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**Airlines' Profits Forecast for 2012-2013**

According to the IATA (International Air Transport Association) the financial performance of the airline industry improved in the second and third quarters of this year as the financial performance improved after a decline in the first quarter. This is more important if we take into consideration the fact that fuel prices continued to grow and the world continued to experience a fierce economic crisis. The main reason behind the

amelioration of the financial performance was that airlines took the appropriate actions in order to cut costs and to improve business structure. As a result IATA revised their forecast for industry profits in 2012 from \$4.1bn to \$6.7bn. Additionally, the Association lifted its outlook for 2013, as they now expect net post-tax profits to rise to \$8.4bn next year, while they previously forecasted \$7.5bn.

System-Wide Global Commercial Airlines	Net Profits \$ Billion				
	2009	2010	2011	2012 Est.	2013 Est.
<b>Global</b>	-4,6	19.2	8.8	6.7	8.4
<b>Regions</b>					
<b>North America</b>	-2.7	4.1	1.7	2.4	3.4
<b>Europe</b>	-4.3	1.9	0.4	0.0	0.0
<b>Asia-Pacific</b>	2.6	11.4	5.4	3.0	3.2
<b>Middle East</b>	-0.6	0.9	1.0	0.8	1.1
<b>Latin America</b>	0.5	0.9	0.3	0.4	0.7
<b>Africa</b>	-0.1	0.1	0.0	0.0	0.0

Source: IATA

Regarding the regional performance of airlines, it is worth mentioning that US airlines continue to improve profitability and thus IATA raise forecasts for this and next year. Asia-Pacific airlines performance has not deteriorated significantly, despite the weakness of cargo markets that have been observed in the last months. The forecast is good even for Europe, despite the continent is experiencing a fierce economic crisis. IATA expects that the regions airlines will break even. African airlines are also expected to break even, whereas airlines from the Middle East and Latin America are expected to improve their profitability.

As it is already mentioned, high fuel prices result in high jet fuel prices and this is a key problem that the airline industry faces. For the past two years jets fuel prices have fluctuated not far from an average of \$130 a barrel. Nevertheless, fuel prices have increased compared to the much lower prices in 2010 something that added over \$60 billion to fuel costs.

The second important problem that airlines have to encounter is the global economic crisis. It is indicative that the global GDP measure, aggregated using market (rather than PPP) exchange rates, is growing by almost half the pace of the 2010 expansion.

The new forecast for the industry can be summed up to the statement of Tony Tyler, IATA's Director General and CEO: "It is good that we are moving in the right direction, but the year ahead is shaping up to be another tough one for the industry".

Kyriazis Vasileios,  
Epicos Newsletter Head Editor

## The Future Market of Air-Ticketing



The International Air Transport Association (IATA), on December 13, 2012, announced the publication of an independent study identifying major trends that are transforming the travel distribution landscape. The study was written by Henry H. Harteveltdt. According to this report, travel is the largest e-commerce category, led by airline ticket sales. It



is indicative that in the US alone, business and leisure travelers will spend according to estimations, \$85.7 billion on online ticketing in 2012. Additionally, the study has identified that travelers are leaning towards the booking of tickets through the internet. Additionally, the travelers/customers are trying to rationalize their purchases and book for themselves the best value for money tickets. It is indicative that according to the report, the typical travel shopper visits (22) websites in multiple shopping sessions before booking a trip.

This means that the airlines should try to ameliorate the services they offer regarding e-booking. It will not be long till customers/passengers will ask from the airline companies to have in their websites customization tools like buttons, sliders, and other similar controls that make flight shopping easier and functionality comparable.

In the future, ticket booking websites will play an important role. This is showcased by the fact that they will produce almost 60% of bookings volume by 2017, while currently produce 35%.



Another important finding of the study is that air travelers are more likely than the general population to own smartphones and tablet devices, with substantial growth expected due to these devices' growing capabilities. Passengers show strong interest in using the mobile devices to plan and book flights, illustrating their comfort with these devices. It is indicative that according to Mr. Henry H. Harteveltdt, writer of the report, by 2017, 50% of online direct bookings are estimated to be made on mobile devices.

The fact that e-booking will be as important as it is illustrated above and according to the study, airlines will commerce platforms that can support extensive fare and product transparency, dynamic pricing, rich basic and ancillary product merchandising and retailing, and the ability to reliably and securely process the massive volume of shopping sessions. Importantly, airlines are also eager to see new providers enter the airline distribution/commerce space.

Internet will play a rather important role in the purchase of airline tickets. This role is expected to grow. That is the reason why, the airline industry should be ready to make further investments towards this direction.

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 a new generation ballistic protection vest integrated with a lightweight Microclimate cooling and heating system in order to meet Future Soldier requirement and applications**

A company with extensive experience in the development and production of ballistic protection equipment is proposing the development of a new technology ballistic vest integrated with an advanced lightweight microclimate cooling and heating system in order to mitigate Future Soldier's heat stress, allowing them to operate safely and more effectively in all terrains and under extreme weather conditions.

[For Further Information Contact our ICO Department](#)

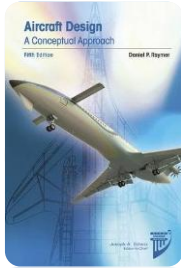
Mail at: [g-menexis@epicos.com](mailto:g-menexis@epicos.com)

**Provision of a primary training aircraft for acrobatics and military purposes**

A company excelling in the area of primary training aircraft construction is willing to provide its primary training solution as an entry level training tool for small countries' air forces.

[For Further Information Contact our ICO Department](#)

Mail at: [g-menexis@epicos.com](mailto:g-menexis@epicos.com)

**Aircraft Design a Conceptual Approach, by Daniel P. Raymer**

This textbook presents the entire process of aircraft conceptual design - from requirements definition to initial sizing, configuration layout, analysis, sizing, optimization, and trade studies. Widely used in industry and government aircraft design groups, "Aircraft Design: A Conceptual Approach" is also the design text at major universities around the world. A virtual encyclopedia of engineering, it is known for its completeness, easy-to-read style, and real-world approach to the process of design.

**Commercial Aircraft Projects, by Hans-Henrich Altfeld**

Commercial aircrafts are by their nature extremely complex products and their development equally complex and challenging. This should require the highest level of project management sophistication but in reality it cannot be afforded. However, cost reductions can be achieved by concentrating on the essential elements of such disciplines, to maintain their principal strengths, and combining them in an intelligent and pragmatic way. This is why the management of commercial aircraft must be performed on the basis of affordable essentials taken from state-of-the-art management disciplines as well as through an integrated architecture. Where this book goes beyond management essentials found elsewhere is its treatment of architecture integration, necessary to interlink product, process and resources data.



### Pegasus Airlines unveils deal for 100 Airbus planes

Turkish carrier Pegasus Airlines said Tuesday that it has ordered up to 100 Airbus passenger jets, the biggest commercial plane deal to date by a Turkish airline and the first time that Pegasus has not placed its orders with Airbus' arch US rival Boeing.

Pegasus chairman Ali Sabanci told a press conference in Istanbul that the airline had signed a firm order for 75 planes and taken options on 25 others from the Airbus A320 series, in a deal that would carry a catalogue price of \$12 billion (9.1 billion euros), though large orders are routinely signed at discounts.

The purchase includes Airbus A-320 Neo and bigger A-321 Neo planes, which are the latest, more fuel-efficient versions of the group's best-selling single aisle, short- to medium-range airliner.

Pegasus is thus set to become the first Turkish airline to operate the A320 neo plane, which is to be equipped with new engines and "sharklet" wing tips that provide substantial fuel savings.

Airbus chief operating officer John Leahy was quoted by a statement as saying that the new aircraft would "cut fuel burn by 15 percent" while offering the proven reliability of a model already being operated widely around the world.

Sabanci added that such savings by the Airbus airliner along with "superior cabin comfort made it without a doubt the best choice for achieving our ambitious future development plans."

The aircraft are to be deployed on flights from Istanbul to other Turkish cities as well as destinations in Europe and the Middle East, a Pegasus statement said.

Pegasus currently operates 42 Boeing planes, and serves 24 destinations in Turkey and 38 others abroad.

The airline also owns 12.02 percent of the voting rights in the Germany low-cost airline Air Berlin, making Pegasus the German airline's second-biggest shareholder.

**Source:** 2012 AFP, Agence France-Presse (AFP)



### Taiwan's China Airlines to lease four Boeing planes

Taiwan's leading carrier China Airlines said Tuesday it will lease four Boeing 777-300ERs as it seeks to build a more fuel-efficient fleet and lower the cost of its long-haul flights.

The airline said it had agreed to lease the passenger planes from US firm GE Capital Aviation Services Ltd and the aircraft were set to be delivered from 2014.

"To airlines, the use of fuel in a more efficient manner has become a key factor in keeping them profitable," China Airlines said in a statement.

"Since the 777-300ER is known for its fuel efficiency, the introduction of the four planes is expected to lower the cost of long-haul flights."

The company's board earlier this month approved the purchase of six 777-300ERs. Details of the deal have not been released.

The 777-300ERs will replace the airline's fuel-hungry Boeing 747-400s which are due to be taken out of service no later than 2015, company president Sun Huang-hsiang previously told the Economic Daily newspaper.

China Airlines posted a net profit of TW\$384 million (\$13.24 million) in the nine months to September.

Founded in 1959, China Airlines operates a fleet of 68 aircraft and flies to 80 destinations in 28 countries.

**Source:** 2012 AFP, Agence France-Presse (AFP)

### Swiss regulator fines four for air freight cartel

The Swiss Competition Commission said Tuesday it has fined four transit companies, including Deutsche Bahn and Kuehne and Nagel International, for fixing prices on air freight passing through Switzerland.

"The Competition Commission has inflicted a sanction of 6.2 million Swiss francs (\$6.7 million, 5.1 million euros) on four international transit companies who fixed fees and surcharges in the area of air freight," the regulator said in a statement.

The commission, or COMCO, said it had decided on December 11 to hand the biggest fine of 3.12 million Swiss francs to Swiss Panalpina Welttransport, while another Swiss company, Kuehne and Nagel, was fined 1.17 million.

The German national rail company Deutsche Bahn received a 1.02 million fine, while the Kuwait-headquartered Agility Logistics International was fined 907,349 Swiss francs.

The German postal service Deutsche Post had also taken part in the cartel, but since it turned itself in and alerted the authorities to the illegal practices it was offered immunity, COMCO said.

Deutsche Bahn and Agility had also negotiated and received lower fines, the regulator said.

COMCO explained that it had launched the probe in October 2007, and determined that the companies in question had from 2003 to 2007 coordinated certain fees and surcharges for air freight passing through Switzerland.

"Such horizontal deals constitute serious offences," it said.

**Source:** 2012 AFP, Agence France-Presse (AFP)

### Malaysia Airlines to buy ATR planes for over \$900 mn

Malaysia Airlines on Tuesday said it will buy 36 new ATR turboprop aircraft for more than \$900 million as it looks to boost profits by further expanding its regional and domestic networks.

Of the 36 ATR-72-600 planes, the carrier said 20 will go to low-cost subsidiary Firefly, which is fast expanding its lucrative routes, while 16 are for MASwings, another low-cost carrier that flies to Sarawak and Sabah on Borneo island.

The three-billion-ringgit purchase comes after the struggling flag carrier in November said it had swung back to a profit, ending six straight quarterly losses after slashing unprofitable routes to cut costs.

Malaysia Airlines group CEO Ahmad Jauhari Yahya said Firefly is expected to rapidly expand within the next five years thanks to growing demand in Asia.

"The additional aircraft will be utilised to continue growing Firefly's network and providing customers with more travel options," said Ahmad Jauhari, who signed the deal with Filippo Bagnato, chief executive of French-Italian firm ATR.

The aircraft are slated for delivery from the end of the second quarter of 2013.

Ahmad Jauhari said that the expansion of the Firefly route network would focus on Malaysia, Indonesia, Thailand and Singapore.

Launched in April 2007, Firefly provides connections to various points within Malaysia, Thailand, Singapore and Indonesia's Sumatra. It currently has 12 ATR-72-500 aircraft while MASwings operates 10 similar aircraft.

Mohamad Nawawi Awang, CEO of MASwings, said the new aircraft would provide more flights to airports in the Malaysian part of Borneo.

Asian airlines are ramping up purchases of aircraft as they look to tap growing demand for travel among the region's expanding middle class.

Earlier this month Malaysia's AirAsia, the region's top budget carrier, ordered 100 Airbus A320 aircraft with a catalogue value of \$9.3 billion, including 64 future A320 fuel-efficient Neo models as it looks to expand services.

Ignatius Ong, Firefly's CEO said the additions to its fleet were more fuel efficient and will have the latest cockpit technology similar to Airbus's A380 superjumbo.

"The turboprop is also reputed to be one of the most fuel efficient aircraft in existence, hence resulting in lower carbon emissions," said the CEO.

The chief designer of the aircraft cabin is a top Italian designer whose work is seen in many luxury supercars such as Lamborghini and Maserati, Firefly said.

**Source:** 2012 AFP, Agence France-Presse (AFP)

#### **Emirates says will steer clear of airline alliances**

Dubai-based Emirates airline plans to stay outside of global airline alliances but is open to bilateral partnerships, a company executive said in a newspaper interview Tuesday.

"Our strategy hasn't shifted," Emirates' Executive Vice President Thierry Antinori told the online newspaper Latribune.fr.

"We don't want to enter a global alliance like Star Alliance, Skyteam or Oneworld which would be a brake to our development," he added.

Instead he said Emirates sees "major partnerships between major actors" as the strategy for the future.

"Our strategy is simply to fill out our network by concluding agreements with companies that cover best the part of the network we want to develop," Antinori explained.

He said Emirates had no fixed objective in the number of partnerships it concludes, which don't involve making capital investments.

Emirates already has bilateral cooperation arrangements with Australia's Qantas and low-cost carrier EasyJet.

Antinori said Emirates was in talks with American Airlines about expanding their cooperation, but that it would be more modest than the partnership with Qantas, which shifted a hub to Dubai from Singapore to benefit from Emirates network.

He said that American Airlines being part of the Oneworld alliance posed no problem for Emirates.

**Source:** 2012 AFP, Agence France-Presse (AFP)