unit revenues come from this source. The Canadian company also secured a co-operation deal with Airbus to develop a global network of centres offering Airbus flight crew training.

Similarly, FSB and GECAT were busy in the training centre markets, especially in the Asia-Pacific region. Although China has become a focus for all training providers, FSB also extended its reach to Australia. Initially, says FSB, its new joint training centre in Brisbane will house one Boeing 737-700/800 FFS for Virgin Blue training. But there are discussions about what to put in the other five simulator bays, with a Boeing 717 and a 737 Classic being considered.

The glut of flight-training centres -- on top of centres owned by airlines in dire financial straits -- is, however, pressuring simulator hourly fees and, inevitably, some simulators sit idle. CAE admits it has seen simulator capacity use running at around just 60%, short of its 65% target.

FSB, which in April will be renamed Alteon to mark its transition to a stand-alone company after Boeing last year ended its joint venture with FlightSafety International, is also feeling the pressure. "There is a lot of over-capacity in the industry," says FSB president Pat Gaines. "It's not just from the third-party provider, but also from the airlines themselves. Aircraft went out of service, but simulators did not, so it's very tough."

FSB worked through a lot of consolidation in 2002, shifting simulators to centres where it made more sense economically. Gaines says 2003's focus will be delivering full services. "It's not just about the simulators. It's our full services that are helping with a lot of our customer issues. You must never sacrifice quality or standards. We want to be the premier global provider," he says.

Broad offerings

Gaines insists Alteon's offerings will continue to include Airbus as well as Boeing training services, despite FSB's Boeing ownership and CAE's new link with Airbus.

Some are hopeful that 2003 may prove to be the bottom of the trough; others are less certain or willing to predict the upturn. Says Gaines: "It's a very tenuous world right now. Our real goal in 2003 is to ensure that we keep in sight that the aviation industry will recover." TTS's Standen believes 2003 "will be the low point" and that a full recovery will be in place by 2007. "It will be a tough market this year, as tough as 2003. But we are battling down and are well prepared as you can be in a disappointing market," he says.

census follows on p32-49

Load-Date: March 11, 2003

Briefing

Flight International
March 04, 2003

Section: News; Headlines; Pg. 5

Length: 639 words

Byline: Staff

Body

Fuel prices reach almost pre-Gulf War highs

Staff

Rising oil prices drove the cost of jet fuel to near-record levels last week. New York kerosene prices reached 32.7/c/litre ($1.24/USgal) last week, compared with 38.6/c/litre in October 1990, ahead of the Gulf War. Unusually low US oil stocks and the recent general strike in Venezuela have combined with war anxiety to drive crude prices to a high of $38.08 a barrel, its highest level since late 1990. Analysts believe prices will fall by around one quarter as soon as "uncertainty" over Iraq is removed.

Thai readies major 747-400 buy from United

Staff

Thai Airways International is finalising the largest ever airline-to-airline transaction for Boeing 747-400s, with plans to purchase seven aircraft from Star Alliance partner United Airlines for around $330 million. Exact pricing terms for the five- and six-year old Pratt & Whitney PW4000-powered aircraft have yet to be finalised, but Thai says it has the "right to negotiate the price down to this level". Thai's chairman Thanong Bidaya says that the deal with the US carrier, which is subject to government approval, would be considerably cheaper than acquiring brand new aircraft. United has 12 of its 44 747-400s in storage and is cutting operations as part of its restructuring under Chapter 11 bankruptcy protection. Thai is in the midst of an ambitious growth programme.

Ryanair threatens to close Buzz

Staff

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Irish low-cost carrier Ryanair has infuriated unions at KLM UK subsidiary Buzz by threatening to close the airline after it takes control of it at the end of the month. Last week Ryanair said that it would shed 400 of Buzz's 600 employees unless staff agree to new working conditions. It has already decided to ground the airline during April. Ground staff union GMB says it considering legal action. Ryanair has also disclosed its plans for reducing Buzz's fleet, with four of the latter's six BAe 146s to be returned to KLM.

Concorde suffers rudder failure

Staff

An Air France Aerospatiale/British Aerospace Concorde (F-BVFA) lost part of one of its two rudder sections on 27 February during a flight from Paris to New York. The aircraft landed "safely and on time", says the airline. Similar events have occurred to BA's relatively higher-cycle Concordes four times, and the airline says that it is believed to have started with a weakening of the bonding between the rudder's metal skin and its honeycomb core. Meanwhile, British Airways is denying speculation in the UK media that its Concorde services have been given a finite date for termination. BA says that although future Concorde operations remain under review, reductions in flightcrew numbers which prompted the retirement rumours result from its reduced schedule due to continued depressed demand.

Poland delays F-16 deal

Staff

Poland's Lockheed Martin F-16 contract signing ceremony, planned for last week, has been postponed until April. The decision has been blamed on a difference between Polish and US laws, which means the USA would view a contract as valid while Poland would not consider it active until additional contracts are in place, covering financing and industrial offset. The latter, which is a critical element of the deal, exposes differences between the two sides. Poland expects offsets of $9.5 billion while the USA believes it is only obliged to place offset worth just over $6 billion.

Dassault, Sagem cement UAV alliance

Staff

Dassault and Sagem have followed an April 2002 unmanned air vehicles (UAV) co-operation agreement by creating a 50/50-owned company Dassault Sagem Tactical UAV. The company, which exists purely as a legal entity, was created to respond to French or international calls for tender, Dassault says.

Load-Date: March 11, 2003

EasyJet and Swiss suffer as yields fall further

Flight International

March 04, 2003

Section: News; Business; Pg. 21

Length: 274 words

Byline: Staff

Body

European carriers are warning of falling yields and the need for more cutbacks as signs of economic recovery fail to materialise.

Swiss International Air Lines is blaming "a worsening economic situation" for falling load factors, and will cut 27 routes and 20 aircraft -- as well as 700 jobs.
UK low-cost carrier EasyJet is also complaining of sinking yields, admitting that its attempts to keep load factors high by cutting fares as its capacity expands have hit its bottom line.

EasyJet shares plunged after the airline revealed its average fare was 6% lower in the four months to the end of January compared with the same period a year earlier. It warns that yields are set to fall further. Swiss is complaining that many of its business travellers are shifting from premium cabins to economy class.

EasyJet's attempts to differentiate itself from Ryanair by concentrating on more business-friendly frequencies and destinations has seen it hit by fare-cutting retaliation by established airlines.

Smaller European network carriers such as Swiss face growing competition and falling yields from low-cost competitors on their regional routes. Swiss is responding by cutting 17 regional jets and 27 European routes, but without a strong regional network it risks jeopardising the viability of its long-haul operation.

Analyst Chris Avery of JP Morgan says business travellers are now faced with low-cost alternatives that did not exist five years ago and may never return to high-cost, short-haul travel.

"Without an alliance, Swiss is too large for its hub...the Zurich population does not justify 24 long-haul jets," says Avery.

Load-Date: March 11, 2003

European majors study 'third way' hybrid service; New approach would integrate low-fare point-to-point services with long-haul networks

Flight International

March 04, 2003

Section: News; Business; Pg. 21

Length: 358 words

Byline: Justin Wastnage / Brussels

Body

Several mainline European airlines are working on a "third way" business model that would enable them to connect low-fare point-to-point flights with existing long-haul networks.

Ulrich Schulte-Strathaus, secretary general of the Association of European Airlines (AEA), speaking at last week's meeting of the European Aviation Club in Brussels, said the association's 30 member airlines are studying how to combine the two concepts.

Schulte-Strathaus believes all AEA network carriers are likely to follow Aer Lingus and British Airways in introducing one-way fare structures, and that these are likely to be combined with "transparent service charges for network benefits". Separate charges for interlining and ground handling would result in lower point-to-point fares as passengers would not pay for interlining services they did not use.

How far advanced the studies are depends on the degree of penetration by low-cost carriers in their home market. Irish flag carrier Aer Lingus, which has seen its onward Oneworld alliance connections from London Heathrow Airport affected by severe competition from low-cost carriers operating from its Dublin base, has taken Ryanair as a benchmark and is likely to be the first airline to unveil plans for a hybrid service.

However, Eva-Karin Dahl, director of the Scandinavian Lite low-fares carrier project for SAS, says the new airline, which is to be launched and branded on 30 March, has no plans to offer interline connectivity with SAS mainline services. Scandinavian Lite has renegotiated its pilot and cabin crew contracts as part of wider cost savings that should ensure profitability at an average return fare of SKr2,000 ($235) compared with around SKr6,000 for SAS mainline, says Dahl.

The new carrier will operate a fleet of four of SAS's 51 Boeing Next Generation 737s. Dahl says it has no plans to link in with the business network in the near future.

"If you enter a situation where you offer network connections, then you are dependent on a whole other infrastructure, which will obviously raise costs, and to cover those costs you have to raise fare levels," she adds.

Load-Date: March 11, 2003

Briefing.

Flight International

March 4, 2003

Business and Industry

Section: Pg. 5; ISSN: 0015-3710

Length: 642 words
Highlight: aviation industry briefs

Body

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Load-Date: January 31, 2005

new for old?

Flight International
March 4, 2003

Section: Pg. 29; ISSN: 0015-3710

Length: 1442 words
Highlight: training equipment

Body

Over-capacity in a market where older systems are not being phased out is hurting simulator sales. But there is better news on the horizon

Old aircraft never die, they simply get parked. Old simulators, unfortunately, are not even parked. The sad truth is that there are too many simulators in the field for today's depressed market needs and the training industry is hurting as a result.

Over-capacity is one of several challenges that stared the commercial airline training industry hard in the face during 2002 and will be no less harsh this year. It hurt new full-flight simulator (FFS) sales - there were just 16 commercial airline FFSs sold in the worldwide commercial market, compared with the previous year's 23 and 2001's 38 - and training providers saw increasing pressure on simulator hourly prices in what has become a fiercely competitive market.

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new for old?

There also is good news to be found in the upgrades market, especially in updating older simulators and training devices with current technology visual systems so that they stay in line with new regulatory standards. For visual systems providers, in particular, upgrade business across commercial simulators worldwide may be the saving grace that at least helps hold revenues steady during these turbulent times. Evans & Sutherland (E&S) general manager of commercial simulation Richard Flitton says: "Of the potential orders that we are looking at in 2003, around half could be upgrades."

With new US Federal Aviation Administration standards potentially around the corner that would more strictly define Level D and, in particular, mandate that airport databases of visual systems be kept up to date, the visuals upgrade market looks strong. Older simulators are also being updated as manufacturers come up with new computer and maintenance packages that make FFSs more cost-efficient. Thales Training & Simulation (TTS) estimates around 10-20% of its revenue in 2003 could come from simulator upgrade business.

Opportunities for all

Finally, Airbus is expected soon to issue its request for proposals for the first A380 FFS and the whole new market for A380 training equipment will start to open up over the next 12 months as A380 airline customers enter FFS contract talks. TTS general manager, aircraft and simulator business line, Jeremy Standen believes there will be opportunities for all the major players. "There will be an advantage to whoever gets the first Airbus simulator, but I am sure there will be more than one solution in the market," he says.

Canadian manufacturer CAE dominated the new simulator business in 2002, securing 10 of the 16 competed FFS deals for a market share of around 60%. TTS accounts for the remaining 40% share with six FFS sales - one Boeing 777 FFS each to Air France, KLM, EgyptAir and Singapore Airlines, and two 737 FFSs to an undisclosed customer.

CAE led the field in visual system orders for those new FFSs, claiming a 67% share of the market against the 33% of E&S. TTS, however, which allies with E&S in bids for competed FFS contracts, puts the visuals market share for 2002 at 53% for CAE versus 47% for E&S. Despite the emergence of off-the-rack, PC-based visual offerings from independent manufacturers, airlines are still turning to CAE or E&S for their top-of-the-line, Level D visual systems. There is little to no evidence of the visual system independents making inroads at this level, although they are seeing success in applications such as basic flight trainers, air traffic control trainers and other task trainers - themselves growth markets for CAE's and E&S's new PC-based visuals.

The industry saw a dramatic reduction in the number of regional jet simulators ordered in 2002, resulting in a direct knock-on effect on the simulator market that was exacerbated by the collapse of Fairchild Dornier and the ending of the BAE Avro RJ production line. Two Fairchild Dornier 728 FFSs ordered by Lufthansa from CAE were subsequently cancelled, leaving 2002's net tally for competed regional jet FFSs at just one - an Embraer 170 ordered by GECAT from CAE. The overall regional jet training market remains a growth sector, but is mostly provided for by training centres and does not appear to be prompting much activity in the open FFS market. CAE, for instance, announced plans last year for a training centre in Arizona that will focus on regional jet training and anchor customer Mesa Air Group, a US regional. CAE also will be adding a Bombardier CRJ FFS at its new Denver, Colorado, training centre.

Frenetic training centre activity last year was both a blessing and a curse to the industry. CAE, for instance, has watched the market for new FFSs decline, but has compensated for the lost revenues with a dramatic increase in its civil flight training ventures. Last year it expanded its worldwide training centre simulator fleet to 75 and saw almost half of its civil unit revenues come from this source. The Canadian company also secured a co-operation deal with Airbus to develop a global network of centres offering Airbus flight crew training.

Similarly, FSB and GECAT were busy in the training centre markets, especially in the Asia-Pacific region. Although China has become a focus for all training providers, FSB also extended its reach to Australia. Initially, says FSB, its new joint training centre in Brisbane will house one Boeing 737-700/800 FFS for Virgin Blue training. But there are discussions about what to put in the other five simulator bays, with a Boeing 717 and a 737 Classic being considered.

The glut of flight-training centres - on top of centres owned by airlines in dire financial straits - is, however, pressuring simulator hourly fees and, inevitably, some simulators sit idle. CAE admits it has seen simulator capacity use running at around just 60%, short of its 65% target.

FSB, which in April will be renamed Alteon to mark its transition to a stand-alone company after Boeing last year ended its joint venture with FlightSafety International, is also feeling the pressure. "There is a lot of over-capacity in the industry," says FSB president Pat Gaines. "It's not just from the third-party provider, but also from the airlines themselves. Aircraft went out of service, but simulators did not, so it's very tough."

FSB worked through a lot of consolidation in 2002, shifting simulators to centres where it made more sense economically. Gaines says 2003's focus will be delivering full services. "It's not just about the simulators. It's our full services that are helping with a lot of our customer issues. You must never sacrifice quality or standards. We want to be the premier global provider," he says.

Broad offerings

Gaines insists Alteon's offerings will continue to include Airbus as well as Boeing training services, despite FSB's Boeing ownership and CAE's new link with Airbus.

Some are hopeful that 2003 may prove to be the bottom of the trough others are less certain or willing to predict the upturn. Says Gaines: "It's a very tenuous world right now. Our real goal in 2003 is to ensure that we keep in sight that the aviation industry will recover." TTS's Standen believes 2003 "will be the low point" and that a full recovery will be in place by 2007. "It will be a tough market this year, as tough as 2003. But we are battling down and are well prepared as you can be in a disappointing market," he says.

census follows on p32-49

Load-Date: January 31, 2005

What your aircraft is worth

AirFinance Journal

March 2003

Length: 923 words
Highlight: Even though aircraft are just aluminium tubes with wings, no-one seems to know what they are worth. But appraisers say it is just a case of asking the right questions.

Body

On September 20, 2001 aircraft VH-CZD, a 737-377 owned by bankrupt carrier Ansett Australia, was parked in a workshop for scheduled maintenance. One month later the aircraft was broken up because, with Ansett bankrupt, the aircraft's value did not make it worthwhile to overhaul.

Aircraft VH-CZD is the first 737-300 to be scrapped and when Boeing delivered the aircraft to Ansett in 1986, the airline and the manufacturer would have expected it to fly for well over 16 years. Unfortunately, it not hard to find other examples of aircraft that are being parked or scrapped, and will never fly again.

But while it is no surprise that values have fallen in the industry's worst-ever downturn, investors in aircraft are stuck wondering exactly what the aircraft the own are worth. In fact, at the moment no-one really knows exactly what each model is worth.

Although aircraft are still being traded, with few public aircraft deals closing, it is hard to get enough data and even appraisers admit that it is hard to value even popular types. Large orders by airlines such as easyJet and Ryanair have also led to uncertainty about what new aircraft are worth.

Appraising the appraiser

Another problem for aircraft owners is that, like economists, it is almost impossible to get two appraisers to agree on an aircraft price.

Even the same appraiser can give a different valuation for aircraft depending on purpose - values for straight loans are often much lower than for enhanced equipment trust certificates (EETCs).

At first glance it is surprising that appraisers' estimates differ so greatly. All certified appraisers for the International Society for Transport Aircraft Traders (Istat) have passed the same exams and use the same inputs to calculate an aircraft's value. But trying to decide how popular, or valuable, an aircraft will be in the future is still very much an art.

It is also important to remember that not all values are the same. Istat offers a range of definitions ranging from base value, which would only occur in a perfect market to distressed value, where the seller is forced to sell the aircraft.

What your aircraft is worth

The good news is that few appraisers believe that market values are the same as distress values for aircraft. Airfinance Journal asked three appraisers for distress values - what desperate sellers can expect to get for the aircraft - and there is still a gap. But with more aircraft set to be parked, distress values could soon be the same as market values.

How much is your aircraft worth?

1. "If your really want to know the truth, pick three appraisers at random and ask them for the totally honest opinion on the current market value of the aircraft," says one Istat fellow, "and change the appraisers each time."

2. "Be careful what value you ask for. Fair market value is different to distress value and net sale proceeds," says Doug Kelly, vice-president asset valuations at Avitas in Virginia. "Fair market value is for single units and not necessarily what you can sell the aircraft for."

3. "If there is a big difference between appraisers' value then ask why," says Bryson Monteleone, vice-president of operations and marketing at Morten Beyer & Agnew in Washington. "It may just be because of underlying assumptions about maintenance and overhaul costs or engine use, but you need to know this."

4. "Remember the costs," says Monteleone. "If it is in a desert or being operated in a third-world country there are different costs associated with getting the aircraft back and putting it into service and these are never the same" Fees for brokers, reconfiguring, painting, storing and painting the aircraft add up. For a widebody these could easily cost more than $10 million.

5. "Track market values on an ongoing basis," says Eddy Pieniazek, director consultancy and information services at Airclaims near Heathrow. He adds: "Everyone has their own opinion on where the market is, but if you can build up a profile on your own portfolio, you can see if the movement jumps suddenly."

6. "Remember, it takes a reasonable amount of time to sell an aircraft," says John Trevett, head of consultancy at IBA near Gatwick. "If you want to sell tomorrow it will affect the price."

7. "Know your aircraft," says Trevett. "You need to know if it meets airworthiness regulations or needs modifications." All appraisers say that customization costs. One problem with TWA aircraft was that the airline had different cockpit specifications to everyone else - to the point that even the switches went in different directions.

8. "Know where your aircraft is in the maintenance cycle and know when major checks are coming up," says Pieniazek. "Timing is everything." Airclaims estimates that a badly maintained aircraft can easily lose 30% of its value. Maintenance records are also crucial as without accurate records an aircraft is almost worthless.

9. "Don't just look at the aircraft but remember the lessee too," says Chris Richards, a director at Deutsche Bank in London. "In an environment where aircraft values are low, a lot of value can come from a lessee. If you have a weak asset on a long-term lease to a strong airline it can mitigate some of the issues."

10. Finally, do not panic. "Remember that values are cyclical. They will definitely come back for the right aircraft," says Trevett.

While the breaking up of the first 737-300 is depressing, there is some good news for owners of this type. Airclaims' Pieniazek estimates that scrapping of the Ansett aircraft has raised the value of every other 737-300 by about $10,000.

Load-Date: October 4, 2007

Maintenance: negotiation time. (Cost watch).

Airfinance Journal

March 2003

Section: Pg. 39; ISSN: 0143-2257

Length: 635 words

Body

While the best way to cut maintenance costs is to fly less, maintenance providers are prepared to talk with airlines. Many airlines under pressure to reduce costs have already taken short-term measures to offset major repair costs: deferring overhauls and rotating spare parts around the fleet works if the airline is reducing capacity. But these are temporary solutions, and repairs will ultimately still have to be made.

Airlines often wish to meet their own everyday maintenance needs with their own pool of spare parts, but high purchase costs and the sheer numbers of components needed mean that this can weigh on the balance sheet.

While this might suit airlines with large fleets, it is unlikely to be the best solution for a low-cost carrier with access to less capital. Outsourcing will remove that burden, but there are other options--especially joint ventures.

The integration of Go into easy Jet left the enlarged low-cost airline with two separate contracts with the same maintenance provider, FLS Aerospace. EasyJet has since consolidated its line maintenance under easyTech, a joint venture in which FLS controls a 75% stake. EasyTech is responsible for day-to-day repairs and the management of the airline's line stations. Heavy maintenance and technical component services--which are more intensive in terms of costs and labour--are the responsibility of FLS. "It is an interesting contract for both parties," says Mike Humphreys, CEO of FLS Aerospace. "We are focused on building tighter relationships with our core customers."

FLS has committed itself to other long-term joint ventures with My Travel in Manchester and Air Europa in Mallorca, and believes that long-term deals are the best way to manage maintenance costs. "We like to focus on long-term deals--from three to 10 years--because this allows us to work closely with the airline and improve our operating system," says Humphreys. "By increasing the efficiency, we can reduce the cost to the airline."

Maintenance is an expensive part of operating an aircraft, and there are several ways of accounting for the cost. Stephen Furlong, analyst at Davy Stockbrokers in Dublin, estimates that Ryanair allocates about 1 million [euro] ($1.1 million) a year for maintenance on each of its 737-800s to depreciation and amortization charges.

He adds: "A new aircraft typically does not require a lot of maintenance until the first D check after 10 years or so. But they don't want to be suddenly hit by a 10 million [euro] charge on each aircraft."

Spreading this cost makes sense for the Irish low-cost, where new aircraft are joining the fleet at a rapid rate.

Ryanair operates a young fleet of narrowbodies and, as far as possible, the same aircraft type, which gives it a distinct advantage in the industry. It also benefits from extended maintenance warranties with Boeing.

Humphreys at FLS Aerospace says: "Depending on the aircraft's profile, its age, and its type, maintenance costs can be 30% to 40% more on an old aircraft than a new production model."

Load-Date: January 31, 2005

Waiting games

AirFinance Journal

March 2003

Length: 1841 words
Highlight: While Deutsche BA waits to find out if easyJet will be buying it, the German carrier is already becoming a low-cost. Michael Marray reports from Munich on the airline's lease negotiations.

Body

The future of Deutsche BA could be decided in the next few weeks. At the end of March easyJet, the UK's low-cost carrier, can exercise its option to acquire the 10-year-old German carrier, which although it has never made a profit, operates an unrivalled low-cost network in the fast-growing German domestic market.

EasyJet executives have been closely involved in management decisions at Deutsche BA since signing the purchase option agreement in May 2002 and the UK carrier has until the summer to decide.

It is still unclear if easyJet will exercise its option. Deutsche BA is negotiating with its pilots over a new pay and conditions deal and the German airline is worried that the take-over could fall through if the cockpit pilots' union does not make some major concessions. The German trade union movement is in a fairly militant mood and there is likely to be some brinkmanship on both sides.

However, after successfully integrating Go, British Airways' UK low-cost subsidiary, in 2002, easyJet is confident that acquisitions make sense and airlines believe that Germany is the next big battleground for the European low-cost carriers.

Deutsche BA was set up by British Airways 10 years ago and sold as part of the UK flag carrier's strategic review. The carrier is an unusual case within aviation in that it is a well-established scheduled airline - albeit one with a single class of seats - which is being turned into a low-cost carrier. Over the past 12 months the management has been slashing costs in order to comply with the low-cost airline business model.

EasyJet executives have been sitting in on Deutsche BA management meetings and involving themselves closely with strategic development.

According to Adrian Hunt, Deutsche BA's former chief executive officer, who retired on January 27 after 35 years with the British Airways Group, the switch to a low-cost business model was one that had been discussed well before the events of September 11, 2001 disrupted the global airline industry.

"We had been thinking about a strategic change for Deutsche BA for a little while," says Hunt, "and had been looking at what was going on in the UK in particular, where low-cost airlines such as Ryanair, easyJet and Go were achieving growth of 25% per annum compound, when at best in mainland European you were seeing 5% or 6% growth,"

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He adds: "We had been present in the German market for some time, and had come close to breaking even a couple of times, but every time we got close to our objective Lufthansa always seemed to come down fairly heavily on us."

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He adds: "As a standalone business, not integrated into British Airways, we felt that we needed to change our model, so we made the decision to move away from being a traditional scheduled airline and move into the low-frill, low-cost market, but based very much on our experience as a German operator."

Cutting costs

That strategic change got underway in April 2002 with a sweeping cost-cutting drive. Gone are frills such as free meals and newspapers, while on-board sandwiches and drinks are provided through Gate Gourmet on a "no cost, no risk" basis.

The expensive frequent-flyer programme has been scrapped. New ground-handling contracts have been signed with AHS Aviation Handling Services for Berlin, Düsseldorf, Hamburg, Cologne/Bonn and Munich, as well as Aerogate in Stuttgart.

The aircraft are being repainted with the new Deutsche BA look - lime green tails and a new logo replacing the previous BA-based Speedmark logo and the tails carrying designs by individual artists, something that has also been dropped by British Airways.

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Deutsche BA works with four operating lessors: Deutsche Structured Finance, which markets aircraft operating lease tax funds to German retail investors; Boullioun Aviation Services; GE Capital Aviation Services; and CIT.

In 2002 Deutsche BA contacted all four lessors and tried to renegotiate leases. "We had some leases coming up for renewal, so we took the opportunity to sit down with the lessor and review all of the aircraft with them, and then renegotiate those leases," explains Hunt. "To demonstrate our seriousness to our suppliers, we terminated the leases on the first two aircraft that came up for renewal, and replaced them with two aircraft from CIT. The incentive for our suppliers was to take it as a package, so it was an opportunity for them to find a secure home for their aircraft at a time when there is a surplus of aircraft."

Deutsche BA says that it is saving about 35% on lease payments. "The first leases that expired were renegotiated in the first half of the financial year, so the benefits were only felt for a few months, but the lower lease rates will make a greater impact for our earnings in the second half," says Mark Elliott, chief financial officer at Deutsche BA. The airline's financial year runs from April 1, 2002 to March 31, 2003.

Deutsche BA's first negotiations were with Deutsche Structured Finance, which had two aircraft returned and renegotiated nine other leases. The airline is planning to negotiate with Gecas for two aircraft and three from Boullioun. The leases on two aircraft which were signed with CIT last year - the first time that Deutsche BA has done business with CIT - run for three years.

So Deutsche BA still hopes that there are savings to come, which will reduce losses at the carrier. The falling value of the dollar will also help lower the cost base. "All our leases were denominated in dollars, so we have been quite exposed to the high dollar over the past few years," says Elliott. "Now we have a strategy to have our aircraft leasing contracts denominated in euros where possible. We now have five leases which are paid in euros, and that will increase as we renegotiate more contracts."

The new contracts, which were signed with agreement of easyJet executives, also include flexible provisions for changes to the Deutsche BA fleet after the planned take-over by easyJet.

Waiting games

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So there will still be a sizeable 737 fleet within the group, and when the next order comes around, easyJet will remain in a position to play off Boeing and Airbus against one another.

The easyJet option to acquire Deutsche BA, for between (EURO)30 million ($30 million) to (EURO)46 million subject to negotiation, initially runs until March 31, though there is a three-month extension built into the agreement. As part of the deal, signed last May, easyJet has already contributed £3.1 million ($4.9 million) towards capital costs at Deutsche BA, and has also been paying British Airways £366,000 a month until it exercises its option.

With aircraft leasing rates down, the dollar down (though oil prices are up) and many variable costs stripped out, Deutsche BA has already made substantial progress towards the low-cost business model, in what promises to be a cut-throat market in Germany. Turnover for the first half of the year fell to (EURO)146.3 million from (EURO)180.6 million previously, reflecting the reduced fares. Seat load factor rose, though, and losses were halved.

"We are highly focused on the transition to becoming a low-cost carrier, and we need to get our cost base down further to fit this new business model. We have made good progress but there is a lot more to do," says Elliott. "One objective is to make more use of these 16 aircraft and get better utilization," he adds.

An international route has been added for the upcoming summer schedule from Hamburg to Nice, which the airline hopes will not only attract business travellers but also holidaymakers looking for weekend flights down to the Cote d'Azur.

Costs are also being cut through reduced reliance on travel agents and a more efficient website. During the first half of the financial year, 33% of tickets were booked on the internet, with another 13% via the call centre and 4% airport counter sales.

Internet bookings may still be low compared with UK carriers such as buzz and easyJet, but the 33% figure nonetheless represents rapid progress in a conservative market such as Germany, where buying goods over the internet has been slow to take off, and where credit card usage has traditionally tended to be low.

Working with the workers

But while costs are being cut in all areas of operation, the immediate and critical task for easyJet, if it is going to exercise its option to take over Deutsche BA, will be the signing of new pay and conditions contracts with pilots and cabin crew. In Germany, contracts are signed for a fixed period of time, and both pilot and cabin crew labour contracts expire during 2003.

EasyJet wants pilots to fly more hours per year, and with this and other demands on the table, the first round of negotiations did not go well, with newly appointed Deutsche BA CEO Martin Wyatt warning that the easyJet take-over might yet be abandoned.

Clearly costs are going to have to be lowered if Deutsche BA is going to prevail in what promises to be a brutal fight in the German market. To take one example, Hapag-Lloyd Express, whose aircraft are painted yellow in the style of New York City checkered cabs, are offering one way tickets from Berlin to Cologne for only (EURO)19.99.

Waiting games

Deutsche BA has started off its low-cost existence from a position of strength, since it already has a good reputation for on-time performance, and a base of regular customers. It owns valuable slots at peak times at primary airports such as Berlin Tegel and Düsseldorf, as well as a key position at Munich Airport, which is one of the fastest-growing airports in Europe.

However, it is generally accepted that there are too many new entrants trying to move in on the German low-cost market. "What happens is that whenever you see a new development in the airline industry people get carried away," says Hunt. "There is a lot of euphoria, and not all of these new low-cost carriers are going to survive."

Load-Date: October 4, 2007

Waiting games: while Deutsche BA waits to find out if easyJet will be buying it, the German carrier is already becoming a low-cost. Michael Marray reports from Munich on the airline's lease negotiations. (Deutsche BA).

Airfinance Journal

March 2003

Business and Industry

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Length: 1975 words

Body

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Internet bookings may still be low compared with UK carriers such as buzz and easyJet, but the 33% figure nonetheless represents rapid progress in a conservative market such as Germany, where buying goods over the internet has been slow to take off, and where credit card usage has traditionally tended to be low.

Working with the workers

But while costs are being cut in all areas of operation, the immediate and critical task for easyJet, if it is going to exercise its option to take over Deutsche BA, will be the signing of new pay and conditions contracts with pilots and cabin crew. In Germany, contracts are signed for a fixed period of time, and both pilot and cabin crew labour contracts expire during 2003.

EasyJet wants pilots to fly more hours per year, and with this and other demands on the table, the first round of negotiations did not go well, with newly appointed Deutsche BA CEO Martin Wyatt warning that the easyJet take-over might yet be abandoned.

Clearly costs are going to have to be lowered if Deutsche BA is going to prevail in what promises to be a brutal fight in the German market. To take one example, Hapag-Lloyd Express, whose aircraft are painted yellow in the style of New York City checkered cabs, are offering one way tickets from Berlin to Cologne for only 19.99 [euro].

Deutsche BA has started off its low-cost existence from a position of strength, since it already has a good reputation for on-time performance, and a base of regular customers. It owns valuable slots at peak times at primary airports such as Berlin Tegel and Dusseldorf, as well as a key position at Munich Airport, which is one of the fastest-growing airports in Europe.

However, it is generally accepted that there are too many new entrants trying to move in on the German low-cost market. "What happens is that whenever you see a new development in the airline industry people get carried away," says Hunt. "There is a lot of euphoria, and not all of these new low-cost carriers are going to survive."(c) Euromoney Institutional Investor PLC This material must be used for the customer's internal business use only and a maximum of ten (10) hard copy print-outs may be made. No further copying or transmission of this material is allowed without the express permission of Euromoney Institutional Investor PLC. Mail to: publisher@euromoney.com Copyright 2003 Euromoney Institutional Investor PLC1844

Load-Date: January 31, 2005

French start-up mulls Brussels

Flight International

February 25, 2003

Section: News; Air Transport; Pg. 12

Length: 88 words

Byline: Staff

Body

Proposed French low-cost new entrant Flyeco is considering establishing a hub at Brussels South Charleroi Airport in Belgium to serve several French cities.
Charleroi is already a continental hub for Ryanair. Flyeco is thought to favour developing its own network rather than going head-to-head with the Irish airline.

Flyeco hopes to begin operations in mid-June with five Boeing 737-300s leased from the manufacturer. Four aircraft would be based at Beauvais near Paris while the fifth would be based at Charleroi.

Load-Date: March 4, 2003

French start-up mulls Brussels

Flight International
February 25, 2003

FLIGHT INTERNATIONAL

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Load-Date: March 11, 2003

NEWENTRANT French start-up mulls Brussels.

Flight International

February 25, 2003

Section: Pg. 12; ISSN: 0015-3710

Length: 113 words

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Load-Date: January 31, 2005

Ryanair to bolt-on Buzz as it thinks over long-term integration plans

Flight International

February 11, 2003

Section: News; Air Transport; Pg. 13

Length: 373 words

Byline: Staff

Body

Ryanair is yet to decide on a long- term strategy for its new UK airline division Buzz following the "opportunistic" acquisition of its low-fare rival last month (Flight International, 4-10 February).

Michael O'Leary, chief executive of the Irish low-cost carrier, says the former KLM subsidiary will be operated as a "bolt-on" division under Buzz's UK air operator's certificate (AOC), but will lose its branding from 1 April when the deal is due to take effect. He adds that the long-term strategy for the airline will have to be "revisited in one to two years" to decide how to best integrate the UK arm with the remainder of the airline. O'Leary denies that Ryanair's London Stansted operations could be transferred to the Buzz AOC. "Both will operate side-by-side," he says.

O'Leary promises to make Buzz profitable within three months by "halving fares and doubling passengers," as well as laying off 100 of its 500 staff. He adds that any union action could result in Ryanair closing the airline.

The rationalisation plan for Buzz's route network will be rolled out at the end of February, and will involve axing certain routes and increasing frequencies on others. Buzz's planned Bournemouth, UK, base and its French domestic routes have been dropped. Services to Amsterdam Schiphol, Frankfurt Main and Paris Charles de Gaulle will also end as "we simply can't turn our aircraft around quickly enough", says O'Leary.

Buzz's eight BAe 146-300s will be returned to KLM at the end of the year. Its two Boeing 737-300s are to be returned to Pembroke Group, with six similar aircraft being leased from International Lease Finance in the coming months. O'Leary says he has yet to decide if the second batch of six 737s to replace the 146s from 2004 will be -300s or -800s.

Although access to a UK AOC could allow Ryanair to compete with EasyJet on services from the UK to Eastern Europe, O'Leary says this is not a near-term ambition. However, sources at the airline say the region is high on its agenda for expansion.

- Brit Air has filed two petitions with the Administrative Court of Strasbourg, claiming that Ryanair is receiving illegal government aid in the form of subsidies for its Strasbourg-London services.

Load-Date: February 19, 2003

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Flight International

February 11, 2003

Section: Pg. 13; ISSN: 0015-3710

Length: 384 words
Highlight: its new UK airline division Buzz

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Load-Date: January 31, 2005

Airports Tara eyes Czech airfield for low-cost cargo base.

Flight International

February 11, 2003

Section: Pg. 9; ISSN: 0015-3710

Length: 212 words

Highlight: Tara Aerospace to purchase ex-military airfield

Body

The Czech government is negotiating the sale of an ex-military airfield 40km (25 miles) east of Prague to Tara Aerospace, headed by Ryanair director Tony Ryan.

Under the plans, the derelict Boz? Dar Airport, near the town of Nymburk, once a Soviet army base, is to be sold to Tara for CKr12.5 million ($426,000).

Tara declines to comment on the negotiations.

Igor Fojt?k, head of the privatisation department at the Czech finance ministry, says Tara wants to build a freight terminal at the site that would open in 2005, and is hoping to draw major European and US carriers away from cargo airports in Cologne and D?sseldorf by offering cheaper services.

The Irish company, which owns five Boeing MD-82s operated by Alitalia, also wants to establish an airframe and engine maintenance centre and a pilot training school at Boz? Dar, according to Fojt?k, who says that Tara could eventually invest up to CKr1.5 billion in the airport and surrounding area.

There are no indications that Tara plans to use the airport for passenger flights, and it may depend on how profitable the initial freight operation is. The Czech government had been trying to sell Boz? Dar for three years.Copyright 2003 Reed Business Information LimitedCopyright 2003 Reed Business Information Limited195

Load-Date: January 31, 2005

Tara eyes Czech airfield for low-cost cargo base

Flight International

February 11, 2003

FLIGHT INTERNATIONAL

Section: News; Air Transport; Pg. 9

Length: 200 words

Byline: Staff

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Load-Date: February 19, 2003

Ryanair snaps up Buzz and increases 737 order ; Surprise sees Irish carrier strike back at EasyJet in European low-fare airline battle

Flight International

February 04, 2003

Section: News; Headlines; Pg. 8

Length: 483 words

Byline: Max Kingsley-Jones / London

Body

Ryanair has raised the stakes in its battle with EasyJet for Europe's low- fare airline market, agreeing a 24 million ($26 million) deal to acquire rival Buzz and placing orders for up to 100 more Boeing 737s.

Buzz, KLM's wholly owned London Stansted-based low-fare arm, operates eight BAe 146-300s and six 737-300s on 21 European routes from Stansted and claims to be Europe's third-largest low-fare airline.

KLM says the disposal follows a strategic review of the low-fare sector, which determined "satisfactory profitability for a standalone Buzz would be difficult to achieve".

Although Ryanair was pushed into second place in Europe's lowfare airline rankings by the EasyJet/Go merger, Ryanair chief executive Michael O'Leary had vowed it would be Europe's biggest scheduled carrier by 2010.

He has previously stated that this would be achieved by organic growth rather than acquisitions. He now says although "the last thing we need is the distraction of an acquisition", the Buzz deal is "opportunistic" and a "bargain".

Flight International estimates that the Buzz acquisition closes Ryanair's gap to EasyJet in terms of passengers carried, although EasyJet would surge ahead if it takes up its option in March to purchase Germany's DBA (see table).

Ryanair UK/Europe sales and marketing manager Sin ad Finn says the net cash cost of the deal is "relatively small change at less than 5 million".

Ryanair snaps up Buzz and increases 737 order ; Surprise sees Irish carrier strike back at EasyJet in European low-fare airline battle

O'Leary says the acquisition is a "timely strategic move", and that he intends to resolve Buzz's "structural cost problems" within 12 months, dropping unprofitable routes and increasing frequencies on the remaining services.

The agreement includes the sale of Buzz's UK air operator's certificate (AOC), enabling Ryanair to compete with EasyJet on services from the UK to non-European Union central European states. This is currently not permitted under its Irish AOC.

Meanwhile, Ryanair has added 22 firm 737-800 orders for delivery in 2004-5, and taken options on 78 more in a deal worth $6 billion. The purchase will bring Ryanair's outstanding 737 commitments to 250 aircraft (125 firm and 125 options) -- all of which are due for delivery by 2010.

Easyjet/ryanair comparison

Airline	Ryanair	Buzz	Ryanair/Buzz	EasyJet*	DBA	EasyJet/DBA
Aircraft (on order)	50 (124)	14	64 (124)	65 (133)	16	81 (133)
Seats	8,211	1,306	9,517	9,648	2,156	11,804
Bases	9	2	10	9	2	11
Routes	98	23	119**	100	11	111
Passengers m***	15+	2	17+	18.5	3	21.5
Revenue gm***	829	140	969	1,457	300	1,757

*Includes Go **Excludes overlapping routes ***Forecast to 03/03; EasyJet rev to 09/03

Load-Date: February 11, 2003

AIR TRANSPORT MAX KINGSLEY-JONES / LONDON Ryanair snaps up Buzz and increases 737 order Surprise sees Irish carrier strike back at EasyJet in European low-fare airline battle.

Flight International

February 4, 2003

Section: Pg. 8; ISSN: 0015-3710

Length: 433 words

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easyjet/ryanair comparison

AirlineRyanairBuzzRyanair/BuzzEasyJet*DBAEasyJet/DBA

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Seats8,2111,3069,5179,6482,15611,804

Bases92109211

Routes9823119**10011111

Passengers m***15+217+18.5321.5

Revenue gm***8291409691,4573001,757

*Includes Go **Excludes overlapping routes ***Forecast to 03/03 EasyJet rev to 09/03353

Load-Date: January 31, 2005

End of Document

People news in brief

AirFinance Journal

February 2003

Length: 424 words

Body

Ryanair rewards finance team

Ryanair, the profitable Irish low-cost airline, has promoted Michael Cawley and Howard Millar to deputy chief executives. Cawley moves from CFO to COO, while Millar, formerly finance director, has been promoted to CFO.Turner rises at BMI

Nigel Turner, CFO of British Midland, has joined the board of British Midland Plc. Turner was already a director of British Midland Airways and will become a director of both.Lee quits MyTravel

Mike Lee has resigned as CEO of MyTravel Aviation, and will leave the company after its annual general meeting in March. Lee has been with MyTravel, formerly Airtours, since 1990 and has headed the aviation division since 1997. A spokesman said Lee's departure is tied in with the restructuring of the aviation groups. Lee's division is to be rolled into MyTravel Airways, headed by Dave Betts. There are no plans to replace Lee, who has more than 30 years' experience in aviation.Burgess joins CIT

Neil Burgess has joined CIT Aerospace as director of marketing in the lessor's London office. He will be responsible for its business in Europe and the Middle East. Burgess joins from Abbey National where he worked for 10 years after moving from Airbus.Kennedy steps up at American

Gary Kennedy has been promoted to senior vice-president and general counsel at American Airlines. He replaces Anne McNamara, who is leaving after 27 years with the carrier. Kennedy, who has been at the airline for 19 years, is moving back to the legal department after 10 years as head of American's corporate real estate group.New jobs at Parc Aviation

Sean Butler has been made director of sales and marketing at aviation personnel firm Parc Aviation. Butler joined Parc in 1995, and focused on providing pilots for airlines. Jim Duggan has joined Parc subsidiary Avtec Aviation as head of aviation. He moves from Ryanair, where he was chief pilot. Duggan, a past vice-president of the Irish Airline Pilots' Association, started his career at IonaBNP forms new aviation group

BNP Paribas has formed a new aviation finance group which will market all the bank's financial products to airlines and lessors. The bank is moving its aircraft finance team from its international trade department to its structured finance division, where it will offer services, including currency, interest rate and fuel hedging, securitization and aircraft financing. The group consists of 27 people in Paris, New York and Singapore and also works closely with leasing boutique Capstar Partners, which the bank acquired in 2001.

Load-Date: October 4, 2007

Ryanair creates a buzz and orders more 737s. (Market news).

Airfinance Journal

February 2003

Section: Pg. 10; ISSN: 0143-2257

Length: 303 words

Body

RYANAIR, the Irish low-cost carrier, has surprised many market participants by agreeing to buy rival UK low-cost airline buzz from KLM for 23.9 million [euro] ($23.9 million) and ordering 22 new Boeings.

The low-cost carrier will acquire an airline which operates 12 aircraft on 21 routes, carries almost two million passengers and which generated an estimated 140 million [euro] of revenue in 2002.

Ryanair has placed 22 firm orders with Boeing for 737-800 aircraft, and increased its options by 78. The 22 aircraft are scheduled for delivery in 2004 and 2005. In January 2002, the Irish low-cost carrier placed an order for 100 aircraft with 50 options, and has already converted three of these options to firm orders. The airline's latest order increases the total of aircraft on firm order with Boeing to 125, and the number of options to 125.

KLM will also retain rights to the six BAe 146s on lease at buzz, minimizing Ryanair's exposure to aircraft leases.

Buzz has also committed to lease six 737-300s from ILFC for eight years.

Load-Date: January 31, 2005

Airbus beats Boeing in 2002 orders

AirFinance Journal

February 2003

Length: 224 words

Body

End-of-year totals from Airbus and Boring, the two rival large commercial aircraft manufacturers, showed the euro consortium on top.

Boeing delivered 381 commercial aircraft in 2002, down more than 30% on 2001's total of 527. Airbus delivered 303 aircraft, down 7% on the previous year and in line with the European company's expectations.

Airbus aims to deliver 300 aircraft again in 2003, against a target from Boeing of between 275 and 285. Analysts are sceptical about Airbus' chances of meeting its target, and there are calls from the aircraft leasing community to cut production to protect asset values.

New orders at both major manufacturers fell sharply. Boeing took orders for 251 aircraft, a drop of more than 20% on 2001, when the US manufacturer received orders for 328. Orders at Airbus reached 300, although this too was down 20% on the previous year.

The reliance of both manufacturers on the low-cost sector is striking, with Ryanair, Southwest, Virgin Blue and WestJet accounting for 123 Boeing orders, 49% of the total. Airbus orders from JetBlue and easyJet totalled 132, or 44%.

In today's downbeat environment, competition between the two manufacturers has never been more intense, fuelling speculation of substantial discounts on large orders. Airbus also announced that it would increase its catalogue prices by 2.5% in 2003.

Load-Date: October 4, 2007

Airbus beats Boeing in 2002 orders. (Market news).

Airfinance Journal

February 2003

Business and Industry

Section: Pg. 11; ISSN: 0143-2257

Length: 355 words

Body

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Load-Date: January 31, 2005

Fuel - passing on costs

AirFinance Journal

February 2003

Length: 483 words

Byline: Steve Garton

Body

Jet fuel prices will always be volatile, but recent price rises look set to have a significant impact on the aviation industry, as airlines have all but run out of ways to offset the cost increase.

Options are limited. Hedging is by far the best solution, but this is predominantly a long-term strategy and there is little to be gained by fixing fuel prices at their current levels. Most airlines already hedge their fuel costs to some degree, and many have increased their cover: Finnair recently disclosed that it was hedged at over 70% for the first quarter of 2003 - against a usual level of 50% to 60% - amid fears that war in Iraq will cause further price increases. Air France is hedged at 80% to March 2003, and Ryanair at 100%, according to research from Salomon Smith Barney. Airlines that do not hedge their fuel risk - such as easyJet - may have to look elsewhere for funding if prices remain high.

"EasyJet believe they have saved more by not hedging than they would have if they had done so, so they're not going to change," says Dominic Edridge, airline analyst at Commerzbank in London. "Whether they introduce some sort of fuel supplement is another matter."

The risk of an oil price spike is high, according to the US Department of Energy, if a Venezuelan oil strike and tensions in the Middle East continue. Airlines with no provisions for this will face the greatest pressure to respond with an increase in fares, even though this may impact passenger numbers. US Airways introduced a $15 surcharge in December 2002 but withdrew this unpopular measure in January after its competitors failed to follow. Frontier Airlines recently introduced a temporary $20 surcharge per round-trip on all domestic flights. The move was to offset the rise in fuel prices, which the airline says have reached "near historic high levels".

Canada's Zip, WestJet and Air Canada have all introduced similar charges, and it is normal practice for cargo operators to factor fuel costs into their services.

There is some variation in fuel delivery costs at different airports, depending on competition between fuel providers and the size of the airport, according to Robert Wine, spokesperson for Air BP in the UK. "Seasonal and regional demand and supply distribution can affect prices," he says. "Where you refuel is often the clever part." The saving will be welcome, but this variation in distribution costs is unlikely to offset such a large increase in spot prices.

Fuel surcharges were previously imposed by US majors in 2000 when jet fuel prices spiked at more than $1.30 per gallon, but with passenger confidence in such a fragile state, concerns over remaining competitive are winning out.

Fuel - passing on costs

The average spot price of jet fuel for December 2002 was up 54% on the previous year. With jet fuel trading close to 90 cents per gallon, it will not be long before more airlines turn to passengers for help.

Load-Date: October 4, 2007

Budget.

Flight International

February 1, 2003

Business and Industry

Section: Pg. 56; ISSN: 0015-3710

Length: 2009 words
Highlight: Scandinavian Lite

Body

options

The entry of SAS into the low-cost sector is just the latest response by north European carriers to the no-frills threat

Ever since the emergence in Europe of the low-cost sector in the late 1990s, the continent's full service carriers have been trying to fathom out how to respond to this new challenge. In the UK - the first major market to be exposed to low-cost competition - flag carrier British Airways launched a low-cost subsidiary, Go, in 1997, only to bail out five years later as the new entity was cannibalising mainline traffic.

KLM followed BA in launching a low-cost offering, Buzz, as its KLM uk regional subsidiary struggled against the likes of Ryanair and easyJet. Unlike BA, KLM has stayed with Buzz, although it is looking for an investment partner for the operation. It also launched Basiq Air in its home market. Lufthansa also put its foot in the low-cost door through its minority-owned German regional subsidiary Eurowings. The latter launched germanwings last year.

The latest to go down this route is SAS, which announced its plans to set up a low-cost unit shortly before Christmas, given the working title Scandinavian Lite. As with all mainline forays into this market, there is no shortage of sceptics as to the merits of this strategy. "It is so much easier to establish a small carrier and gain efficiencies as you grow," says Captain Otto Lagarhaus, president of Lagarhaus Aviation Consulting and a former senior vice-president of SAS production division. "The other way is nearly impossible." He notes, however, that SAS is devoting a relatively small amount of its resources to this project. "There is not much risk involved. SAS is doing the right thing in treating this as a pilot project," he says. "The problem I have with this is that you are removing four-to-five aircraft from the fleet. This normally detracts from operational efficiency of an airline. The existing operations will have to shrink." He contrasts this with the strategy undertaken by the likes of Ryanair, where growth leads to an increase in operating efficiencies.

Growing threat

It was no secret that SAS was considering setting up a low-cost unit. In the UK, Europe's most mature low-cost market, around 30% of domestic and European services are now in the hands of low-cost competitors, putting them virtually level with British Airways. Low-cost penetration in Germany remains under 20%, despite significant activity over the last year or so, including the arrival of a Ryanair base and the entry of a host of new local players. In Scandinavia, the low cost share is still a paltry 6%, but SAS Scandinavian Airlines is well aware that this could quickly change.

Ryanair has made major inroads into Scandinavia, and has looked closely at setting up a base in Stockholm. In January last year, start-up GoodJet became the first dedicated low-cost carrier in the region, operating a Boeing 737-300 out of Gothenburg Landvetter to Paris Beauvais and Nice. Shortly afterwards regional carrier Norwegian Air Shuttle began operating 737s on domestic services under the brand name ofNorwegian. Meanwhile, sources close to MyTravel, the UK travel group, have made no secret of the fact that its Danish arm, MyTravel A/S, could be used to enter the Scandinavian low-cost sector. Last year the group launched low-cost subsidiary, MyTravelLite, in the UK.

The likes of Norwegian are yet relatively small operations, and Goodjet quickly ran into financial difficulties, suspending flights in January. Nevertheless, Lagarhaus points out that they represent a foothold in the market and could be taken over by larger low-cost operators looking to expand onto SASterritory. Norwegian's managing director, Stig Willassen, does little to calm such fears: "It could be a possibility, yes. Size is of critical importance in this market, although we would prefer to eat rather than be eaten."

Against this background, SAS has decided it must act. Scandinavian Lite will initially operate out of Stockholm Arlanda and Copenhagen International with a total of four Boeing 737-800s leased from the SAS fleet. After the summer season, they will be reconfigured from 150 to 184 seats. The operation will be headed by Eva-Karin Dahl, who spent 10 years at SAS before heading off to San Francisco to join a dot.com company two years ago, and it is due to begin operating at the end of March.

Dahl says that the carrier will be following the pure low-cost Ryanair/Southwest model rather than the mixed leisure/business model espoused by the likes of easyJet and JetBlue - although unlike Ryanair it will be operating out of major airports. The destinations are mainly of the leisure/weekend break variety and Dahl says the new carrier will be aimed purely at the independent traveller. "If we happen to get business travellers, that is fine, but we are not aiming for this market."

Although it will initially operate out of Copenhagen and Stockholm, SAS said when it announced the new launch that "in the future, Oslo may be included in the new concept, and plans are already under way". Some have hinted that this was no more than a political move, designed not to leave the Norwegian public feeling left out. Oslo-based 737 operator Braathens, purchased by SAS last year, serves a broadly similar set of destinations to those chosen by SAS for its low-cost product, including Nice and Alicante, Barcelona, Malaga in Spain.

However, it appears that SAS may be willing to see both carriers flying from Oslo. Dahl says that Scandinavian Lite "will also be operating out of Oslo", although she adds that it is too early to provide any details. She says that the Braathens product is slightly differentto the strictly no-frills offering of Scandinavian Lite, and that it is more than likely that the latter will operate to different destinations than the incumbent carrier.

Labour levels

Questions remain over the extent to which Scandinavian Lite can improve costs and, in particular, productivity, compared with SAS - especially in the field of labour. "I don't see the unions responding to this," says Lagarhaus. He estimates that productivity levels among SAS pilots are around the 140h a month mark, while Ryanair manages 180-200h. While not going into specifics, Dahl claims that Scandinavian Lite "is heading in the direction" of Ryanair on this issue, and says that the airline will manage utilisation levels of around 12h a day.

The fact that Scandinavia lies on the periphery of Europe means that getting three rotations a day - usually seen as a benchmark for low-cost operations - will not always be possible, but Dahl sees some advantages from the region's geographical position. "Today, if you travel from Scandinavia to southern Europe, it is likely that you will have to transfer somewhere as there are few direct flights," she says. "We will be offering direct services - something different for the consumer."

Budget.

Another clear challenge will be differentiating the new product from the existing SAS operation and avoid it cannibalising mainline traffic. "I can't deny that this problem exists," says Dahl. She is adamant, however, that this is an issue that can be overcome. "When we announce the brand in March, it will be very obvious how different it is." She reiterates the fact that nearly all Scandinavian Lite passengers will be independent travellers, adding that SAS is more geared towards business traffic. "SAS is a full service network. We are offering a no-frills service."

In contrast to Scandinavian Lite, Norwegian will be closer to the easyJet model than that of Ryanair, going for a mix of business and leisure traffic. Indeed, until very recently, the carrier had a background in commuter traffic within Norway.

A year ago, most of the carrier's business was regional work carried out on behalf of Braathens and it operated a fleet of six Fokker 50 turboprops on domestic routes. The SAS takeover of Braathens last year put an end to this relationship, leaving the carrier to transform itself into a budget operation. Regional services are being phased out and Norwegian now has a fleet of six 737s on domestic shuttle routes.

Willassen sees room for a second player in a monopoly market, and contrasts this with the experience of Color Air, a Norwegian low-cost pioneer that folded in 1999. He says that the carrier struggled because it was taking on two established players, SAS and Braathens, and that both responded by heavily discounting ticket prices. Since the demise of Color Air, he estimates that ticket prices in Norway have risen by 50%, driving away passengers.

Lagarhaus says that while Norwegian has made a big impression on the market, he questions the carrier's strategy of going head to head with SAS on a number of routes. Willassen says that while Norwegian tries to avoid this where possible, the thinness of many domestic routes makes this inevitable. However, the carrier is scouting out for international destinations.

It is still only early days in the Scandinavian low-cost battle, but there are some clues to future developments from the battles currently shaping up in the neighbouring German market. The low-cost sector has a slightly longer history here than in Scandinavia, with Ryanair setting up a base at Frankfurt Hahn in 2001. That has forced established market players in both the mainline and holiday charter sectors to respond. Lufthansa has been involved in the launch of germanwings through regional affiliate Eurowings. Travel giant TUI has launched Hapag-Lloyd Express, while charter operators Air Berlin and Aero Lloyd have both moved into the low-cost sector. DBA, the former Deutsche BA, is in the process of reinventing itself as a low-cost player.

Dr Thomas Tomkos of Cell Consulting in Germany says a pattern is already emerging. "It is clear that no one will hit Ryanair in terms of price." As a result he says there is a fierce battle for the middle ground, with the various players battling to differentiate themselves. Tomkos says that UK-based KLM subsidiary Buzz and DBA are both battling for the corporate travellers, especially in the small business market.

EasyJet has an option to buy DBA from current owner BA, which it may exercise as early as March this year. However, easyJet chief executive Ray Webster has made it clear that this will require acceptance by the labour force of the easyJet business model, which would mean a significant rise in productivity.

The fiercest battle is between germanwings and Hapag-Lloyd Express, both of which have a main base at Cologne/Bonn and are operating to European city destinations. Despite the fact that the two have powerful backers, Tomkos predicts that only one of these will survive in the long term. As is the case with SAS, Tomkos believes that Lufthansa had to respond to the emergence of the low-cost threat, adding that this also gives the German flag carrier added leverage for dealing with its own unions.

Pressure points

As an example of the pressures already being felt in the sector, he gives the example of Air Berlin, which operates city shuttle-type services within Germany. Having studied the carrier's performance over December and January, Tomkos estimates that on a number of routes it is operating with load factors of around 40%. Low-cost carriers traditionally rely on high break-even load factors.

Budget.

The Scandinavian market is likely to prove just as tough, and, as in Germany, most observers see a period of consolidation as inevitable at some stage. If Scandinavian Lite is successful, and Dahl says an operating profit in 2004 is the target, then an initial public offering at some stage is a possibility. "It is too soon to say, but I wouldn't rule it out," she says. As the German market shows, however, it is very difficult to compete with Ryanair on price. Scandinavian Lite is clearly an ambitious project, and is perhaps the opening, rather than the final shot in the region's low-cost battle.

report by colin baker in london1951

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Timing the cycle

AirFinance Journal

February 2003

Length: 1348 words

Highlight: Even when everybody else has turned you down for finance there is one group of lenders who are still be interested. While others flee, private equity firms are hungry for business.

Body

Newspapers are depressing reading for people involved in aviation. Falling shares, rising oil prices and long labour negotiations are not good for the industry. But private equity investors can be forgiven for getting excited each morning.

Most private equity firms have been waiting for the aviation downturn before they invest in the sector and now they think the timing is right.

"Aviation is a cyclical business," says Rick Shifter, a partner specializing in restructuring at Texas Pacific Group. "We have found that if you invest at the right point in the cycle - and exit at the right time - you can make money. We have been successful in this industry in large measure as a result of timing."

Shifter is being modest. Texas Pacific - and its founding partners - has been phenomenally successful with their aviation investments. When Continental went bankrupt in 1993, Texas Pacific's founders invested $50 million. After successfully turning the airline around, they got more than 10 times their investment back. The fund has also made money investing in American West Airlines and AerFi at the right time - with the founders also helping Ryanair at the start.

But after a break of several years from pure aviation companies, Texas Pacific is back. In January the firm bought GateGourmet, the bankrupt SAir Group's catering business, and along with other firms is looking for further opportunities.

"Today, the industry is clearly closer to the low end of the cycle than the higher end, which makes it an appropriate time to be looking at investments," says Shifter. "It is a tough time for the industry but we expect it to start to recover in 2003. But as a result of several factors, including low-cost airlines and an increased focus by businesses on cutting travel expenses, it will probably never return to the levels that we saw in the mid-1990s."

Michael Peteresen, director at 3i Switzerland in Zurich, agrees. "Aviation is cyclical and now is the right time to invest," he says. Petersen's 3i bought the SAir Group's maintenance subsidiary SR Technics and is also an experienced investor - with its last successful deal being buying 66% of Go for £83.5 million in June 2001 and selling its stake for £231 million in May 2002.

SR Technics' hunt for equity

Timing the cycle

The good news for private equity firms, such as 3i, looking to invest in aviation is that with other sources of finance closed, companies are keen to talk. After the collapse of the SAir Group in October 2001, SR Technics' management decided not to wait to be sold, and started trying to find a buyer for their division.

SR Technics identified three potential buyers: maintenance companies, including subsidiaries of airlines; manufacturers; and venture capital. Although the sale was ultimately decided by SAir Group's administrator, Georg Radon, SR Technics' chief financial officer in Zurich, says that the management team preference was for private equity.

"We saw lots of advantages, firstly the whole industry is changing - and will continue to change dramatically in the next few years," says Radon. "Private equity gives us the freedom to wait and see how the industry will evolve."

Venture capital also gave SR Technics' management far more freedom to develop its own strategy. Rather than adapting to a maintenance company's or a manufacturer's strategy, they would be able to develop a plan with SR Technics at the centre.

With most airlines and maintenance companies also struggling, 3i's investment gave the airline access to more capital. In total, along with Star Capital Partners, 3i has invested (EURO)425 million ($425 million) in SR Technics - making it the largest European transport management buy-out in 2002.

"But 3i is not just looking to support the company with capital," says Radon. "They have given us access to the network of 3i and have strengthened the team working with us on our strategy."

By nature, private equity firms take a far more active role than other investors. Investing at the bottom of the cycle is not enough, firms want to use their knowledge of specific industries or experience they have gained - such as negotiating with unions, or dealing with regulatory constraints - to help develop companies.

"There is a lot of capital in the market and private equity firms need to distinguish themselves. Good firms can bring capital and intellectual capital - including industry specific expertise," says Joel Beckman, managing partner and co-founder of Greenbriar Equity Group in New York.

Shifter agrees. "Whenever we invest in an airline we become active board members. We like to use our experience of the industry to help the management team decide on its strategy," he says.

Once firms have experience of one industry, they like to use it on other companies. David Bonderman, one of the co-founders of Texas Pacific, was a lawyer on Eastern's bankruptcy, and while the firm has invested in a range of companies - ranging from motorcycle manufacturer Ducati to fruit company Del Monte - it has always remained interested in aviation.

Greenbriar, which was founded in 1999, is unique as the only private equity firm dedicated to transportation investments. Along with Beckman, Greenbriar's managing partners are Regg Jones and Jerry Greenwald. Both Beckman and Jones were former heads of transportation at Goldman Sachs, while Greenwald is a former chairman and CEO of United Airline's parent UAL Corp.

"We look to invest in good companies with good business models and outstanding management," adds Beckman. "Price is not a thesis. If people say 'look at this company it's very cheap,' we say that is not a good reason. Obviously we like the opportunity to invest at the bottom of a cycle, but the company needs to be strong - especially since you may not be at the bottom."

Most private equity firms aim for at least a 20% return on each investment with some looking for at least a 30% return - depending on how they perceive the risks.

Venture capital companies measure risk differently to other investors. While buying a stake in a bankrupt carrier may seem like a gamble to traditional investors, firms with experience of restructuring and negotiating with unions may not view it as risky.

Timing the cycle

Firms also say that large US state pension funds are sometimes willing to take returns below 20%. With SR Technics, the main risks that 3i considered were the general geopolitical risks that could affect the aviation market and also the fact that Swiss - which accounts for about 45% of the maintenance companies' revenues - is a start-up airline.

The need to make these returns means that private equity firms very rarely plan on being permanent investors. Instead, firms will typically aim to sell their share within about five to seven years and selling at the right time is as important as buying at a low.

"If you find at the early analysis stages several exit opportunities - at least in principle - you tend to be fairly relaxed," says Petersen. "With SR Technics, an IPO could definitely be an option in the future and a trade sale is also realistic."

Petersen adds: "However, looking at SR Technics there are two elements to prevent an early exit: the firm is highly operationally leveraged with significant fixed costs and is also highly reliant on people. This means any changes made today will take three or four years to show on SR Technic's profit-and-loss accounts."

Petersen also expects the aviation market to be stronger then. He adds: "You need enough time when you invest - pure price arbitrages don't work in private equity."

There are no shortages of opportunities for firms and they are optimistic for 2003. "Private equity firms look to invest in periods of change and transformation. If you can understand that change better than others - now is a good time to invest either within bankruptcy or outside it," says Beckman.

He adds: "Competition was deregulated in 1978 but business models did not change to the same extent. Now, 25 years on the financial crisis is forcing airlines to complete the process of deregulation and there is a role for private equity to help them."

Load-Date: October 4, 2007

Timing the cycle: even when everybody else has turned you down for finance there is one group of lenders who are still be interested. While others flee, private equity firms are hungry for business. (Private equity).

Airfinance Journal

February 2003

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Possible private equity targets

UNITED AIR LINES is the most high-profile target at the moment and an official at the airline says that a number of firms called both before and after filing for Chapter 11.

However, it may be some time before a deal is announced. "At the moment the airline is more interested in restructuring," says the official, "but will not rule out any sources of finance."

Greenbriar Equity Group does not comment on deals but, with a former UAL CEO, is clearly a possible investor--as is Texas Pacific which had signed a memorandum of interest with US Airways, but lost out to Retirement Systems of Alabama. There has also been increased excitement from firms looking at American Airways, although the airline is not commenting on rumours.

A number of firms have looked at South African Airways, but the size of the investment that the government is looking for is considered too small by some larger firms. At least one firm is believed to have been interested in the Greek flag carrier, although most of the well-known firms are surprised by this.

Firms are also looking beyond airlines. "You don't need to invest in an airline to invest in the cycle," says Joel Beckman, Greenbriar's managing partner. "You can invest in aerospace manufacturing and companies like freight and logistics providers."

Timing the cycle: even when everybody else has turned you down for finance there is one group of lenders who are still be interested. While others flee, private....

Greenbriar and Berkshire Partners, its co-investor, have signed a letter of agreement to invest $78 million in aerospace manufacturer Hexcel and other funds are looking at parts manufacturers.

There is increased interest from investors in distressed aircraft purchases, with several funds looking to buy aircraft to lease. However, bankers say that there is little interest from venture capital firms for traditional aircraft finance deals, as returns are not high enough.

In early 2002, KPMG estimated that the nine-largest ground-handling companies had a market share of just t 5%. The sector is certain to see consolidation and, with Candover buying Swissport, other private equity firms are likely to follow.

Venture capital firms are also looking for opportunities with corporate aircraft and fractional ownership schemes.(c) Euromoney Institutional Investor PLC This material must be used for the customer's internal business use only and a maximum of ten (10) hard copy print-outs may be made. No further copying or transmission of this material is allowed without the express permission of Euromoney Institutional Investor PLC. Mail to: publisher@euromoney.com Copyright 2003 Euromoney Institutional Investor PLC1628

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Ryanair creates a buzz

AirFinance Journal

February 2003

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Body

Ryanair, the Irish low-cost carrier, has surprised many market participants by agreeing to buy rival UK low-cost airline buzz from KLM for (EURO)23.9 million ($23.9 million) and ordering 22 new Boeings.

The low-cost carrier will acquire an airline which operates 12 aircraft on 21 routes, carries almost two million passengers and which generated an estimated (EURO)140 million of revenue in 2002.

Ryanair has placed 22 firm orders with Boeing for 737-800 aircraft, and increased its options by 78. The 22 aircraft are scheduled for delivery in 2004 and 2005. In January 2002, the Irish low-cost carrier placed an order for 100 aircraft with 50 options, and has already converted three of these options to firm orders. The airline's latest order increases the total of aircraft on firm order with Boeing to 125, and the number of options to 125.

KLM will also retain rights to the six BAe 146s on lease at buzz, minimizing Ryanair's exposure to aircraft leases.

Buzz has also committed to lease six 737-300s from ILFC for eight years.

Load-Date: October 4, 2007

Airbus beats Boeing for hollow win; Gloomy forecast for 2003 puts cloud over European manufacturer's victory over US rival in last year's order race

Flight International

January 21, 2003

FLIGHT INTERNATIONAL

Section: News; News Analysis; Pg. 15

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Byline: Max Kingsley-Jones / London

Body

Airbus defeated Boeing in last year's commercial aircraft order battle, but is drawing little comfort from its victory, warning that the bleak trading conditions endured over the past 12 months look set to deteriorate further in 2003.

The two companies' combined gross order intake tumbled 22% from 710 to 551 aircraft in 2002, worth an estimated $45 billion (using average 2002 list prices for Boeing's share of the total). The year-on-year fall in orders was the second in a row after 2001's figures were adversely affected by the US terrorist attacks, and came despite two massive injections provided by European low-cost carriers EasyJet and Ryanair. These two deals alone accounted for 40% of 2002's total in volume terms.

The two manufacturers' combined net orders dropped by a third to 409 aircraft -- the lowest since 1994 -- as a result of over 140 cancellations. These cancellations reduced the order value to around $34 billion, down 45% on 2001.

Airbus's 300 gross orders put it in pole position with a 54% share, which increases to 57% after cancellations. Airbus also beat Boeing in order value terms for the second year running, with its orders worth $24.5 billion against its rival's $20.7 billion (as estimated by Flight International).

Detailed analysis of the geographical breakdown is not possible due to the large number of undisclosed customers in Boeing's orderbook, but business in Europe was the strongest in 2002 (see table), primarily due to low-cost carriers' orders. Orders from leasing companies, which had averaged 20-30% of the total in the boom years, were well down in 2002.

Airbus beats Boeing for hollow win; Gloomy forecast for 2003 puts cloud over European manufacturer's victory over US rival in last year's order race

Airbus acknowledges that the sales situation last year was better than it had feared 12 months ago, when it predicted the industry would achieve around 350-400 orders, but Airbus president Noel Forgeard warns that 2003 "will be an extremely difficult year...the situation in the industry is contrasted, but globally bad". He says that US airlines are in crisis and in the rest of the world "the situation is frail...there is no reason to believe the situation will improve significantly in 2003".

Forgeard says he and Airbus executive vice-president customer affairs John Leahy agree the industry will generate a similar level of orders in 2003 as it did last year, but without the massive contribution of 220 orders from the low-cost carriers: "That is to say around 170-180 orders each for Airbus and Boeing. This would mean that we would eat about 100 aircraft out of our backlog, but this is peanuts." Forgeard adds that Airbus has outline agreements for almost 30 aircraft that will be firmed up soon.

Boeing has so far declined to comment on its prospects for 2003, saying "we are sticking solely with our deliveries forecast because they drive revenue...orders are less and less useful as a measurement of market leadership".

As forecast a year ago, total deliveries fell 20% to 684 aircraft, thanks mainly to massive production cuts by Boeing in Seattle. It was still the number one producer last year, but Boeing's output fell 28% to 381 aircraft. The US manufacturer has yet to reveal the value of its deliveries last year, but Flight International estimates they were worth $27.4bn at 2002 list prices, with a 20% discount. This was the level to which Flight International calculated Boeing's 2001 deliveries were reduced, based on stated revenue.

In 2001, Airbus had put the brakes on its planned output growth to over 400 aircraft annually, with production pegged back from 325 aircraft in 2001 to 303 last year. Airbus says its 2002 deliveries produced a turnover of 19.5 billion, which Flight International calculates equates to an average 20% discount based on list prices.

Output fell by just 7%, enabling Airbus to gain more ground on its rival by share of overall deliveries, leading to accusations from Seattle that Airbus is damaging the whole industry by overproducing.

Based on current forecasts, the combined output is due to fall at least 15% further this year to no more than 580 aircraft, when Airbus should take a historic lead over Boeing by retaining its 2002 build rate of 300 aircraft against its rival's planned 275-285. However, Forgeard warns its 300 aircraft target could drop to "280 or 290" depending on what happens in the coming months. "We have still organised ourselves to deliver 300 aircraft," he says. "We will reconfirm this target in April or May".

With Airbus set this year to achieve its holy grail -- 50% of the world's large aircraft production -- Europe will produce more airliners than the USA for the first time in modern history.

The Airbus president says that "international tensions cloud the picture" and warns that if a war with Iraq is not concluded quickly, or the indecision drags on, then the industry could be seriously damaged. Leahy does not expect 2003 deliveries to dip much below 280 units even if the crisis deepens.

The combined year-end order backlog fell by 10% for the second year running, to 2,657 aircraft worth about $235 billion. In market share, Airbus has gained three percentage points on its rival, moving from 54% to 57% in the year.

Jet Airliner orders, deliveries and backlog -- 2002

	2002	Deliveries 2002	Orders 2002	Cancelled 2002	Net	Orders 2002

Backlog 2001 Deliveries 2001 Net Orders

Airbus

Airbus beats Boeing for hollow win; Gloomy forecast for 2003 puts cloud over European manufacturer's victory over US rival in last year's order race

A300							
	9	0	0	0	66	11	61
A310							
	0	0	0	0	5	0	0
A318							
	0	0	27	-27	87	0	-
47							
A319							
	85	148	105	43	245	89	-
7							
A320							
	116	78	-				
96	174	591	119	117			
A321							
	35	9	9	0	159	49	37
A330							
	42	24	12	12	168	35	41
A340							
	16	31	10	21	89	22	-
13							
A380							
	0	10	0	10	95	0	85
Total							
	303	300	67	233	1,505	325	274
Value (bn)							
	$18.5**	$24.3	$5.9*	$18.4	$134.6*	$20.5	$
37.3							
Boeing							
717							
	20	32	16	16	40	49	6

Airbus beats Boeing for hollow win; Gloomy forecast for 2003 puts cloud over European manufacturer's victory over US rival in last year's order race

737	223	162	43	119	798	299	188
747	27	17	0	17	52	31	16
757	29	0	0	0	28	45	44
767	35	8	10	-2	39	40	51
777	47	32	6	26	195	61	30
MD-11	0	0	0	0	0	2	0
Total	381	251	75	176	1,152	527	335
Value (bn)	$27.4***	$20.7*	$ 5.4*	$15.3*	$100.2*	$35.1	$24.5*
TOTAL	684	551	142	409	2,657	852	609
Total value (bn)*	$45.9	$45.0	$11.3	$33.7	$234.8	$55.6	$61.8

NOTES *Values = Where other figures are unavailable, Flight International estimates have been calculated from manufacturer data/list prices. **Airbus reports 2002 deliveries worth 19.5 bn. ***Boeing 2002 delivery value based on list prices, adjusted downwards by 20% to reflect 2001's discount level. Cancellations may be negative where an order has been converted from one aircraft to another, but no new order has taken place.

2002 gross orders by region -- ranked by number

	Airbus	Boeing	Total
Europe	158	108	266
North America	31	44	75
Asia	29	29	58

Africa	38	9	47
Middle East	14	0	14
Australasia	7	4	11
Latin America	0	6	6
Lessors	20	6	26
Undisclosed	3	45	48
Total	300	251	551

Load-Date: January 28, 2003

Give war a chance;
The airline industry needs a quick, decisive war in Iraq to set the recovery rolling. War may be awful -- but phoney war is worse

Flight International

January 21, 2003

Section: Regulars; Comment; Pg. 5

Length: 769 words

Byline: Staff

Body

The glimmer did not last. For a few hopeful months, in the first half of last year, as the 11 September aftershocks subsided and with the Taliban dispatched from Afghanistan, the industry dared to hope that recovery was on the way. A revival in the US economy was being forecast for quarter three. Airline passengers had begun to return. Boeing was enthusing about its Sonic Cruiser prospects and Fairchild Dornier about those of its 728 regional jet. And, if they were not actually placing orders, airlines were at least beginning to talk about fleet renewals.

Then, by the second half of last year, the slow drift towards war in Iraq threw the latent recovery into reverse, with airlines holding back on orders until the international situation was resolved. Although further terrorist outrages, including the devastating bomb in Bali, directed at Western tourists, further dented confidence, airlines and airframers started to blame the indecision over Iraq rather than 11 September for the industry's malaise.

This was certainly the case at the Airbus press conference last week. According to Airbus president Noel Forgeard, the uncertainty in the Middle East could turn an already dismal year for the two big manufacturers into a crisis. Orders for more than 100 aircraft apiece from two European low-cost airlines, EasyJet and Ryanair, masked what was a grim 2002 for Airbus and Boeing. Take these away and the performance was catastrophic. Not a single Boeing 757 was ordered all year; only eight Boeing 767s found customers and Airbus had net orders for just 12 A330s.

That is why Forgeard has called for a quick decision on possible hostilities. That is code for: "Let's get it over with." Despite the growing opposition in Europe in particular to UK and US unilateral action in Iraq, the discovery last week of undeclared empty chemical warheads by United Nations inspectors makes war now almost inevitable. Bar a remarkable about face by the UN Security Council, it seems certain that the so-called "smoking gun" excuse to go to war will be established and the allies given the UN's blessing to attack Saddam Hussein.

The best case scenario for the West would then be an eleventh-hour coup d' tat by the Iraqi military, deposing Saddam and installing some sort of provisional government committed to establishing democracy, a federal constitution and the rule of law in one of the world's most troublesome states. That task, although awesome, would be easier than in, say, Afghanistan, a mountainous, tribal country with poor communications, a subsistence agricultural economy, a barely functioning infrastructure and little national identity. Iraq is a modern, oil-rich nation, with a long cultural heritage, and a functioning civil service and military. By the middle of the year, Iraq could be under the rule of a benign interim president, albeit one put in place by the armed forces. Saddam would be dead, in jail or in humiliating exile.

The worst scenario -- worse than the phoney war -- would be a drawn-out, bloody campaign, another Vietnam, with the USA and its allies occupying a divided, starving country, fighting a guerrilla war and with Saddam Hussein, dead or alive, a Bin Laden-like martyr or hero. That -- and the spread of unrest to the rest of the Middle East -- could plunge industry and the world economy into the deepest recession since the Second World War.

What we end up with depends on the good sense of Iraq's generals, until now loyal to Saddam. Knowing that the awesome air power of the USA would destroy within days what is left of their hardware after the previous Gulf War, it makes no sense for them to dig in for a long resistance. Iraq has its geographical challenges for any invading army -- the marshes in the south, mountains to the north and two big rivers, the Euphrates and Tigris. But it is no Vietnam or Afghanistan with impenetrable mountains or jungles for guerrillas to hide in. The best Iraq's commanders could hope for would be to shoot down the occasional aircraft in the initial days of an air war and eventually to fight house-by-house for control of the capital. It is difficult to see Iraq's largely conscripted armed forces holding out any longer than they did in 1991.

No one wants a war. It may send defence stocks and President George Bush's poll ratings soaring, but it also means that lives are destroyed -- innocent civilians as well as servicemen and women. However, being anything less than resolute with Saddam Hussein over the next few weeks will only prolong the agony of the aviation industry.

SEE AIR TRANSPORT P13

Load-Date: January 28, 2003

orders and deliveries/ LONDON Airbus beats Boeing for hollow win Gloomy forecast for 2003 puts cloud over European manufacturer's victory over US rival in last year's order race.

Flight International

January 21, 2003

Business and Industry

Section: Pg. 15; ISSN: 0015-3710

Length: 1079 words

Body

Airbus defeated Boeing in last year's commercial aircraft order battle, but is drawing little comfort from its victory, warning that the bleak trading conditions endured over the past 12 months look set to deteriorate further in 2003.

The two companies' combined gross order intake tumbled 22% from 710 to 551 aircraft in 2002, worth an estimated $45 billion (using average 2002 list prices for Boeing's share of the total). The year-on-year fall in orders was the second in a row after 2001's figures were adversely affected by the US terrorist attacks, and came despite two massive injections provided by European low-cost carriers EasyJet and Ryanair. These two deals alone accounted for 40% of 2002's total in volume terms.

The two manufacturers' combined net orders dropped by a third to 409 aircraft - the lowest since 1994 - as a result of over 140 cancellations. These cancellations reduced the order value to around $34 billion, down 45% on 2001.

Airbus's 300 gross orders put it in pole position with a 54% share, which increases to 57% after cancellations. Airbus also beat Boeing in order value terms for the second year running, with its orders worth $24.5 billion against its rival's $20.7 billion (as estimated by Flight International).

Detailed analysis of the geographical breakdown is not possible due to the large number of undisclosed customers in Boeing's orderbook, but business in Europe was the strongest in 2002 (see table), primarily due to low-cost carriers' orders. Orders from leasing companies, which had averaged 20-30% of the total in the boom years, were well down in 2002.

Airbus acknowledges that the sales situation last year was better than it had feared 12 months ago, when it predicted the industry would achieve around 350-400 orders, but Airbus president Noel Forgeard warns that 2003 "will be an extremely difficult year...the situation in the industry is contrasted, but globally bad". He says that US airlines are in crisis and in the rest of the world "the situation is frail...there is no reason to believe the situation will improve significantly in 2003".

Forgeard says he and Airbus executive vice-president customer affairs John Leahy agree the industry will generate a similar level of orders in 2003 as it did last year, but without the massive contribution of 220 orders from the low-cost carriers: "That is to say around 170-180 orders each for Airbus and Boeing. This would mean that we would eat about 100 aircraft out of our backlog, but this is peanuts." Forgeard adds that Airbus has outline agreements for almost 30 aircraft that will be firmed up soon.

Boeing has so far declined to comment on its prospects for 2003, saying "we are sticking solely with our deliveries forecast because they drive revenue...orders are less and less useful as a measurement of market leadership".

As forecast a year ago, total deliveries fell 20% to 684 aircraft, thanks mainly to massive production cuts by Boeing in Seattle. It was still the number one producer last year, but Boeing's output fell 28% to 381 aircraft. The US manufacturer has yet to reveal the value of its deliveries last year, but Flight International estimates they were worth $27.4bn at 2002 list prices, with a 20% discount. This was the level to which Flight International calculated Boeing's 2001 deliveries were reduced, based on stated revenue.

In 2001, Airbus had put the brakes on its planned output growth to over 400 aircraft annually, with production pegged back from 325 aircraft in 2001 to 303 last year. Airbus says its 2002 deliveries produced a turnover of c19.5 billion, which Flight International calculates equates to an average 20% discount based on list prices.

Output fell by just 7%, enabling Airbus to gain more ground on its rival by share of overall deliveries, leading to accusations from Seattle that Airbus is damaging the whole industry by overproducing.

Based on current forecasts, the combined output is due to fall at least 15% further this year to no more than 580 aircraft, when Airbus should take a historic lead over Boeing by retaining its 2002 build rate of 300 aircraft against its rival's planned 275-285. However, Forgeard warns its 300 aircraft target could drop to "280 or 290" depending on what happens in the coming months. "We have still organised ourselves to deliver 300 aircraft," he says. "We will reconfirm this target in April or May".

With Airbus set this year to achieve its holy grail - 50% of the world's large aircraft production - Europe will produce more airliners than the USA for the first time in modern history.

The Airbus president says that "international tensions cloud the picture" and warns that if a war with Iraq is not concluded quickly, or the indecision drags on, then the industry could be seriously damaged. Leahy does not expect 2003 deliveries to dip much below 280 units even if the crisis deepens.

The combined year-end order backlog fell by 10% for the second year running, to 2,657 aircraft worth about $235 billion. In market share, Airbus has gained three percentage points on its rival, moving from 54% to 57% in the year.

Jet Airliner orders, deliveries and backlog - 2002

20022001

NetNet

DeliveriesOrdersCancelledOrdersBacklogDeliveriesOrders

Airbus

A3009000661161

A3100000500

A3180027-27870-47

A319851481054324589-7

A32011678-96174591119117

A321359901594937

A330422412121683541

A340163110218922-13

A38001001095085

Total303300672331,505325274

Value (bn)$18.5**$24.3$5.9*$18.4$134.6*$20.5$37.3

Boeing

7172032161640496

73722316243119798299188

7472717017523116

75729000284544

76735810-2394051

77747326261956130

MD-110000020

Total381251751761,152527335

Value (bn)$27.4***$20.7*$5.4*$15.3*$100.2*$35.1$24.5*

TOTAL6845511424092,657852609

Total value (bn)*$45.9$45.0$11.3$33.7$234.8$55.6$61.8

NOTES *Values = Where other figures are unavailable, Flight International estimates have been calculated from manufacturer data/list prices. **Airbus reports 2002 deliveries worth g19.5 bn. ***Boeing 2002 delivery value based on list prices, adjusted downwards by 20% to reflect 2001's discount level. Cancellations may be negative where an order has been converted from one aircraft to another, but no new order has taken place.

2002 gross orders by region -

ranked by number

AirbusBoeingTotal

Europe158108266

North America314475

Asia292958

Africa38947

Middle East14014

Australasia7411

Latin America066

Lessors20626

Undisclosed34548

Total300251551926

Load-Date: January 31, 2005

Airports

Flight International

January 14, 2003

Section: News; Air Transport; Pg. 11

Length: 329 words

Byline: Staff

Body

* Brussels South Charleroi Airport increased its passengers handled by 65% in 2002, mainly as a result of Ryanair operating three Boeing 737-800s to nine destinations. The airport expects to handle 1.7 million passengers in 2003and is planning to add a new terminal with capacity for 3 million passengers by 2006. Meanwhile, Brussels International Airport suffered a 16% drop in aircraft movements to 256,873 in 2002, back to levels last experienced in 1995. This was as a result of the demise of Sabena, which accounted for 52% of Brussels' 2000 capacity.

* The Zimbabwean government is studying the feasibility of developing a new international airport at Kariba, a main tourist destination in northern Zimbabwe. The government says the existing airport cannot cope with demand and is losing traffic to airports in Zambia. But the study comes as tourist traffic to Zimbabwe plummets due to political and economic instability and government critics have questioned the need for the airport.

* The government of Singapore is allocating S$210 million ($120 million) to help maintain Changi Airport's status as a regional hub. The measures include 15% discounts on landing and rental charges at Changi and secondary Seletar Airport from 1 January for three years, continuing discount schemes that began last year.

* Naples Airport has opened a new departures hall and enlarged terminal and doubles its check-in capacity to 27 desks, which marks the completion of the first phase of a 71 million ($74 million) improvement.

* Paris- based Optimum Group is to develop a $100 million commercial complex as part of the redevelopment of Bahrain International Airport (BIA). Construction tenders will be invited next year and the centre will open in 2005. Bidding is meanwhile under way for the contract to build a new air traffic control tower. The BIA project includes the construction of a satellite terminal at the eastern end of Terminal 1.

Load-Date: January 22, 2003

Charter carrier Deccan to offer India's first no-frills operation

Flight International

January 14, 2003

Section: News; Air Transport; Pg. 11

Length: 223 words

Byline: Nicholas Lonides / Singapore

Body

Indian air charter company Deccan Aviation is planning to launch the country's first "no-frills" airline this year with Bombardier Dash 8s.

Managing director Capt G R Gopinath says passenger flights are due to begin in May.
He says terms have been agreed with Bombardier for the lease of six Dash 8-100s for the move into scheduled services.

The operation will be launched with four aircraft followed by two more three months later. Around 15 destinations are to be served in the south of the country.

"We will be connecting underserved or totally unconnected areas," says Gopinath. "We have been looking at this for the last two to three years and feel the timing is right. India needs a low-cost airline and this will be modelled in some ways on EasyJet and Ryanair."

Bangalore-based Deccan operates eight helicopters and two small fixed-wing aircraft on charter services. Gopinath says it is India's largest air charter company.

The Indian government has been calling for the development of air services to underserved destinations. Most of India's airlines operate larger aircraft such as Boeing 737s on domestic flights, although main private carrier Jet Airways now operates ATR turboprops in addition to its 737s and is to add Embraer regional jets, while rival 737 operator Air Sahara plans to acquire Bombardier CRJs.

Load-Date: January 22, 2003

People

Flight International

January 14, 2003

Section: News; Business; Pg. 19

Length: 88 words

Byline: Staff

Body

*James May is to succeed Carol Hallett next month as president of the US airline lobby group, the Air Transport Association.
May was formerly executive vice-president of the National Association of Broadcasters.

*British Airways chief executive Rod Eddington will take over from Leo van Wijk of KLM as chairman of the Association of European Airlines.

*Ryanair has promoted Michael Cawley, formerly chief financial officer, to chief operating officer. He is replaced by Howard Millar, formerly director of finance.

Load-Date: January 22, 2003