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Airlines: Performance for July 2013

On September 3rd, 2013 the International Air Transport Association (IATA) published a report which underlined the performance of airlines worldwide. According to this report the overall revenue passenger kilometers (RPKs) were up by 5.0% compared to July 2012. All regions were up year-on-year, with emerging markets recording the strongest increases. Capacity rose by 5.5% on the previous July, ahead of demand, and the industry load factor dropped by 0.4% to 82.4%. Regarding the results Mr. Tony Tyler, IATA Director General and CEO stated: "Passenger demand continues to be strong. But the story of emerging markets driving growth as developed economies stagnate could be shifting. We are still expecting growth of 5% this year. How that growth is achieved, however, appears to be at a turning point, the emergence of the Eurozone from an 18-month recession provided the biggest boost to traffic over recent months. In contrast, the deceleration of the Chinese economy has been a dampener on air travel, with weakness showing up throughout emerging Asian markets. The price of oil, a huge cost item for airlines, is tracking political tensions in the Middle East. Along with the global cost impact of this, at the regional level there is the potential for disruption for one of aviation's strongest and most consistent growth markets".

The European airlines recorded a 3.7% growth compared to July 2012. Capacity grew by 3.6% and load factor were pushed to 85.5%.

The carriers of the Asia-Pacific region recorded a year-on-year increase of 6.3%. Capacity rose 6.6% while load factor stood at 79.5%.

The North American carriers experienced a growth of 3.6% in traffic demand during July compared to the same month last year. Capacity rose by 2.9%, whereas load factors reached 87.4%, the highest for any region.

The Middle East carriers expanded by 7.8% compared to a year ago, whereas capacity expanded by 10.5% resulting in a load factor of 78.3%. The demand for new routes to emerging markets in Africa and Asia has once again fuelled the growth of the Gulf hubs.

Latin American airlines showcased a growth of 7.3% in July compared to last year, almost

April 2011	Passengers' Demand	Capacity Expansion	Load Factor
Europe	3.7%	3.6%	85.5%
Middle East	7.8%	10.5%	78.3%
North America	3.6%	2.9%	87.4%
Latin America	7.3%	7.4%	82.4%
Asia Pacific	6.3%	6.6%	79.5%
Africa	7.5%	5.6%.	73.6%

perfectly aligned with the 7.4% capacity growth. The region's load factor stood at 82.4%.

Finally, African airlines benefitted from strong domestic economic growth in key markets such as Ghana, Nigeria, Ethiopia and the Democratic Republic of Congo, to post growth of 7.5%, while capacity rose 5.6%. Load factors stood to 73.6%.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

Cargo Demand for July 2013

According to the estimations made by the Geneva based International Air Transport Association (IATA), the global air freight demand showed a continuation of the modest improvement trend experienced in July. Estimations were published in a report published on September 2nd, 2013. Global freight tonne kilometers (FTKs) were up 1.2% in July year-on-year, slightly better than the 0.9% year-on-year increase recorded in June. Tony Tyler, IATA's Director General and CEO stated regarding this development that: "The growth is encouraging, particularly in Europe. However, it is premature to say that air cargo may be emerging from the doldrums of the past 18 months. The weakness in Asia-Pacific freight markets and the deteriorating political situation in parts of the Middle East give ample reason for continued caution".

Carriers of Asia-Pacific region showcased a fall in freight volumes of 1.4% compared to July 2012, while capacity grew by 2.6%, further depressing load factors. The region's airlines have seen air freight contract 2.1% through the first seven months of 2013, the largest decline among regions.

European carriers freight volume increased by 1.5%, while capacity climbed 3.5%. July was the second consecutive month in which air freight demand increased, something that can be definitely tagged as a positive development.

Regarding the North American region, carriers posted a 1.1% year-to-year decline in demand for air cargo in July. In the Middle East the carriers grew by 14.4% compared to July 2012, taking advantage of their aggressive hub strategy at the crossroads of East and West, and the growth of routes out of Africa to China.

The cargo volumes of the carriers in Latin America were up by 3.1% compared to July last year, with capacity up just 1.7%. Finally, the African airlines' traffic climbed by 7.5% compared to July 2012, while capacity rose 5.6%, boosting the load factor by 1.3% to 73.6%.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

Epicos "Industrial Cooperation and Offset Projects"

Epicos "Industrial Cooperation and Offset Projects" provides a unique set of online tools enabling the structure, identification and implementation of comprehensive Offsets programs, through a searchable database. By introducing different offset projects and ideas proposed by local A&D industry it ensures the optimum cost for Prime Contractors and reassures that the priorities of local industry are fully met…

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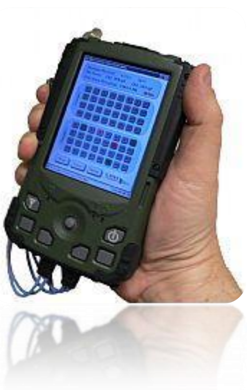
Development of an automatic detection system for Improvised Explosive Devices (IED) components in X – Ray images

A company with long standing experience in the professional training of operators, testing and evaluating of Explosive Detection Systems is proposing, in the frame of an offset program, the collaboration with companies active in the security sector for the development of an automatic detection system for Improvised Explosive Devices (IED) components in X – Ray images based on innovative data analysis.

For Further Information Contact our ICO Department

Mail at: g-menexis@epicos.com

Development of a generic hand held portable data recording unit (for aircraft maintenance applications)



A world leader in avionics communication board and system level products, is proposing, in the frame of an offset program, the collaboration with prime companies or military and civilian aircraft users for the adaptation of a generic hand held portable data recording unit it produces, in order to support specific modern military and civilian aircraft data buses monitoring for maintenance and analysis purposes. The hand held device can be adapted to the users' particular needs and requirements in order to monitor and record the data communicated and exchanged (via data buses MIL-STD-1553 and ARINC-429) by the systems of interest, on board the dedicated airborne platform designated by the user.

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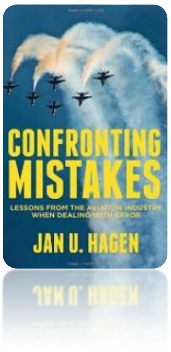
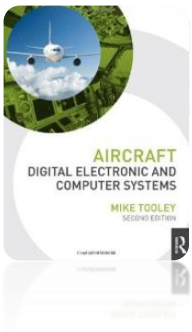
Epicos- Amazon

Confronting Mistakes: Lessons from the Aviation Industry when Dealing with Error, by Jan Hagen



Mistakes are unavoidable. Yet in most organizations, they are rarely thoroughly examined. An exception is the high-risk aviation industry, where experts have established an open and democratic culture for dealing with error. Confronting Mistakes draws on this expertise to initiate a new framework for active error management relevant to wider industry. By analyzing dramatic aviation accidents, Jan Hagen presents a new approach to error management in business to reveal how diagnostic, error-permissive behaviour is the first step towards turning mistakes into learning opportunities.

Aircraft Digital Electronic and Computer Systems, by Mike Tooley



An introduction to the principles of aircraft digital and electronic systems, this book is written for anyone pursuing a career in aircraft maintenance engineering or a related aerospace engineering discipline. Suitable for those studying towards licensed aircraft maintenance engineer status as part of an EASA Part-66 or FAR-147 approved course, or those taking Aerospace Engineering City & Guilds modules, EDEXCEL National Units, EDEXCEL Higher National Units or a Degree in aircraft engineering.

Epicos Newsroom

Qantas back into black with modest profit

Australian flag carrier Qantas said Thursday it had bounced back into the black as aggressive cost-cutting and its alliance with Emirates helped slash losses at its troubled international arm.

The airline posted a profit of Aus$5 million (US$4.5 million) in the 12 months to June 30, a major improvement on the historic Aus$245 million loss the previous year, when soaring fuel costs and industrial action hammered the bottom line.

Its underlying profit before tax -- the airline's preferred measure of financial performance -- was Aus$192 million, up from Aus$95 million 12 months ago.

Revenue inched up 1.1 percent to Aus$15.9 billion, with earnings boosted by a Aus$125 million settlement it received from US-based Boeing after putting back delivery of its 787 Dreamliner jets, which have suffered lengthy production delays.

"The market is very tough. But we are focused on the elements we can control," said chief executive Alan Joyce as the carrier reversed its first annual loss since privatisation in 1995.

"We have Australia's leading airlines and loyalty business -- and we have a clear strategy to build an even stronger business for the future."

The result was embraced by the market, with Qantas shares surging 13.82 percent to close at Aus$1.40.

The group's international division continued to struggle, posting a loss of Aus$246 million.

But that compares with a loss of Aus$484 million the previous year, signalling Joyce's strategy of scrapping less profitable routes, expanding into Asian markets and hooking up with Dubai-based Emirates is paying dividends.

"We have made considerable progress with our turnaround plan for Qantas International and we remain on track towards our target for the business to return to profit in FY15," he said.

Under the Emirates alliance, Qantas has shifted its hub for European flights to Dubai from Singapore, which Joyce said had given the group a strengthened position on routes to Europe, the Middle East and North Africa.

"Bookings have been very positive, running at about twice the level of Qantas's previous codeshare arrangements for flights to Europe," he said, adding that the full benefits were expected to flow from 2015.

"We have reduced Qantas International's cost base by five percent, having withdrawn from loss-making routes, retired ageing aircraft and completed the reconfiguration of nine Boeing 747s and all 12 of our A380s, resulting in improved fleet economics."

He added that the group's focus "remains squarely on making Qantas International a competitive and sustainable business that can ultimately grow again".

IG Markets analyst Stan Shamu said the result was above estimates.

"The international arm looks to be on track with its commitment to break even by the end of FY14," he said.

"The result illustrates that the Emirates deal is working and the strategic move to a hub in Dubai should pay off. And the one-off cost of the Dubai hub will drop out of the books next year, increasing earnings further."

Earnings from Qantas's domestic business totalled Aus$365 million, down from Aus$463 million -- still hugely profitable but under increasing pressure from key rival Virgin Australia, which reports its annual results on Friday.

Virgin, whose major shareholders include Singapore Airlines, Etihad and Air New Zealand, recently completed the purchase of a 60 percent stake in low-cost Tigerair Australia to boost its rivalry with Qantas.

While Qantas did not deliver any forward guidance "due to the high degree of volatility and uncertainty in the competitive environment, global economic conditions, fuel prices and foreign exchange rate", Joyce remained upbeat.

"Our financial position has been strengthened by the actions we have taken over past 12 months: reducing debt, extending our maturity profile and taking a prudent approach to capital expenditure," he said.

"We will continue to be disciplined in managing capital expenditure and costs, while improving the customer experience and engaging our people to provide the best possible service."

Source: 2013 AFP, Agence France-Presse (AFP)

China Eastern Airlines first-half net profit drops 23%

China Eastern Airlines, the country's second biggest carrier by number of passengers, said on Friday its half-year net profit plunged 23 percent due to weaker domestic demand for air travel.

Net profit for the six months ending June 30 was 763.30 million yuan ($124.73 million), compared to 995.1 million yuan in the same period last year.

Revenue rose 2.7 percent to 41.48 billion yuan.

The airline was cushioned by a net foreign-exchange gain of 1.17 billion yuan for the period as the Chinese yuan appreciated against the dollar.

Earlier this week, flag carrier Air China reported a 9.9 percent first-half net profit increase, driven by the currency appreciation, while China Southern Airlines saw a 19 percent fall in the same period.

China Southern also cited increasing competition from rival carriers and high-speed rail for the drop.

Shanghai-based China Eastern, which is teaming up with Australia's Qantas to launch a new Hong Kong-based budget airline, bought 60 Airbus A320 aircraft worth $5.39 billion last year.

Source: 2013 AFP, Agence France-Presse (AFP)

Virgin Australia plunges into the red

Virgin Australia's key shareholders backed the airline with major loan commitments Friday after the carrier plunged into the red as high fuel costs and intense competition led by Qantas hurt the bottom line.

The country's second-biggest airline after Qantas posted an annual net loss of Aus$98.1 million (US$87.5 million) in the 12 months to June 30, compared with a Aus$22.8 million profit in the previous corresponding period.

It sent its shareprice 3.70 percent lower to close at 39 cents.

The result was in contrast to its major rival, which announced Thursday it had bounced back into the black with a Aus$5 million profit over the same period following a Aus$245 million loss in the previous year.

Despite the disappointing numbers, Virgin won strong support from its three main shareholders, with Singapore Airlines, Air New Zealand and Etihad giving commitments Friday for unsecured loan facilities totalling Aus$90 million.

"I am very humbled by the fact that three of the world's biggest airlines believe in our strategy so much and support us," chief executive John Borghetti said.

"That's an amazing commitment from them."

Interest in Virgin Australia has intensified this year as carriers seek access to the nation's aviation market.

Qantas sealed a major alliance with Emirates to bolster its international business, prompting counter-manoeuvres from its rivals.

Air New Zealand boosted its stake in Virgin to 23 percent, making it the single largest shareholder while Singapore Airlines also bumped up its holding to 19.9 percent. Etihad has slowly increased its stake to 10.5 percent.

In addition to competition and soaring fuel prices, costs including a new ticketing system and Australia's carbon tax also hit the bottom line, Virgin said.

There were also significant transaction costs related to its acquisition of Skywest Airlines and the purchase of a 60 percent stake in Tigerair Australia.

Borghetti said while the results did not meet the airline's initial expectations, it had been a "pivotal year".

"We completed our major restructuring and transformation programme and reshaped the competitive landscape of the Australian aviation market, despite a very difficult economic environment and intense competition," he said.

No future guidance was provided given the uncertain economic times.

Source: 2013 AFP, Agence France-Presse (AFP)

Japan eyes defence budget increase, Marines-like unit

Japan's defence ministry is looking for its biggest budget hike in two decades, partly to create a Marines-like force, it revealed Friday, as neighbours fret about Tokyo's rising assertiveness.

Military bosses want more than 4.8 trillion yen ($49 billion) -- three percent up on last year -- with much of their focus on safeguarding remote islands, as a sovereignty row with China refuses to fade.

The move mirrors Prime Minister Shinzo Abe's policy of a more assertive diplomacy and a more active military.

Tokyo and Beijing have repeatedly butted heads over the ownership of the Tokyo-controlled islands called the Senkakus, which Beijing claims as the Diaoyus, with official Chinese ships and aircraft regularly testing Japanese forces.

Abe has long voiced worries over defence at a time when China is increasing its naval activities in waters around Japan, and as unpredictable North Korea continues its missile and nuclear programmes.

He has also called for a stronger military alliance with the United States, which is in the process of a re-balancing of its forces under President Barack Obama's so-called "pivot" to Asia.

China and South Korea -- victims of Japan's military misadventures in the first half of the 20th century -- have expressed unease in recent months about noises in Tokyo towards bolstering its military.

The budget request for fiscal 2014, which will begin April, represents a three-percent spending increase, making a second-straight annual increase after a 0.8-percent rise in the initial budget for the current fiscal year to March 2014.

If approved, it would mark the largest rise since fiscal 1992.

Under the request, the ministry plans to create a special amphibious unit designed to protect the southern islands and to take them back in case of enemy invasion.

It would spend 1.3 billion yen to buy two amphibious assault vehicles and increase participation in US-led training programmes with the US Marines.

The Marines are generally regarded as an offensive force, while Japan's constitution bars it from taking hostile acts and limits the role of its already well-equipped armed forces to that of defence.

The air defence force would create a new early-warning unit also in the southern region with radar-capable planes.

The ministry will conduct a full study on future purchases of Osprey tilt-rotor aircraft that can takeoff vertically like a helicopter.

Among big ticket items, the navy wants to buy a 73.3-billion-yen destroyer, a 51.3-billion-yen submarine, and a 50.8-billion-yen submarine rescue ship.

The ministry also wants to have a battery of PAC-3 surface-to-air anti-ballistic missile systems permanently located at its Tokyo headquarters. The system was deployed when North Korea conducted what is largely viewed as ballistic missile tests.

The ministry wants 24 billion yen for programmes related to cyber defence.

Some 3.7 billion yen would go toward studies of technologies to detect and track stealth jets.

While the shopping list appears quite extensive, the vast bulk of the increased budget request accounts for personnel cost, with the expected expiry of a multi-year salary freeze for civil servants.

The freeze was implemented to pay for the reconstruction of the region hit by the 2011 tsunami-earthquake disasters that prompted the Fukushima nuclear crisis.

The increased request also came as a result of foreign exchange fluctuations, with a lower yen boosting the prices of foreign-made military equipment.

The request might also change, as it currently does not account for an expected increase in the consumption tax.

Abe is yet to announce whether he will go ahead with the tax hike from the current five percent to eight percent from April.

Other ministries also submitted their budget requests Friday, with Kyodo News saying the total money asked for topped 100 trillion yen for the second straight year.

Source: 2013 AFP, Agence France-Presse (AFP)

Air New Zealand profit soars to five-year high

Air New Zealand posted a 156 percent jump in annual net profit Thursday, the best result in five years for the flag carrier also upbeat about the year ahead.

Net profit for the 12 months to June 30 came in at NZ$182 million ($142 million), up from NZ$71 million the previous year.

Chairman John Palmer said the result placed Air New Zealand among the best-performing airlines in the world and the outlook for the current financial year was "encouraging".

"We are focused on further improving on this result in the 2014 financial year," he said in a statement.

"Based on the airline's forecast of market demand and fuel prices at current levels, early results and forward bookings are encouraging."

Revenues were up three percent at NZ$4.6 billion, while operating cash flow was a record NZ$750 million.

Passenger numbers grew 2.2 percent to 13.4 million, fuelled by growth in domestic and trans-Tasman demand, with numbers on international long-haul flights edging down 0.9 percent.

Cargo volumes also increased 2.0 percent, a result the airline described as an excellent performance in a challenging global market.

Palmer said it was down to careful long-term planning and "has nothing to do with luck".

"If we go back five years we're dealing with the GFC (global financial crisis), since then we've had the earthquake aftermath in Christchurch, an earthquake in Japan and a continuing very difficult operating environment," he said.

"In that time, many of our airline peers have struggled very considerably but we've continued to build a platform and a financial record that we can be incredibly proud of."

Air New Zealand shed more than 500 jobs in 2012 and has flagged the loss of another 180 at its Auckland maintenance workshop next year.

But chief executive Christopher Luxon said the airline's long-term plan was to improve its financial performance by increasing services, rather than reducing staff numbers.

"The reality is that you cannot cost cut your way to prosperity," he said.

Palmer also announced he will retire in September, after almost 12 years at the helm, and be replaced by his deputy Tony Carter.

"Air New Zealand would not be the airline it is today without John Palmer's leadership of the board for more than a decade," Luxon said.

Air New Zealand shares were up 4.4 percent at NZ$1.43 in early afternoon trade, while the broader market was up 0.2 percent.

Source: 2013 AFP, Agence France-Presse (AFP)