

## Airlines and Major Oil Companies Take Divergent Paths on First Quarter Results

Overall the U.S. airline industry recorded losses of about \$3.5 billion for the first quarter of 2003, and those losses are expected to double by year's end.

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**S**kyrocketing revenues from leading oil companies served to accentuate the losses reported by nearly all major U.S. airlines for the first quarter of 2002. Airlines blamed sharply higher fuel costs, as well as dismal market conditions, for their poor performances.

Overall, the U.S. airline industry recorded losses of about \$3.5 billion for the quarter ending March 31, and airline industry analysts are expecting total year losses of anywhere from \$6 billion to \$7.5 billion. Many airlines pointed to significantly higher fuel costs, related to the war in Iraq, as a key reason for their discouraging performances.

In contrast to the recent quarter's \$3.5 billion loss, the country's nine largest airlines recorded a combined \$3.3 billion decline during the fourth quarter of 2001, the first complete quarter after the September 11 terrorist attacks.

According to the **Air Transport Association (ATA)**, prices on jet fuel for January 2003 grew by 38.5% over the previous January, for February the increase was 44.6% and for March the jump was 65.3%.

In contrast to the huge losses reported by airlines in first quarter 2003, major oil companies recorded

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## ASIG and MSP Close to Identifying Cause of Two Recent Fuel Leaks

**T**hree months after evidence of two apparent leaks in the jet fuel system were discovered at **Minneapolis St. Paul International Airport (MSP)**, officials haven't definitively pinned down the exact cause, but stressed that steps have been taken to minimize any environmental damage.

The two leaks were discovered within days of each other in mid-February. The first was found February 14 when fuel vapors were detected in a sanitary sewer north of the airport property near the airports A and B concourses. There, airport and state pollution control officials found a drainage sump contaminated by

thousands of gallons of jet fuel. They quickly turned off that sump and began pumping the sump into vacuum trucks.

On February 19, officials doing routine maintenance then discovered the second leak, a jet fuel sheen in the water in a storm sewer system near the airport's D concourse that was discharging into the Minnesota River.

**Aircraft Service International Group (ASIG)** operates the fuel facility and is working with the Minnesota Airport Commission and the Minnesota Pollution Control Agency to divert that flow into a

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**In contrast to the huge losses from airlines in first quarter 2003, major oil companies recorded strong profits in the same period.**

strong profits in the same period. For example, **Royal Dutch/Shell Group** reported a 136% increase in net income to \$5.33 billion and **ChevronTexaco** recorded a 57.3% net income gain to \$1.97 billion. **BP** recorded a record net income increase of 136%, and **Total Fina Elf** turned in a 49% increase in net income. **Exxon Mobil Corp.**'s net income grew from \$2.09 billion in the first quarter of 2002 to \$7.04 billion in Q1 2003, although that includes accounting changes and exceptional items.

Low inventory levels and high jet fuel demand contributed to the strong results from major oil companies. Total Fina Elf, for example, said part of the net income growth was the result of "first quarter refining margins that soared in response to cold weather conditions, high jet fuel demand and low inventory levels." And BP, while attributing much of its growth to strong growth in exploration and production, also noted significant growth "due to higher worldwide refining margins and improved retail margins, particularly in the USA."

Royal Dutch/Shell Group also noted higher margins, as well as the tightening of the global product supply/demand balance. The company said pricing in the second quarter "will depend on general OPEC supply availabilities, OPEC discipline in response to the return of Iraqi exports to the oil markets and lower seasonal demand." The company also noted that "the high first quarter margins are not seen as sustainable."

**Ed Merlis**, who until May of this year was senior vice president for legislative and international affairs at ATA, says that while higher jet fuel costs don't automatically translate into higher earnings for oil companies, there is some correlation. "One of the ironies I have seen over the years is that when airlines do poorly, oil companies do well," he notes. "It's almost as if they are counter-cyclical. In this case clearly a series of economic factors which were adversely affecting the airline industry are the very same factors that benefited the oil companies – greater margins on refined products and the 'war premium' which hung over this business for practically the entire quarter."

"(Airline executives) had great frustration that the (Bush) administration would not open the strategic petroleum reserves, which we believe would have eliminated the war premium..." Merlis adds. "There was no physical shortage, there was a 'marketplace emotional shortage'...which drove the prices up."

### Pricing Relief

While the first quarter for U.S. airlines was marred by the extraordinarily high pricing on fuel, airline fuel executives say they expect pricing on crude oil to stabilize or perhaps decline in the coming summer months. Already, prices have dropped from a peak of around \$36 per barrel in February and March to \$27-\$28 in May. The price decline is due to the usual downturn during the spring and summer months, as well as the elimination of the "war premium" incurred in the buildup to the U.S. military action in Iraq.

**Robert Myrben**, vice president of fuel management at **Southwest Airlines**, predicts crude oil pricing "is going to continue to be on the strong side with a lot of volatility," he says, adding that "I think it's going to take a while to get caught up with crude inventories."

Similarly, an **America West** source says the airline "expects prices to continue to be volatile and headline driven. Petroleum futures prices imply that fuel prices will bottom out next month before gradually rising into the next winter season."

Many airlines noted the huge cost savings experienced in the quarter due to hedging their fuel requirements. Southwest Airlines noted that regarding its fuel requirements; it is 100% hedged in the \$24 per barrel range. The airline is 85% hedged for the second half of 2003 with caps under \$24 per barrel, and is 80% hedged for 2004 with caps approximating \$23 per barrel.

Similarly, in the most recent quarter, **Delta Air Lines** said its fuel hedging program reduced costs by \$69 million, pretax, with 80% of its jet fuel requirements hedged at 87 cents per gallon. In the second quarter, Delta has

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© 2003 World Jet Fuel Report

P.O. Box 30907

Palm Beach Gardens, Florida 33420

U.S.A.

Published biweekly by;

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Subscription \$1,675 per year.  
Transmitted via electronic mail or  
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Airport Revenue News**, a monthly  
magazine covering issues that concern  
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concessionaires.

“I suspect if prices get down into the \$25-\$26 range then I’d look to set those forward,” he says.

hedged 88% of its expected jet fuel requirements at an average price of 78 cents per gallon. For the third quarter, Delta has hedged 54% of its expected jet fuel requirements at an average price of 79 cents per gallon, and for the full year, Delta has hedged 65% of its expected requirements at an average price of 78 cents per gallon.

**Richard Landers**, senior director, fuel purchasing at **US Airways**, says the airline will be proactive with hedging when prices decline a bit more. “I suspect if prices get down into the \$25-\$26 range then

more regional jets will likely soften demand for jet fuel overall. But a major downturn in demand is being seen from certain carriers abroad, particularly those that are heavily reliant on Asia traffic, due to the Severe Acute Respiratory Syndrome (SARS) outbreak in the region.

In fact, the International Air Traffic Association reported an 18.5% decline in global passenger traffic in April 2003, compared to the previous April, with SARS-hit Asia Pacific carriers experiencing a 44.8% drop.

For example, **Qantas Airways**

**Major U.S. Airline Fuel Expenditures**

Airline	Cost in Millions			Price per Gallon		
	Q1 03	Q1 02	% Change	Q1 03	Q1 02	% Change
America West	\$93.4	\$58.8	60.7%	\$0.90	\$0.63	42.9%
AMR Corp.	\$729	\$527	38.3%	\$0.94	\$0.68	39.9%
Continental	\$347	\$208	66.8%	\$0.99	\$0.60	63.7%
Delta	\$511	\$339	50.7%	\$0.87	\$0.56	55.3%
JetBlue	\$35.9	\$12.9	177.0%	\$0.97	\$0.62	57.4%
Northwest	\$411	\$291	41.2%	\$0.85	\$0.59	44.0%
Southwest	\$208	\$170	22.4%	\$0.75	\$0.63	18.2%
UAL Corp.	\$571	\$398	43.5%	\$1.03	\$0.71	45.1%
US Airways	\$197	\$168	17.3%	\$0.95	\$0.68	38.6%

I’d look to set those forward,” he says.

But for some airlines, hedging could be curtailed due to cash flow issues. “It takes cash to do it, and this is why the carriers that are in financial distress are less capable of hedging right now,” Merlis notes.

**Capacity Cuts**

In an attempt to reign in the record losses, U.S. airlines are frantically attempting to cut costs. For most airlines that includes layoffs, renegotiating contracts with suppliers, eliminating paper tickets and other efforts. It also means a reduction in flights. **United Airlines**, for example, cut its capacity by about 14% in April and 20% in May, with further cuts likely to follow. America West expanded some routes but is discontinuing the use of Columbus as a hub. Other airlines are making similar moves.

In terms of fuel demand, cuts in service as well as a fleet shift toward

said passenger bookings declined by about 20% across the board in April, with markets such as Hong Kong, Japan and Continental Europe the hardest hit. **SIA Group**, parent company of **Singapore Airlines**, said the airline reduced its capacity by 30% for the April-June period, and will continue to adjust its capacity according to demand. The company in May said, “to expect any significant improvement in the next two months would be unrealistic.”

**Japan Airlines**, in its results for the year ended March 31, also noted the impact of SARS and said that international passenger traffic estimates have been revised down by 14%. For the year, the airline recorded a loss but said its fuel bill was significantly lower than the previous year because of hedging strategy and favorable exchange rates.

Airlines outside the Asia region are also struggling with SARS and the general difficult operating environment, as well as higher fuel costs. Dutch airline

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**In an attempt to reign in record losses, U.S. airlines are frantically attempting to cut costs.**

**KLM** recorded an E416 million (\$471 million) loss and said the impact of SARS might force further cost cuts. **British Airways** recorded a 7.8% decline in revenue to £7.69 billion (US\$12.7 billion) for the fiscal year ending March 31, and warned of weaker revenues for its first quarter of the current fiscal year. **SAS**, which also recorded a revenue drop in the first quarter of 2003, noted the sharply higher costs for fuel in the open market but said its costs for jet fuel increased only slightly, due to hedging combined with a positive currency trend as well as slightly decreased consumption. **Air France** reported a 5.1% decline in fuel expenses.

**Air Canada** was among the hardest hit in the first quarter of 2003. The airline, which filed for creditor protection in Canada and the U.S. on April 1, recorded an operating loss of C\$354 million (\$257.7 million) for the first quarter of 2003. The airline noted that Toronto, its main hub, was the only city outside Asia designated as a SARS-affected area, and said traffic on Asian routes was down approximately 60%.

SARS also presents a problem to certain U.S. carriers, compounding the recent problems of lower traffic numbers, higher fuel prices and a generally sluggish domestic economy. Below is a synopsis of the major U.S. carriers' financial performances for the quarter ending March 31, 2003:

#### **America West**

America West's performance improved considerably over the same period in 2002, although the carrier still recorded a loss of \$62 million. Fuel expenditures grew by 60.7% to \$93.36 million for the quarter. The average fuel price was 89.98 cents per gallon, compared to 63.22 cents in the same quarter of 2002. America West has slightly higher enplanements in the first quarter of 2003, at 4.66 million passengers, a 8.2% increase year-on-year. Operating cost per available seat mile (CASM) declined by 7.1% to 8.19 cents despite the higher fuel charges. Revenue per available seat mile (RASM) improved by 1.7% to 7.31 cents.

**American Airlines' fuel consumption declined by just 2.7% to 725 million gallons. However, the price per gallon jumped 39.9% to an average of 94 cents.**

#### **AMR Corp.**

American Airlines parent company AMR Corp. successfully dodged bankruptcy on three separate occasions but still reported a first quarter net loss of \$1.4 billion, just slightly lower than the \$1.56 billion loss the company reported in the same period in 2002. Former AMR chairman and chief executive officer **Don Carty** was forced to resign but before leaving blamed the "truly dreadful" results on the negative effect from high fuel prices leading up to the Iraq war, as well as on concern about traveling before and after fighting commenced. Expenditures on aircraft fuel grew by 38.3% to \$729 million, compared to \$527 million in fuel costs reported in the same period in 2002. American Airlines' fuel consumption declined by just 2.7% to 725 million gallons. However, the price per gallon jumped 39.9% to an average of 94 cents. CASM grew by 9.4% to 12.44 cents, while RASM declined by 3% to 8.43 cents.

#### **Continental Airlines**

Continental Airlines recorded a first quarter 2003 net loss of \$221 million, compared to a loss of \$166 million for the same period in 2002. The company said the confluence of war, threat of domestic terrorism, SARS, a poor economy, higher jet fuel prices and high tax burdens created an intensely negative operating environment. Aircraft fuel costs jumped 66.8% to \$347 million. It's average cost per gallon of fuel, excluding taxes, was 98.5 cents, a jump of 63.7% from Q1 2002's 60.17 cents. Other cost-cutting measures took hold, however, and CASM grew by just 1.6% to 10.25 cents. RASM declined by 3.6% to 8.45 cents.

#### **Delta Air Lines**

Delta Air Lines reported a first quarter net loss of \$466 million, compared to a net loss of \$397 million in Q1 2002. Aircraft fuel costs increased from \$339 million in Q1

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**Aircraft fuel expense increased 177%, or \$23.0 million, due to 15.9 million more gallons of aircraft fuel consumed resulting in \$9.9 million of additional fuel expense and a 57.4% increase in average fuel cost per gallon, or \$13.1 million.**

2002 to \$511 million in Q1 2003. The airline consumed slightly less fuel (588 million gallons compared to 599 million gallons) but the cost per gallon increased by more than 30 cents to 86.89 cents. CASM inched up only slightly to 10.98 cents, but that figure is adjusted to reflect stable fuel prices from the previous year. Without the adjustment, CASM grew by 5.4% to just under 11 cents, from 10.4 cents in Q1 2002. RASM increased from 8.53 cents to 8.83 cents.

### JetBlue

Operating revenues for low cost carrier JetBlue increased 62.8%, or \$83.8 million, primarily due to an increase in passenger revenues. Increased passengers resulting from a 63.3% increase in departures and a 0.6 percentage point increase in load factor, or \$106.0 million, partially offset by a 10.7% decrease in yield, or \$25.2 million, drove the increase in passenger revenue of \$80.8 million for the three months ended March 31, 2003. Operating expenses per available seat mile decreased 8.2% to 6.25 cents for the three months ended March 31, 2003, despite a 57.4% increase in average fuel cost per gallon. Aircraft fuel expense increased 177%, or \$23.0 million, due to 15.9 million more gallons of aircraft fuel consumed resulting in \$9.9 million of additional fuel expense and a 57.4% increase in average fuel cost per gallon, or \$13.1 million. Cost per available seat mile increased 53.8% primarily due to the increase in average fuel cost per gallon. As of March 31, 2003, JetBlue hedged approximately 80% of 2003 fuel requirements with 2.5 million barrels and approximately 25% of projected 2004 fuel requirements with 1.4 million barrels. JetBlue recognized \$1.1 million in settlement gains as an offset to fuel expense which represents the hedge effectiveness.

### Northwest Airlines

Northwest Airlines Corporation reported a first quarter net loss of \$396 million, compared to a Q1 2002 net loss of \$171 million. At \$411 million, the first quarter fuel expense, which included \$49 million in benefits from

fuel hedging, was \$120 million higher year-on-year. Fuel prices averaged 85 cents per gallon, a 44% increase over the Q1 2002 period average of 59 cents per gallon. CASM increased by 5.2% to 10.2 cents, from 9.7 cents, while RASM declined by 2.6% to 7.9 cents, from 8.1 cents.

### Southwest Airlines

Southwest Airlines was the only major U.S. airline to post a profit in the first quarter of 2003. Net income for the period was \$24 million, compared to first quarter 2002 net income of \$21 million, an increase of 14.3%. CASM increased 2.6% to 7.5 cents from 7.31 cents in Q1 2002, primarily due to higher labor and jet fuel costs, the company said. While noting sharply higher fuel costs, **James F. Parker**, vice chairman and CEO says the airline was “able to mitigate significantly higher energy costs by hedging 100% of our first quarter fuel requirements, saving Southwest approximately \$77 million...” Total fuel costs in the quarter increased 22.4% to \$208 million. Per gallon fuel costs grew by 18.2% to 74.8 cents. RASM increased by 2.1% to 7.77 cents.

### UAL Corp.

United Airlines' parent company UAL Corp. rivaled only AMR Corp. in the magnitude of losses recorded in the first quarter 2003. UAL reported a net loss of \$1.3 billion, compared to a \$510 million loss in Q1 2002. The bankrupt airline reported fuel costs at \$571 million for the quarter, a 43.5% jump. United's per-gallon fuel cost was the highest among major U.S. airlines at 103.2 cents per gallon, compared to 70.6 cents in Q1 2002. However, CASM inched up just 0.5% to 11.47 cents. RASM declined by 4% to 8.97 cents.

### U.S. Airways

U.S. Airways Group, Inc., reported a loss of \$282 million for the quarter ending March 31, 2003,

*(Continued on page 6)*

**James F. Parker, vice chairman and CEO says the airline was “able to mitigate significantly higher energy costs by hedging 100% of our first quarter fuel requirements, saving Southwest approximately \$77 million....”**

compared to a \$435 million loss for Q1 2002. The latest figure excludes unusual gains and fresh-start accounting adjustments associated with the completion of the company's Chapter 11 reorganization on March 21. The airline experienced a 17.3% increase in fuel expenditures in the quarter, growing from 168 million in Q1 2002 to 197 million in Q1 2003. Per-gallon fuel costs increased by 38.6% to 94.7 cents, from 68.3 cents. CASM came in at 11.99 cents, compared to 12.91 cents in

the first quarter of 2002, while RASM held relatively stable at 10.41 cents, compared to 10.46 cents in Q1 2002. **JFR**

*Editors Note:*

*The next issue of JFR will analyze Asian and European Airline first quarter 2003 results including hedge performance.*

**ASIG/MSP Close To Identifying Cause Of Two Recent Fuel Leaks**  
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temporary storm water retention pond. A permanent storm water retention pool is scheduled to completed either in July or August, officials said.

**Larry McMahon**, vice president of fuel consortiums for ASIG said since then both situations are being monitored 24 hours a day. "We've identified potential source for the spill and recovery efforts are already underway," he said. "The investigation is still ongoing but everything's in place to recover the fuel that was spilled.

**Steve Lee**, supervisor of the emergency response team for the **Minnesota Pollution Control Agency** suggested the source of both leaks have been tentatively identified—one in a hydrant system and the second in a valve. "Those are the chief suspects right now," he said. "The source of this particular problem is almost surely not an above ground spill."

But Lee conceded that finding and repairing these leaks could take some time. "It's a difficult place to do an investigation," he said. "They've got to drill through feet of concrete and... they've got all the electrical, sewer and water, plus the airplanes coming in."

Minnesota state law requires that industries report any fuel spill larger than five gallons and Lee suggested the airport has some minor leaks in jet fuel in the past. "We've been working with the airport for several years as they rebuild," he said. "As they rebuild terminals, it's not uncommon for them to contaminated soil from historic spills. It is uncommon to find pools of jet fuel product underground and that's what we're dealing with here."

A March 27 memo by MAC environment director **Roy Fuhrmann**, estimated the emergency expenditures linked to the spills at \$263,400 to immediately protect the environment, initiate cleanup and make necessary modifications to equipment. A MAC spokesman later said those costs are likely to rise and the original memo suggested the commission would seek reimbursement from ASIG for the expenditures.

McMahon said his company had no problem with that arrangement. "I can tell you right now the fuel committee has been paying for the cost through their normal M & O agreement. Right now, my company ASIG, we pay the bills and they we submit them to the fuel commission and they reimburse us."

While none of the officials could offer a timetable for when the leaks will be finally repaired, Lee said the state would investigate the causes and could take legal action against either MAC or ASIG. "Enforcement action from this agency would happen if it turns out that the leakage from the hydrant system was preventable or if it should have been discovered before it came out in the storm sewer and the sanitary sewer," he said. **JFR**

*Commentary...*

## Reduced Airline Reports as Axe Falls on Wall Street Analysts

Wall Street's investment houses have decimated their research departments in the wake of the \$1.4 billion settlement with federal regulators. **Citigroup's Salomon Smith Barney** is just the latest in a line of investment banks to drop coverage of key industry sectors, including airlines. Earlier **Goldman Sachs, Morgan Stanley** and **JP Morgan** are reported to have cut upwards of 25% of their research staffs.

Investment banks are now prohibited from providing research and analysis on firms they have a banking relationship with since the temptation to tout those companies and overlook irregularities becomes too great.

During the bull market of the 90's many Wall Street analysts took on icon status and their recommendations could move markets. But since the **Enron, Global Crossings, Adelphia** and **WorldCom** debacles, some analysts are under indictment and facing numerous lawsuits from the millions of shareholders who followed their advice to ruin.

According to reports, Citigroup contends that dropping some sector coverage is only a temporary measure. However, over the last decade, Wall Street's investment banks raked in millions in investment banking fees. So when confronted with conflict issues coming out of the settlement, few are surprised that research lost out.

### Analysts Tout Airline Stocks

Airline employees and creditors are all too familiar with the quality of analysis of the airline industry offered by Wall Street analysts over the past three years. Over that period airline stocks have plunged and U.S. airline debt has doubled to over \$125 billion.

Many are quick to blame 9/11, economic recession, the Iraq war and finally SARS for the serious problems that ail the industry. At the same time, few clearly state that significant airline losses occurred in the third quarter of

2001 prior to the tragedy of 9/11 and subsequent catastrophic events.

Even today, airline analysts are jumping back on the airline investment bandwagon claiming that the worst is over and it can't get any worse than what the industry just experienced. That would suggest that the Legacy airline model isn't broken after all and that airlines, steeped in debt, will be able to grow their way out of their predicament. As a result of several analysts buy recommendations, airline stocks have risen 10% since the beginning of the year. However, some analysts are cautioning that the rally is overdone and just a little premature.

One such credit rating analyst, **Bill Warlick** of **Fitch Ratings** warns that airlines are still suffering from a severe liquidity problem. "Combined cash outflows related to debt repayments, pension funding requirements and planned aircraft capital spending may delay the arrival of healthier balance sheets until the second half of the decade, and may trigger future liquidity crises or bankruptcies."

The long term debt burden looks particularly onerous, according to Warlick who estimates that \$21 billion in debt will come due before 2006. While some of that debt can be refinanced a large amount will simply become due. In addition, airline pension liabilities amount to more than \$22 billion. Airlines are seeking pension relief from Congress but after two bailouts it is unlikely that Congress will move swiftly to grant yet another.

With the Air Transport Association (ATA) reporting that the postwar travel demand has stalled and traffic the week ending May 25 off 9.9% from year ago levels, some airlines will need to return to profitability post haste. In the past two years, airlines have borrowed extensively to fund operations. Now their spiraling debt will limit their future access to money. **JFR**

**"Combined cash outflows related to debt repayments, pension funding requirements and planned aircraft capital spending may delay the arrival of healthier balance sheets until the second half of the decade, and may trigger future liquidity crisis or bankruptcies."**

# World Jet Fuel Prices

## Spot Cargoes

Trend ↗

Rotterdam			Mediterranean			Middle East			New York			US Gulf Coast		
5/30	5/23	5/16	5/30	5/23	5/16	5/30	5/23	5/16	5/30	5/23	5/16	5/30	5/23	5/16
233.9	233.0	238.2	227.6	227.2	233.4	28.11	28.05	27.95	75.11	75.89	76.09	71.47	72.12	71.77
Chicago			Los Angeles			Pacific NW			CIF Japan			Singapore		
5/30	5/23	5/16	5/30	5/23	5/16	5/30	5/23	5/16	5/30	5/23	5/16	5/30	5/23	5/16
77.81	78.49	78.97	70.20	71.00	72.75	70.70	71.50	73.40	29.12	29.55	29.64	28.09	28.33	28.42

## Futures/Differentials

Trend ↗

IPE Gasoil*			NY Heating Oil			WTI Crude			Brent Crude			Rott Jet/IPE Gasoil		
5/30	5/23	5/16	5/30	5/23	5/16	5/30	5/23	5/16	5/30	5/23	5/16	5/30	5/23	5/16
222.5	223.0	219.5	75.60	76.85	78.75	29.10	29.16	29.14	26.03	26.24	26.10	11.40	10.00	18.70
NY Jet/Heating Oil			Gulf Jet/NY 2 Oil			Gulf/Los Angeles Jet								
5/30	5/23	5/16	5/30	5/23	5/16	5/30	5/23	5/16						
1.05	2.35	3.17	-2.05	-1.17	-1.27	1.27	1.12	-0.98						

Key: U.S. weekly averages cents per gallon, WTI Crude, Asian jet in \$/barrel, Europe, Medd \$/Ton

Sources: Opus Jetfax, JFR

## News Briefs

### Airborne Reduces Fuel Surcharge

**Seattle...** Airborne Express reacted to the slight reduction in average jet fuel prices by lowering its fuel surcharge effective June 9, 2003. The surcharge on all express shipments will drop from 5.5% to 4.5%, while the surcharge for the company's ground services will fall from 2% to 1.8%.

Airborne Inc. chairman and CEO Carl Donaway said the company is beginning to see some relief from the sky-high prices in the first quarter, the result of the general conflict in the Middle East and the war in Iraq. "Although recent fuel prices

have trended at slightly lower levels, fuel prices continue to be volatile," he said. "We believe our action is in line with the industry trend, which is to pass on the savings of recent jet fuel price declines to customers while remaining prudent in light of the volatile market for jet fuel." **JFR**

### CT Investigates Jet Fuel Leak

**Middleton...** Connecticut state officials are looking into whether aircraft engine manufacturer Pratt & Whitney may be in violation state and federal laws in connection with a leak last month that

spilled thousands of gallons of jet fuel into a creek that feeds the Connecticut River.

While the fuel was recovered before it reached the river, officials found that the two 50,000 tanks where the fuel was stored before it leaked from a series of underground pipes were without monitors in violation of state law. In addition, Pratt & Whitney said the pipes themselves were made of cast iron or steel, another potential violation of a federal law that required the replacement of all pipes made of potentially corrosive metals by 1998. **JFR**

