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Airlines Fear Higher Crude Prices; Continue Focus On Cost-Cutting

Despite signs that the global airline industry is beginning to emerge from a multi-year slowdown, carriers are very cautiously looking at the coming months, as the unsettled situation in Iraq combined with an increasing volatile oil market are causing a lot of sleepless nights.

Only a few weeks ago there was genuine optimism that crude oil prices would begin to slide from their current rate of \$32 per barrel to somewhere in the mid-\$20s. That's still comfortably within the Organization of Petroleum Exporting Countries \$22-\$28 price band, but would provide relief to

many global carriers just now emerging from a multi-year airline industry recession. That feeling was bolstered by predictions that it will be a fairly mild winter, easing demand for heating oil.

Indeed some carriers still feel that crude oil prices and jet fuel prices will be coming down in the next few months. "Since crude oil products supply and demand seem to be in balance, the expectation is for jet fuel prices at 10-12% lower than the current level," said **Arnaldo Santos**, director of fuel for **Varig Brazilian Airlines**.

But increasingly there is

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Air Traffic Growth Is Promising, But Forecasters Remain Uneasy

Industry forecasters have spun aviation statistics from the past four years into both optimistic and cautious expectations for 2004. Some are elated that signs of increased passenger traffic have emerged in conjunction with a 7.2% increase in the U.S. Gross Domestic Product (GDP). Others say today, in the aviation industry especially, even a strong GDP can't carry the weight of the unexpected.

On the optimistic side, passenger numbers are on the upswing at many airports and at some, traffic is back to pre-9/11 levels. There is also some good news in the airline industry as major carriers report improved productivity

and higher profits.

A c c o r d i n g t o AirlineForecasts.com, which specializes in airline research and education, revenues expected in 2004 for 17 of the airlines are about \$92 billion, or 6.4% higher than the total expected this year. **Vaughn Cordle**, a financial analyst with the company, sees 'the glass as half full,' and claims a turnaround is underway. Revenues for the 17 airlines peaked in 2000 at \$98.7 billion, he says. In comparison to that, third-quarter operating margins in 2001 were down 11%, and in 2002 down 7%, but as of early November, they were

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"It may well get to the point where production is so far above demand that (OPEC) will be hard-pressed to keep the prices high."

'hear we go again' feeling among jet fuel experts. A host of factors have left many wondering if crude oil prices may in fact go up from their current \$33/range, taking many refined products with them. "It's very volatile," said **Hans Polzin**, **Lufthansa's** head of risk management and supply. "The cracks spreads for gasoline are quite high and it seems to be impacting the heating oil situation," he said. "Heating oil is quite high compared to crude oil and so it all doesn't quite fit. We don't know what's going to happen."

Bob Sturtz, director, petroleum administration for **United Airlines** adds the uncertainty is not just caused by the current situation in the Middle East. "With the stock (inventory) situation, we're just a few percent above the 2000 levels, which were extremely low," he noted. "You had an uptick in economic activity where the GDP in the US was up 75% and then you got a lot of economic strength in the Far East--China could take as much as 500,000 barrels to drive their growth."

Sturtz pointed out that OPEC has a long-standing policy of boosting production if the price per barrel of crude oil is trading above the equivalent of \$30 WTI for 20 consecutive days, and so should be leaning toward boosting supply when they meet again December 4. But no one is quite sure that they'll do that.

"It's really in the hands of OPEC in terms of how they want to control the price," Sturtz said. "If they want to keep it in the band then they're going to have to put more crude into the market at the December 4 meeting. First quarter tends to be the slowest quarter, but if they don't manage it through the winter and we have anything more than a normal winter, then I think prices are off to the races."

While he's not predicting higher prices, **Jonathan Pardoe**, fuels contract manager for **Virgin Atlantic Airways**, says that's certainly a possibility in the near-term future, referring to the

"terrorism premium" and the "feeling of fear that pushes the price higher." He notes, however, that some OPEC countries are still not meeting their stated quotas, producing more instead. That, coupled with increased production from Iraq and Russia, may cause a supply glut.

"It may well get to the point where production is so far above demand that they'll be hard-pressed to keep the prices high," Pardoe says.

If crude prices were a bit more stable, or a bit lower, the growing economic strength of the airline sector could mean that carriers could use hedging to maximize their fuel buys. But Sturtz pointed out, "What the hell's a hedge strategy at \$33(barrel)? I don't think prices are going to \$35 or \$36 and it will cost you \$2 to put a 10% out-of-the-money call on, which is the safest thing to do. Or you can do a swap and get your head handed to you to when the market sells off."

Pardoe, however, is continuing on a modest hedge strategy. "I don't think you can stop doing it even if prices are high," he says. "What we see as high now could be very reasonable in three months."

Oil Profits on the Rise

The higher crude prices have naturally translated into stronger profits for the leading oil companies. **ExxonMobil** for example saw US downstream earnings rise to \$371 million in the third quarter, up from \$2 million for the same period last year. International downstream earnings were \$540 million for the quarter, up from \$83 million in 2002. **ChevronTexaco**, credited higher crude oil and gasoline prices for its record third quarter as earning from refining, marketing and transportation were \$181 million, compared with a \$158 million loss for the same period in 2002. The company's US downstream earnings were \$148 million, compared with a \$79 million loss in Q3 2002, while international downstream earnings were \$33 million compared with \$79 million loss during the same period

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Cost-cutting was a key theme among airlines heading into the winter months.

last year.

Total SA credited higher margins for a three-fold rise in its third quarter operating profit for its refining division to \$382 million. The French company said higher oil prices and refining margins offset a weak dollar and a decline in its chemical division, enabling the company to post a most 6% rise in overall earnings to \$1.95 billion.

Cost-Cutting Measures

Cost-cutting was a key theme among airlines heading into the winter months. Traffic has rebounded from the Iraq War and the SARS crisis, but carriers still stressed the need for vigilance to the bottom line. In an October speech to the Asia Pacific Aviation Media Association, **Geoff Dixon**, CEO of **Qantas**, said the challenges facing the industry couldn't just be attributed to terrorism, war and SARS. "The underlying pressures for structural change are intensifying," he said. "They result from changing market circumstances and customer requirements, as well as the success of low-cost airlines. Many traditional network carriers have found it necessary to review their business models, find greater efficiencies and look at opportunities for consolidation."

Indeed, most major carriers named cost-cutting as a key initiative in the coming months. In reporting its first half results to September, **Air France** said it will step-up its cost containment measures. "Even though there are signs of recovery on most markets, both in business volume and revenue quality, it would not be reasonable, in this still very uncertain economic context, to count on the improving economic situation alone to boost our profitability," said chairman **Jean-Cyril Spinetta** said. Air France reported turnover of EUR3.18 billion (\$3.79 billion) for the second quarter to September, down 1.6%, while operating profit before aircraft disposals came in at EUR100 million (\$119.1 million),

down 28.1%.

Air France will merge with Dutch airline **KLM** in the spring, pending regulatory approval, and both airlines are working to cut costs further before then. **KLM** said it continued to focus on costs during its second quarter despite the difficult operating environment. The airline had net profit of EUR90 million (\$107.2 million) for the second quarter to September, up slightly from the EUR86 million (\$102.4 million) recorded the year before. Operating profit was EUR131 million (\$155.9 million), down from EUR141 million (\$167.9 million).

British Airways posted a \$166.7 million profit for the second quarter ending September 30, off from the \$264 million the company made during the same period in 2002. The company blamed increased competition, the softness of the global economy and a July strike by ground staff.

Lufthansa blamed a nearly 5% decline in revenues for a \$17 million loss for the third quarter. The German carrier's nine-month loss is \$470 million, contrasting with a net profit of \$409 million profit for the first nine months of 2002.

In Asia, Taiwan's **China Air** rebounded from the SARS-related first half slump to post a 43% rise in third quarter profits. For the year's first nine months, the carrier has made \$12 million, despite a \$40 million second quarter loss. **Singapore Airlines** also post strong quarterly profits of \$176.1 million, rebounding from a second quarter loss of \$181 million.

But **Japan Airlines** posted its first-half loss of \$533 million, primarily as a result of a decline in international travel due to SARs and the Iraq war. The company said it has noted a rebound in business travel, but said leisure travel remained down as the global recovery seems to be moving slower than many people want.

Among US airlines, **AMR**, the parent company of **American Airlines**, reversed a \$924 million Q3 2002 loss to post a modest \$1 million net income for the same period this

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"Many traditional network carriers have found it necessary to review their business models, find greater efficiencies and look at opportunities for consolidation."

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year. Excluding special items, AMR reported operating earning for the three months of \$141 million and net loss of \$23 million. The company benefited from a 20.2% decline in wage, salaries and benefits costs over Q3 2002, which more than offset a modest 0.6% increase in fuel cost to \$701 million during the period. American's fuel price per gallon during the quarter was 85 cents, up 9% over the 2002 Q3 price of 78 cents.

US Airways managed to narrow its net loss during the quarter to \$90 million, compared with \$335 million for the same period in 2002. Fuel costs for the quarter, including taxes, were 86.3 cents per gallon, up 12% over the same period in 2002. The company said its fuel position is 55% hedged for the fourth quarter 2003 and 30% hedged for 2004.

Northwest Airlines rebounded from a \$46 million net loss for the third quarter last year, to post a \$42 million Q3 2003 profit. Northwest's third quarter fuel price average was 76 cents per gallon, up 6% over last year. Included in that price is \$30 million, or 6 cents per gallon, in gains realized from hedging.

Continental Airlines benefited from the sale of \$100 million in ExpressJet stock to post a third quarter net income of \$133 million, up \$128 million over the same period last year. But Chairman/CEO **Gordon Bethune** issued a very cautious assessment of the company's future, saying, "Even after selling ExpressJet shares and receiving the government security fee reimbursement, we still have a year-to-date loss with a tough six month period ahead of us." Continental's jet fuel costs for the quarter rose 14.5% to \$316 million, compared with last year.

Locked in a fierce negotiations with its pilots over proposed wage concessions the company insists is essential for its long-term competitiveness, **Delta Airlines** posted a third quarter net loss of \$164 million, compared

with \$326 million loss for the same period in 2002. The carrier's fuel cost for the quarter, including gains from hedging and taxes, was 79 cents per gallon.

Bankrupt **United Airlines** managed to post a \$19 million third quarter operating profit—the company's first positive quarter in three years—largely a result of improved passenger numbers and a 34% reduction in employee costs compared to the same period in 2002. But overall the company is still struggling to emerge from bankruptcy. Its net loss for the quarter was \$367 million, including \$330 million in one-time charges and organizational expenses. Aircraft fuel costs for the quarter were \$514 million, a 34% decline over the same three months in 2002.

Southwest Airlines reported its net income for the third quarter was \$106 million, up from \$75 million for the same period last year, and the Dallas-based carrier's 50th consecutive quarter of profitability. Vice Chairman and CEO **James Parker** noted, "Our average jet fuel cost per gallon increased only 3.7 percent to 72.8 cents in third quarter 2003, as we benefited from third quarter hedging gains of \$30 million. Based on prevailing market prices, we currently expect our fourth quarter 2003 average jet fuel cost per gallon to exceed the third quarter 2003 average jet fuel cost per gallon of 72.8 cents. We are 87% hedged in fourth quarter 2003 under \$24 per barrel and 83% hedged for 2004, with caps approximating \$23 per barrel."

JetBlue reported net income of \$29 million for the second quarter of 2003, up from \$12.2 million for the same period a year earlier. Despite battling the August blackout that impacted parts of the Eastern and Midwestern US, JetBlue's operating revenues were \$273.6 million, up 65.5% over the same period in 2002. The company realized fuel price per gallon was 81 cents, up 8.7% over the second quarter 2003.

Another budget carrier,

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America West, also posted strong third quarter numbers, rebounding from a \$49.6 million Q3 loss in 2002 post a \$32.9 million net income for the three months ending September 30, despite seeing 84.61 cents per gallon of fuel, up 13.1% over the same period last year. Indianapolis-based **ATA** also turned around a third quarter 2002 loss to post \$6.6 million profit in Q3 this year. ATA's fuel and oil expenses for the period were \$65.2 million, up 23% over the \$53 million spent during the same three months last year. **AirTran Airways** had net income of \$19.6 million on \$237.3 million in revenue in the

third quarter.

Indeed, the success of low-fare carriers in the US and globally has led to a spate of startups around the world. Already successful in Australia, more low-cost carriers are expected to launch elsewhere in Asia in the new year. Europe's low-fare carriers continue to post growth. In the US, low-fare carriers have outperformed the legacy carriers in recent years. The global landscape for the airline industry is changing, and with it comes increased, and thus far sustained, emphasis on a low-cost, low-frills model. **JFR**

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up 3.4%.

“This is a good rebound and it is a function of the powerful monetary stimulus,” Cordle says. “In the last recession it took five years for a profit recovery. This time we’ll go from breakeven next year, to full profit in 2005.” Net profit margins peaked in 1998 and 1999 at about \$4.5 billion per year. Base case profits in 2005 will be around \$2.5 billion or about 44% less than the peak of the last business cycle according to Cordle. “Improved and lower cost travel substitutes, travel hassles due to increased security, and lower average fares - a result of increased low-cost airline competition in the industry - are conspiring to drive down industry profitability.”

From the airlines’ standpoint, layoffs and reduced labor costs have played a significant role in their improved finances. Overall, legacy carriers have increased labor efficiency by 30%, Cordle says. US Airways at press time had 94 employees per aircraft, down from 110 in 2001, he says; and United had cut back from 165 per aircraft in 2000, to 111 by the third quarter of 2003.

While AirlineForecasts’ research shows United’s per capita employee costs at \$90,000 in 2002 and \$80,600 in late 2003, the air transportation marketplace is still fragile. Looming large for higher cost carriers is the specter of competition from low cost carriers (LLC) such as

JetBlue and Southwest, whose average per capita employee costs in 2003 were \$45,000 and \$62,000 respectively. Without lower labor costs, which is also a function of productivity and headcount rationalization, Cordle does not expect the largest network airlines to be able to cover their true costs of capital over the next full business cycle. In other words, a second round a restructurings may be required during the next economic downturn.

Even more serious factors could fracture aviation’s incremental improvement pattern. Forecasters admit that even impressive GDP figures don’t insulate the industry from the effects of potentially catastrophic events, such as acts of terrorism. It is sobering that the combined effects of a slack aviation economy and the tragedy of 9/11, were so damaging some experts claim domestic traffic won’t recover until 2006 or 2007.

Forecasters choosing to err on the side of caution de-emphasize what the optimists see. For example, where traffic growth exists, they contrast it against a year when air travel plummeted. “This is not what I would consider a robust market,” says **Robert Bowles** manager of the office of data and forecasts for **FAA**. “Carriers seem to have done a reasonable job in cutting back capacity to match the level of demand, but the level of demand we’re talking

“This is not what I would consider to be a robust market.”

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The direct relationship between buying power and air travel no longer exists due to intangibles such as the hassles of airport security, alternative travel modes and distance-spanning options such as teleconferencing.

about is 10% to 15% below where we were before September 11th. Passenger numbers in 2003 versus 2000 are down 13.9%. So while the numbers are getting better they're coming off an extremely low base."

New Indices an Enigma

Further muddying the waters for forecasters is the shift in what now drives traffic. The direct relationship between buying power and air travel no longer exists due to intangibles such as the hassles of airport security, alternative travel modes, and distance-spanning options such as teleconferencing. Hence, aviation professionals have shown dispassion over dramatic GDP growth, and an eagerness for new indicators that air travel is on the rise.

It used to be that as disposable income increased, so too did business growth. Now the main drivers for traffic are low fares and flight frequencies, which, according to **Michael Boyd**, president of **The Boyd Group**, an aviation, consulting, research and forecasting firm, means a shrinking aviation market. Even taking into consideration the unexpectedly strong GDP figure, he says, the growth rate for passenger traffic next year will likely be less than 2%.

"The concrete connections are gone," he says. "Of the passengers on low cost carriers about 5% to 10% were never airline passengers to begin with. They are people who were planning on buying a new refrigerator but took advantage of low fares instead." He explains that many of the airlines' customers have been those who had no intention of traveling; are not brand loyal, and are not frequent travelers. "That pool of passengers is going to dry up," he says. "Low fares drove them to use their money for that one time special vacation but they are not likely to come back for awhile."

In support of his viewpoint, Boyd notes that airlines have shifted how they operate their fleet mix, and that will continue to impact traffic growth. "It used to be that a large portion of large jet service would offer low fare seats. But now the routes are operated with these cramped regional jets," says Boyd. "As a result there are fewer low fare

seats in a lot of markets, especially in hub markets. People are focused on what Southwest and JetBlue are doing. Let's focus on markets like Fresno where it's almost entirely 50-seat jets now; it's the same scenario in mid-sized and even some large cities."

Carriers such as United, he says, will operate 50-seat jets for a good portion of a Midwest to a West Coast flight. "This means there are not a lot of low fare seats, which means the ambient fare levels are going to be high. That by itself is affecting travel decisions and it may be a permanent phenomenon."

Another factor to consider he says, is that LCCs cannot expand to every market, and at some point they will implement "cherry picking" strategies that will divert traffic from small markets to more profitable large markets, thus serving fewer cities. Furthermore, he says, because there are a small number of LCCs, they will not be able to significantly stimulate national traffic figures.

Finally, air travel growth will be curbed even more, according to Boyd, by the use of email, fax machines, and teleconferencing options.

Overall Traffic Growth Depends on Majors

Obviously, in the coming months a main concern of airports is the financial health of the legacy carriers, which will greatly impact how the two industries will do business. LCCs are gaining market share and pressures are mounting for the majors to restructure their business model to fit the new world.

"If you look at data you can see that while the traffic numbers are robust the legacy carriers are buying back traffic with low fares," says the FAA's Bowles. "This is really a pricing story or yields versus absolute passenger numbers. The major carriers know they will never again get the business guy to walk up and pay a \$2,000 fare. Right now what they have is that same guy paying \$200 and they would love to get him to pay \$300. But that won't happen until a stronger economic recovery. Low fares are a positive for traffic growth, but at what cost?"

There are different strategies

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"The major carriers know they will never again get the business guy to walk up and pay a \$2,000 fare."

In 2003 the largest six major airlines lost 22% of their market share compared to 2000, according to Airline Forecasts.

in which the major carriers are trying to respond to the competition, but the way they are able to depends on how much overlap there is with the LCCs, says Bowles. "The last thing Delta or United wants to do is divert revenue from traditional revenue markets where they get decent yields. They are going to have to segment the fare structures so they are not wiping out the markets where they are getting decent yields and better fares."

The FAA predicts steady growth, recognizing that many unforeseen factors could cause traffic to disappear again. "We're looking at strong growth next year, not only growth driven by low cost carriers but we may actually see growth at some of the larger corporate legacy carriers," says Bowles. "USAirways is 30% smaller than it was and can't continue to shrink 10% to 15% a year. United has made their cuts and is refining its schedule. Going forward we may see some growth in legacy carriers compared to the last couple of years."

Under-funded Pensions Could Damage Majors

Cordle of Airline Forecasts is not as optimistic. In 2003 the largest six major airlines lost 22% of their market share compared to 2000. The share of LCCs is up 20%, and regionals are up 70%. In the aggregate, the low fare segment and regionals made up 28% of the market as of the end of September. "As low cost carriers gain critical mass, they will be able to attract more of the business travelers. They are the new price makers, legacy carriers are price takers."

Adding pressure to the profitability of the majors are their under-funded pension plans, which Cordle sees as a very serious issue. Currently, seven legacy carriers have defined benefit plans and an obligation of \$49.5 billion, he says. Combined they are under-funded by \$20.3 billion (using a 6.25 discount rate).

"If you look at 2001, the cash contribution from the seven airlines was \$350 million. Fast forward to 2004 and the cash contribution shoots up to \$5 billion," says Cordle. "Some airlines such as Continental and Northwest are

working on it by using stock in lieu of cash. For instance, Northwest threw in about \$350 million in stock from Pinnacle, their wholly owned commuter. Out of the total funding for this year, they will put out about \$60 million in cash. But going into next year, a company like Northwest without pension relief, will have to come up with \$900 million."

In late November the US House of Representatives passed a measure that will give a reprieve to airlines scheduled to make billions of dollars in catch-up contributions to worker pension plans. Under the bill, those obligations would be cut by 80% over the next two years, according to published reports. The US Senate was scheduled to address the issue, but nothing had been finalized at press time.

But even that will only reduce the level of cash contributions required over the next two years and will make the funding problem even more severe later. Cordle believes that four or five of the big network airlines are not viable businesses with the costs and liabilities associated with the defined benefit plans. If one or more of United's pension plans are terminated in order to exit bankruptcy, several of the other legacy airlines may eventually be forced to file bankruptcy in order to match costs with United's much lower cost structure.

The low cost, low fare airlines do not have expensive defined benefit pension plans and this accounts for a big part of the labor cost disadvantage that high cost legacy airlines have today. As an example, American Airlines is spending about \$700 million per year in recurring pension expense or about \$7,500 per employee. When factoring in the expected pension relief provided by congress next year, American will be required to contribute over \$500 million in cash to help close a \$3.8 billion funding gap - the equivalent of an additional \$5,500 per employee. Moreover, true liabilities on the balance sheet are understated by about \$1 billion. Required cash contributions in 2004 work out to be about 32% of the company's cash flow from operations

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“I believe in 18 months the low fare carriers will be trying to adjust their business model.”

– based on a trailing five-year average.

According to Boyd, the pension issue is more of an accounting challenge, and the underfunding problem will not kill the airlines. “It is a challenge but Congress will have to do something about it. Labor will have to change and accounting must change.” He points out that the major airlines have made important progress in their effort to return to profitability. American, Continental and Northwest are making aggressive moves to leverage their strengths, such as with their frequent traveler loyalty programs and alliances, i.e. the Continental, Northwest & Delta alliance. American has a clearer vision of where it needs to be with a 180-degree turn in its planning strategies, i.e. St. Louis has to go, notes Boyd. These improvements are heating up the competition with LCCs.

In addition, the LCCs will face their own challenges. “I believe in 18 months the low fare carriers will be trying to adjust their business model. We’re already seeing it with Southwest, which is a great airline but they are facing a crisis in addressing their business model not because of the legacy carriers but because of the aggressive low fare competition called JetBlue. The consumer will demand seat assignments. We’re seeing the low fare model shifting and as a result the major carriers made a decent profit.”

In the end, a full recovery in traffic is not expected for at least

two more years and forecasters continue to analyze and speculate on what will drive the quirky air travel market.

“I’ve been in the aviation industry for a long time and this is the worst time I can remember,” says Bowles of the FAA. “All the legacy carriers are in a restructuring mode and changing the way they are doing business. All of the low cost carriers are continuing to grow and the regionals are growing like mad. If you look back at previous downturns, you can pinpoint them to the economy. With this one a whole new dynamic emerged when 9/11 hit.”

Even when the economy began to turn around, reasonable traffic figures were posted but the normal increases of the past have not been there, says Bowles. Since the mid 1970s, terrorist incidents would hurt traffic in one year but it would quickly come back to the long term traffic growth. “I’m not sure people will ever forget 9/11 but the longer we go without any kind of incident the more likely we will see stable growth over the next several years.”

Whether 2004 unfolds according to what optimistic, or cautious forecasters say, remains to be seen. Meanwhile a virtual rebirth is taking place in the aviation industry, and no one has said it will happen without labor pains. **JFR**

News Briefs

ATA 103 Update Due Out Soon

Washington D.C.... The committee in charge of updating ATA 103, the principal guideline for jet fuel handling in the US, is putting the final touches on a new version of the guideline, due out early next year.

Eric Boling, a United Airlines executive and chairman of the ATA 103 committee, says the biggest change is a reduction in the maximum service life of water

absorbing monitor filters from 24 months to 12 months. The change is based on recent test data as well as bulletins from manufacturers.

There will be other minor changes as well, but Boling says the committee spent much of its time clarifying the previous version of the document. "It was originally written back in the 1980s strictly as guidelines," he says. "It gained acceptance and became the defacto

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World Jet Fuel Prices

Spot Cargoes

Trend ?

| Rotterdam | | | Mediterranean | | | Middle East | | | New York | | | US Gulf Coast | | |
|-----------|-------|-------|---------------|-------|-------|-------------|-------|-------|-----------|-------|-------|---------------|-------|-------|
| 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 |
| 294.8 | 303.4 | 294.2 | 285.4 | 297.6 | 287.3 | 35.5 | 36.0 | 35.8 | 85.34 | 87.24 | 86.03 | 82.32 | 84.02 | 83.10 |
| Chicago | | | Los Angeles | | | Pacific NW | | | CIF Japan | | | Singapore | | |
| 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 |
| 87.19 | 89.02 | 87.67 | 94.30 | 95.85 | 94.45 | 93.55 | 95.10 | 93.70 | 36.9 | 37.1 | 37.0 | 35.7 | 36.3 | 36.1 |

Futures/Differentials

Trend ?

| IPE Gasoil* | | | NY Heating Oil | | | WTI Crude | | | Brent Crude | | | Rott Jet/IPE Gasoil | | |
|--------------------|-------|-------|-------------------|-------|-------|----------------------|--------|--------|-------------|-------|-------|---------------------|-------|-------|
| 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 |
| 251.0 | 262.0 | 266.7 | 83.35 | 90.00 | 88.25 | 29.95 | 33.28 | 32.37 | 28.45 | 29.36 | 29.56 | 43.8 | 41.4 | 27.5 |
| NY Jet/Heating Oil | | | Gulf Jet/NY 2 Oil | | | Gulf/Los Angeles Jet | | | | | | | | |
| 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 | 11/28 | 11/21 | 11/14 | | | | | | |
| 2.00 | 2.62 | 2.00 | -0.50 | -1/15 | -1.67 | -11.98 | -11.83 | -11.35 | | | | | | |

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

Sources: Opus Jetfax, JFR

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standard for fuel handling in the US." With the new versions, words like "should" -- which has caused compliance issues, have been replaced with more straightforward language, Boling says.

New Contracts For Servisair/ GlobeGround

U.K...Servisair/GlobeGround has been awarded a multi-year extension to its ground handling contract to provide passenger

handling and technical ramp services for easyJet and Newcastle Airport. EasyJet currently operates 85 flights per week from Newcastle, a figure that is expected to rise significantly in the coming months.

Also, Servisair/GlobeGround Amsterdam has been named to handle Estonia Air's three flights per week at Amsterdam Airport Schiphol, and air Baltic's four flights per week at the airport. Finally, the Servisair cargo team has signed a long-term contract with Delta Air Lines in the UK and Ireland.

ASIG Appoints Cargo Executive

Orlando... Aircraft Service International Group appointed George Stark as vice president, cargo sales and operations. Stark will have oversight of ASIG's existing cargo operations and will be responsible for growth of ASIG's cargo services line of business. Stark previously was president of San Francisco-based Aeroground Services. JFR

