SUNDAY

DAY 1 | SUNDAY | 12 OCTOBER 2008

AIRLINE BUSINESS DAILY

BRINGING YOU THE NEWS FROM THE 14TH WORLD ROUTE DEVELOPMENT FORUM IN KUALA LUMPUR

A little bit of Eastern Promise

© Rex features / Roy Garner

This stunning picture of an ornate temple in the terminal at Bangkok's new airport sets the scene for Routes' first foray into the Far East.

Challenging times for Asia-Pacific airlines

BY KERRY EZARD

Asia-Pacific airlines are finding themselves hit harder than most anticipated by the global economic slowdown.

As the credit crunch began to bite and the downturn started to materialise, many expected the Asia-Pacific to fare better than other parts of the world because of the region's strong economies. However, this no longer appears to be the case and industry experts are warning that airlines in the Asia-Pacific are facing just as tough a time as everyone else, if not tougher.

"Looking at the big picture, yes the region is being affected much faster than most expected," said Peter Harbison, executive chairman of the Centre for Asia Pacific Aviation (right). "The negatives are worst in India, which in August saw a 17.3% downturn in the number of passengers travelling domestically year-over-year. It's a pretty ugly scene there and the losses are quite substantial."

China is another country highlighted by Harbison as being particularly hard hit. "China again saw very significant downturns in August. We're assuming a fair bit of this was down to the Olympics and the surrounding security restrictions, overlapped with the Szechuan earthquakes," he said, adding: "We expect a turn-up in September and October, but this is by no means certain."

IATA chief economist Brian Pearce agrees that Asia-Pacific airlines are being hit harder than anticipated, and also points to airlines in China and India as being the worst affected. "It was certainly the assumption [that Asia-Pacific carriers would fare better than those in Europe and North America] but in July and August Asia-Pacific airlines suffered more than most in terms of traffic contracting," said Pearce. IATA figures show that airline traffic in the Asia-Pacific shrunk by 3.1% in August while international traffic carried by North American airlines grew

Continued on Page 3

Changed atmosphere to permeate Routes

BY KERRY EZARD

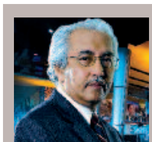
This year's Routes moves to Asia for the first time, but the location of the event will not be the only thing that is different. The atmosphere is expected to be markedly changed from last year's event in Stockholm as high oil prices and the global economic slowdown continue to blight the airline industry, as Routes chairman Mike Howarth explains.

"Obviously things are very different from last year. Last year the industry was still on a roll and lots of airlines were talking about new services," said Howarth. However, he expects that deals will still be done at this year's conference here in Kuala Lumpur as airlines look towards the future and take advantage of the failures of some of their rivals. "Some carriers will still be there talking about new air services because some are still expanding and some are looking beyond the next couple of years.

"Quite a few airlines have gone out of business so there are routes that other airlines can pick up. Some are routes that have been flown for 20 years and these are easier than starting routes from scratch."

But one thing airlines will be asking for from airports during the event is help, according to Howarth. "Some airlines are coming to Routes to say to airports 'you've got to share some of the pain – the route we

Continued on Page 3



INSIDE THIS ISSUE

Asia-Pacific carriers face fall in traffic

Credit crunch impacts on region's airlines

Continued from Page 1

5.2%. European carriers saw their traffic grow by 1.6% in August.

"US and European airlines, although weak, have been bottoming out but Asia-Pacific airlines are suffering the most at the moment," said Pearce. "The effect of lower world trade due to the credit crunch has been impacting Asia."

And the negative impact of the Olympics has so far shown no sign of lessening, according to Pearce: "There was some impact from the Olympics in China but there hasn't been the expected rebound. I would have expected to see some recovery by now but it hasn't happened." In India, Pearce points to a "very sharp slowdown in traffic" and predicts airline losses of "well over $1 billion".

Harbison lists Cathay Pacific, Singapore Airlines and Qantas as airlines in the region that are feeling the pinch. "Carriers with premium brands are seeing a considerable softening of the premium market," he said. "There's quite an overhang of aircraft deliveries starting to come through and that's going to continue to push supply even if demand doesn't keep up, so yields will get hurt." Cathay Pacific surprised the markets by incurring a first-half net loss of $71 million, compared to a net profit of $341 million in the same six-month period of 2007.

Tough talking from Brian Pearce

> **"It's going to be a very difficult six to nine months for airlines in the region"**
>
> **Brian Pearce –** chief economist, IATA

But will this gloomy outlook translate into airline failures and consolidation in Asia-Pacific, as we have seen in both Europe and North America? Both Harbison and Pearce agree that consolidation is unlikely because the airline market in the region is less mature. "The airline industry in Asia is at a different stage to Europe and North America," said Pearce. "Liberalisation took place in Europe and North America years ago, but it's just starting in Asia. There is not a long-term need for consolidation or a reduction in capacity as there is in North America and Europe."

Nevertheless, Pearce points out that it's going to be a tough time for Asia-Pacific airlines and there could be some failures. "It's going to be a very difficult six to nine months for airlines in the region. The bottom is falling out of the market," he said. "Up to the end of the year load factors will drop off and it will be very difficult for cash flow, but banks will be reluctant to extend credit. It's going to be a very difficult time. I wouldn't like to predict failures but it would be no surprise."

Harbison also believes there is only a very slim chance of consolidation, and warns that further liberalisation in the Asia-Pacific airline sector could be under threat: "The prospect of consolidation across borders is somewhere between zero and 1%. We're seeing a bit of a backlash – probably the biggest worry in this region is that rather than seeing liberalisation we're seeing a return to protectionism." ■

Continued from Page 1

provide benefits you and your community, and we want you to help us'," he said. "Airlines now see airports as very important to the success of a route. They see that they can get help from airports."

And that help could be forthcoming with one as-yet undisclosed airport planning to use the event to unveil "a cut in landing fees that will be backdated to the start of the year", he added.

This year's Routes will be "about the same size as last year", said Howarth, and will once again include the Routes Leaders' Forum that was inaugurated in 2007 (see p22). Last year more than 250 senior industry leaders representing airlines, airports, governmental authorities, research bodies, banking and investment houses, aerospace industries and service providers attended the Leaders' Forum in the Swedish capital Stockholm.

Howarth is confident that the problems affecting the airline industry will not dampen the spirit of this year's event. "The highlight will be that despite all the problems in the industry, this will be an enjoyable event," he said. "Delegates will like the location and the host will do a good job. The layout is different this year because it's all going to take place in one area, whereas last year the venue was outside the city centre. It will be more of a campus atmosphere this year." ■

AIRLINE BUSINESS DAILY

PUBLISHED BY AIRLINE BUSINESS IN ASSOCIATION WITH AEROCOMM

DAILY editorial team
Geoff Thomas
Nick Ionides
Alan Peaford
Mike Miller
Mike Martin

Design and production
Amelia Clark

Photography
Ian Billinghurst

Advertisement sales
Robert Hancock
Shawn Buck

Printed by
Times Offset Malaysia

Visit us on the web:
flightglobal.com/ab

Got a story?
Come and see us in the Hospitality Lounge 1 overlooking Networking Hall 1

ROUTES PROGRAMME | SUNDAY

09:00-13:00	The 1st Tourism and Air Service Development Summit. Location: Plenary Theatre, Level 3, West Wing
13:30	Registration. Networking village open
15:00-16:30	Inaugural International Air Route Development Association Annual General Meeting. Plenary Theatre
17:30-19:30	Welcome reception (hosted by Malaysia Airports)

The gospel according to Herb

From pistols to pickles, Kelleher calls the shots

BY MARK PILLING

Asked recently if he'd ever thought about setting up another low-cost airline, Southwest Airlines founder Herb Kelleher was only half joking when he said: "If the thought entered my mind, I'd buy a pistol."

And while he acknowledges how tough the market has become lately, he is "astounded" that some people talk about the potential disappearance of the low-cost industry. "If an economy is suffering, people have less disposable income," said Kelleher at the recent World Low Cost Airlines conference in London. "That becomes a fertile ground for low-cost carriers that charge low fares.

"The market may shrink, but it's shrinking for everybody at the same time," he said. During such periods Southwest is in a position to capitalise just as it did in the 1990-1994 timeframe, following the downturn after the first Gulf War.

Kelleher slides into the limelight

However, running a low-cost carrier is "not a vocation for weaklings", said Kelleher. The industry is "in a fix, in a tight one and in a pickle as we say in America". What airlines need is "staying power" and that absolutely basic ingredient: low costs.

Southwest has both of these and more with $5.8 billion in cash and short-term investments on hand, $600 million of instant credit and over 400 completely unencumbered Boeing 737s, he explained.

Airlines should also be cautious on over-expansion. "The airline business is not a sprint – it is an obstacle course over a marathon distance," he said.

"The current state of the race has seen a large hike in fuel prices causing huge increases in an airline's variable costs. This has caused some legacies to substantially reduce capacity – this makes me hopeful as it brings opportunities for low-cost carriers," said Kelleher. ■

Clarion call for next-gen single-aisles

BY MARK PILLING

While there is no magic formula for success in today's stressed market, the arrival of a successor to the Airbus A320 and Boeing 737 will make a big difference. "I am at the cathedral lighting candles, praying for the launch of a new fuel-efficient next generation aircraft," said Southwest chairman Herb Kelleher.

Southwest has been talking to the manufacturers for nearly two years about such an aircraft in the 110-150 seat class, which should offer at least a 15-20% improvement in fuel consumption, said Kelleher. He believes this aircraft will hit the market around 2013.

Howard Millar, deputy chief executive of Ryanair, also wants to see this development but doesn't see the aircraft available until 2016 or 2017. Both do, however, agree that air traffic control systems need to be radically overhauled. "There are tremendous savings to be generated by more efficient ATC systems than we have today," said Kelleher.

Ryanair's Millar predicts a tough winter

Millar believes that many airlines will not survive to reap these benefits. "The facts are that airlines are going to fail this winter," he said. And consolidation is taking hold. "In 10 years time there will be three major flag carriers in Europe: the Germans; Air France and others; and BA and others. Everyone else will be subsumed."

And, according to Millar, in Europe there will just be "two low fare carriers of any size – Ryanair and easyJet. These are the only two that have the strength to remain."

As far as the price of oil is concerned, Millar believes the industry is moving "into an era of much higher fuel costs and airlines are going to have to get used to it". Over the next year he sees oil at $70-90 a barrel, a view Kelleher shares. ■

ASIA STILL THE LAND OF OPPORTUNITY

"Asia is the last great growth opportunity for airlines in the world," said Tony Davis, the chief executive of Tiger Airways (pictured), at the recent World Low Cost Airline conference. His carrier now has operations from bases in Singapore and Australia with others planned in Korea and the Philippines.

"However, it is very, very difficult to set up airlines in these markets because of the regulations in them," he said. "The regulatory hurdles are both a frustration and they limit growth, but they also stop people coming into the market frivolously." This means "it could take a long time to see [deregulation] and the type of market as seen in Europe".

In Asia, the penetration of low-cost carriers into the market is only 10-15%, which means there are "fantastic opportunities for those operating in the region", said David Hall, chief financial officer of Jetstar. The Australian carrier has been invited by the Vietnamese government to establish a joint venture carrier in the country.

"We are still navigating our way through regulations and government desires," said Hall. "You need the three Ps to get going there: persistence, performance and patience. We're patient because we believe in it." ■

Big ambitions in Abu Dhabi

Abu Dhabi Airports Company sets its sights on world domination

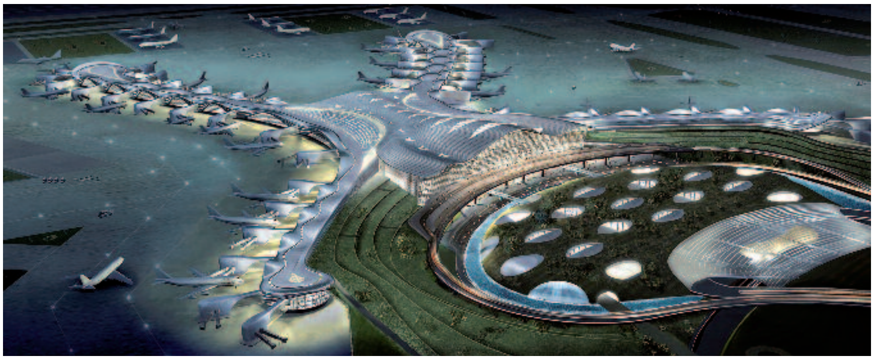
BY KERRY EZARD

Abu Dhabi Airports Company is aiming to expand internationally and become one of the top three airport owners and operators in the world. It plans to use its presence at this year's Routes to promote its activities and bring attention to its flagship airport.

"We need to continue to put Abu Dhabi International Airport on the map – people must realise that we've got a unique product and plan," said ADAC chief executive Rudy Vercelli.

In addition to Abu Dhabi International, ADAC owns and operates Al Ain International Airport, close to the border with Oman, and Al Bateen, a former military airfield that it plans to develop into a dedicated business jet airport. ADAC's portfolio also includes an airport on Sir Banyas island in Abu Dhabi.

But ADAC's ambitions stretch well beyond its domestic market.



Midfield Terminal – to open in 2011/2013

"We have a very ambitious and extensive development programme that does not necessarily comprise just what you see today," said Vercelli. "We're targeting to have our first international intervention by the end of the year." He added that the planned sell-off of one or more of BAA's London airports is "something interesting that we have on our radar".

Vercelli says there are "a number of prospects" that ADAC is "intensively looking at" in the international arena, and "we would hope to have at least one as part of our portfolio by the end of the year".

"We never want to stretch beyond what's reasonable. We're interested in Southeast Asia, North Africa and Europe," said Vercelli, adding that any investment in the Americas would be made "on a one-by-one basis".

"Being the best in terms of service is extremely important. We're not driven by quantity but by quality of assets.

"We want to be one of the top three airport owners and operators in the world," said Vercelli.

Abu Dhabi International is undergoing a $7 billion expansion programme, which includes the construction of a second runway, a third terminal due to open later this year and a 20 million-passenger Midfield Terminal, scheduled to open between 2011 and 2013. ■

Santiago airport in a cool position

BY DAVID FIELD

What an enviable position Santiago airport is in: Its main carrier, LAN, is highly stable and profitable, its home economy is one of the strongest in the region, and it doesn't really want very much. Well, maybe some runway widening, but Alfonso Lacámara, the airport's chief executive, is fairly content with the way things are.

"When we built the new terminal, we had a design goal of about 9 or 9.5 million annual passengers, and we will reach that, but not yet," said Lacámara during an interview in the Chilean capital. From August 2007 to August 2008, the airport chalked up about 9 million passengers, up from 7 million in 2006 and 8.4 million in 2007.

Lacámara hopes that the nation's ministry of public works will fund a new terminal for domestic operations, allowing the international carriers to make full use of the airport's larger terminal. He is planning for at least one more air bridge or jet bridge for 2009, while international carriers such as Air Canada are urging planning for larger, longer-term growth to begin now.

Alfonso Lacámara

The airport's modern international terminal is the most visible evidence of Chile's embrace of foreign capital and of foreign ownership of infrastructure.

The country's civil aviation administration, the DGAC, owns the two 12,000ft (3,658m) runways, the control tower and airspace, but the SCL consortium has the rest. The group, in which Vancouver airport is a major investor, committed to building a new terminal to replace the early 1960s-vintage facilities. It has since been renamed in honour of Comodoro Arturo Merino Benitez, the founder of the Chilean air force.

Lacámara explains that in 1997 the airport terminal was a small shack-like structure in a gravel field near the runway. It was in late December of that year that the Chilean ministry of public works awarded a 15-year concession, renewable for up to 78 months, to the newly formed SCL consortium to operate all of the landside area of the capital city's airport, including the passenger terminals. At a cost of more than $300 million, the new 17-gate terminal was opened in 2001.

"Starting with the Asian crisis we have had some bad times, and after 9/11 we were down for three years. But after that, both air cargo and passenger counts began to rise. As for growth, we shall have to see what the ministry wants to do," Lacámara said.

Lacámara added that a major accomplishment of the SCL group was the construction of a cargo terminal, through which virtually all Chilean air cargo moves. The nation exports more than 150,000 tonnes annually, much of it fresh seafood, fruit and wine. It imports hi-tech goods.

Lacámara is proud of the airport's duty-free shopping, which includes several restaurants, numerous arts and crafts vendors as well as the usual liquor, tobacco, electronics and luxury goods outlets. LAN, with about half of all international flights at the airport, has two VIP lounges. ■

Get connected at London Stansted

Planning applications for a second runway and terminal are critical in meeting demand

BY MARK PILLING

The management team at London Stansted has kicked off a major campaign to attract new international carriers to the UK airport.

"Our central message is that Stansted is a credible London airport with an excellent catchment area, great connections and huge growth potential," said Stewart Wingate, managing director of the BAA airport.

"We want to get the message across that Stansted is the London airport with available capacity and dispel the perception that it is just an airport for low-cost and freighter carriers."

The airport is also in the midst of a planning application for a second terminal and second runway, which will be critical in helping to meet the huge forecast demand for traffic growth in the London area up to 2030. "This will be the first new runway in many years to come into operation in the London area," said Wingate.

Stansted's single terminal is the busiest in Europe, handling 23.7 million passengers in 2007, and

Stewart Wingate, MD, Stansted airport

> **"Stansted is a good gateway for London with some of the best prospects seen on routes across the North Atlantic and to Asia"**

the "most connected European airport in the world" serving 160 destinations, said Nick Barton, commercial director at Stansted.

With its single runway the strategy for the expanded airport is to handle 35 million passengers by 2015. By then the runway will have reached its maximum capacity. The second terminal and runway, if approved, will take the airport's capacity to 68 million passengers annually by 2030, said Barton.

At present Stansted is dominated by Ryanair with around 64% of its traffic and easyJet with some 20%. Alongside the growth of low-cost players the airport had been building up its long-haul base with the arrival of all-business players MAXjet and Eos as well as American Airlines. But escalating fuel prices caused MAXjet and Eos to fail while American pulled out as well.

But the airport is convinced there is good long-haul market potential. "We think the airport is a good gateway for London with some of the best prospects seen on routes across the North Atlantic and to Asia," said Wingate. Stansted recently brought in a new discount scheme to encourage carriers to start new long-haul routes.

As it seeks new business the airport has invested £8 million ($14.4 million) in a larger central security search area and £55 million in a new immigration and international arrivals area to speed passenger flows and give a better travel experience, said Barton.

A major investment in partnership with Ryanair saw 80 self-service kiosks come on line in the week prior to Routes. These will significantly reduce congestion and queuing at check-in and could help push Stansted to handle 40 million passengers a year, said Barton.

These initiatives come at a time of some uncertainty for BAA and Stansted. BAA has already said it is seeking a buyer for Gatwick, anticipating a decision from the UK Competition Commission to sell the airport.

Colin Matthews, BAA's chief executive, stated: "At Stansted, we believe that a change in ownership would interfere with the process of securing planning approval for a second runway, which remains a key feature of government air transport policy."

MARK PILLING

Time for airports to street fight?

In today's tough markets airports will once again have to raise their game to stay competitive and sustain their attraction for airlines, says David Stroud (pictured), chief operating officer of the Route Development Group, which runs Routes.

"There is a bit more street-fighting to be done at the moment and all airports will have to try and become more customer-oriented," he said in an interview prior to this year's event.

How things have changed in the 12 months since Routes 2007 in Stockholm. Last year the talk was of network expansion, with particular excitement around Asia-Pacific, India and low-cost airlines. "At this year's event the tone of conversations will be about the existing services," said Stroud. "A lot of airlines will be asking airports what they are going to do to keep their business.

"There will be a harder edged set of discussions that airports need to be prepared for. The advice from our consultancy ASM is to have a protective sense about keeping your business and being prepared to negotiate. Go the extra mile on the deal and open your eyes to carriers you would not have previously considered.

"For many airports the preference is for international network carriers but there are other, less fashionable, players out there that might keep you in the game," he said.

Despite the industry's woes over fuel prices and the market downturn there will still be lots of opportunities for carriers ready to take advantage. "A lost route is just an opportunity for someone else," said Stroud. "Look out for the braver airports that are not afraid to fight for the business, look at new carriers and be a bit hungrier."

© Rex features / Sonny Meddie

REPORT | NICHOLAS IONIDES

OPENING ASIA'S SKY

A new Southeast Asian air services liberalisation programme, due to take effect later this year, will shake things up in the region

Years after it was first proposed, a key phase of the Association of Southeast Asian Nations' (ASEAN) air services liberalisation programme finally looks close to being implemented. The 10-member regional grouping's Roadmap for Integration of the Air Travel Sector (RIATS) has been a concept under study for years. The member nations' resolve to implement it in a previously agreed timeframe will ultimately be tested at the end of this year.

Under a non-binding agreement adopted by ASEAN members in November 2004, a full liberalisation of air freight services within the region is due to take effect by the end of December. Perhaps more importantly, however, a full liberalisation of third and fourth freedom rights for passenger services between capital cities is also due to come into effect by the end of this year.

A full liberalisation of fifth freedom, or beyond, rights for passenger services between capital cities is then due to come into effect in December 2010.

For example, Singapore and Malaysia both have highly liberal air services agreements with most of their international trading partners but between them they have long maintained one the most restrictive regimes in Asia. This meant that until early this year the lucrative Singapore-Kuala Lumpur route was dominated by national carriers Malaysia Airlines and Singapore Airlines under the terms of an air services agreement that has not been reviewed since 1980.

Indonesia has also adopted selectively protectionist air services policies. For instance, it bars Singapore-based low-cost carriers from serving its four main cities including the capital Jakarta. Whether Indonesia agrees to allow low-cost carriers to serve Jakarta from the end of this year – as it is supposed to do – will be one of the more closely watched aspects of ASEAN's pledge to go ahead with the RIATS scheme.

The group's 10 transport ministers are next due to meet on an official basis in Manila in November and at that meeting they are meant to adopt formally the RIATS implementation timetable.

> "All ASEAN members have different views towards liberalisation"

FULL LIBERALISATION

According to a joint ministerial statement issued after their last meeting in Singapore in November 2007, the ministers "agreed to the signing of the ASEAN multilateral agreement on the full liberalisation of air freight services at the earliest possible opportunity, in time for implementation by December 2008".

Whether this target is met or not, the talk has already resulted in bilateral liberalisation initiatives in markets that were protected for so long. For example, Singapore and Malaysia recently decided between themselves that they would open up the long-protected Singapore-Kuala Lumpur route.

Early this year low-cost airlines were finally given rights to serve the route, but only in a limited manner. Malaysia's AirAsia currently operates two daily flights while from Singapore Jetstar Asia and Tiger Airways operate one flight each. From 1 December things will be radically different, as the Singapore-Kuala Lumpur route will be fully liberalised for services by airlines from each side.

AirAsia will initially have six flights per day on the route and Tiger will have up to five, while Jetstar Asia will have two flights per day on Tuesdays and Sundays and three every other day of the week.

Rosalynn Tay, managing director of Tiger Airways Singapore, says: "This is a huge milestone in Asian low-fare aviation." Jetstar Asia chief executive Chong Phit Lian adds: "It is definitely good news. The flight time between Singapore and KL is short and passengers in both cities are very familiar about the benefits of low-cost carriers."

At their last meeting in November 2007, ASEAN transport ministers also agreed in principle that they would work towards expanding RIATS in the hope that there will be a single ASEAN aviation market by 2015, similar to that of the European Union.

Sceptics doubt this will indeed take place by 2015 as member countries have "flexibility with regard to the implementation of the proposed timeline", based on Appendix I of the RIATS document.

But even if a complete liberalisation does not take place by then, long-protected markets are already opening up and airfares are falling. As Tiger's Tay says: "The customer is the big winner here." ■

ASEAN MEMBER COUNTRIES
Brunei
Cambodia
Indonesia
Laos
Malaysia
Myanmar
Philippines
Singapore
Thailand
Vietnam

For our Asian Skies blog go to: **flightglobal.com/blog/asian-skies**

REPORT | DAVID FIELD

AIR CANADA MANAGES THROUGH BOEING DELAYS

Double whammy hits Canadian carrier with problems for both 777 and 787 programmes

For an airline executive who finds himself held hostage to delayed aircraft deliveries, Air Canada's Montie Brewer is remarkably optimistic. Brewer, who is president and chief executive, wants deliveries of Boeing's 787 and 777 to modernise the carrier's fleet. Both models, however, are delayed – the 787 by the widely-publicised production difficulties and the 777 by the strike at Boeing.

But Brewer is fairly confident that Air Canada will weather the delays. "We'll work our way through this. We'll manage as we have before," says Brewer. The airline, he says, is well positioned by virtue of its geographic presence: It is not overly exposed to any one region of the world, although in a global downturn it is of course still vulnerable.

Air Canada has positioned itself well, with a leading share in all of its markets. Domestically it has about 57% of all of Canada's airline capacity, and internationally it has a market share of about 39%. The domestic Canadian marketplace is the source of about 43% of Air Canada's revenues, while it derives about 37% of its revenues from international travel.

"We'll work our way through this. We'll manage as we have before"

Montie Brewer – president and chief executive, Air Canada

CLOSE SECOND

Other airlines collectively come a close second on international routes, with a cumulative 38% share. In the domestic market, WestJet is second, with about 36% of the nation's capacity. That leaves transborder flights, a highly fragmented market from which Air Canada derives just 20% of its revenues. Here it has a 37% market share. But it has a larger international exposure than other North American carriers with about 55% of its capacity deployed on international routes.

By contrast, Continental Airlines, which has one of the largest international systems among the group, has about 45% on international routes, while American is down at 35% of its total capacity. When Continental joins the Star Alliance next year, it will begin a relationship with Air Canada that will expand Alliance flying into Central and South America.

Still, says Brewer, every $1 increase in the cost of fuel increases the airline's annual fuel bill by $26 million. Its total 2008 fuel bill will be about $800 million to $1 billion above its 2007 total. So in June, Brewer announced a "painful" series of job and capacity cuts that will lower the airline's work rosters by 2,000 and its capacity by 7% by the end of the year. The biggest cuts are into the hardest hit region, the USA. Transborder routes take a 13% cut, while domestic routes will be trimmed by 2% and international by 7%.

While Brewer notes that the international situation is nowhere near as grim as it was during the SARS crisis or the first Gulf War, he is ending flights between Vancouver and Osaka this month. The airline will also convert a number of daily overseas services such as Edmonton-London Heathrow and Vancouver-Beijing from daily to several days a week.

The carrier was counting on the new Boeings as part of its fleet modernisation. They would allow it to start to retire its Airbus A340s, a model over which the 777-200 has a 15% fuel-burn advantage. But the International Association of Machinists strike at Boeing began in early September and two more 777s (of 18 more) that were set for delivery by the end of 2008 will be delayed for an undetermined time, almost definitely until well into 2009.

The 787-8 will be delayed by about 30 months, with the first deliveries in January 2012. Brewer says that Air Canada "runs into issues in 2010, when the first aircraft was supposed to show up". Each 787, for which the airline has 37 firm orders and 23 options, should be 30% cheaper on fuel than a Boeing 767-300, he says. Brewer adds that Air Canada would seek some compensation from Boeing for the delays, but is "really very pleased" with the way in which the new 777s it has already taken have pushed up unit revenues.

PREMIUM SEATING

The new aircraft are fitted with Air Canada's new premium seating product, which it calls Executive First, and this has already boosted revenues. On the Paris-Montreal route, where the new product is available, unit revenues were up by 7.4% in the second quarter, while on the Hong Kong-Toronto run, they rose by 9.5%, Brewer says. The Executive First cabin with its 'pod' bed is now on all of Air Canada's 767 and 777 aircraft. The 777s feature 42 of these seats and each aircraft brings in between $10 million and $13 million in additional annual revenues.

Brewer says the Executive First cabin is part of the airline's North American strategy of making its Toronto and Vancouver hubs into gateways, not just for Canadian travel but also for US travel. The plan is to draw flyers from Air Canada's US cities to these two points, where US-bound flyers can enjoy pre-clearance at customs and immigration and where transfers are relatively simple.

The airline had hoped to make Toronto's Pearson into a global gateway several years ago but the airport's $4.4 billion redevelopment project created a construction logjam. Pearson had long been a target of the wrath of Brewer's predecessor, Robert Milton, who derided it for its high costs. Brewer says that even though Pearson is "a costly facility, the benefits are now starting to pay off". ■

REPORT | NICHOLAS IONIDES

CLASH OF THE TITANS

The main airports serving Bangkok, Kuala Lumpur and Singapore are all jostling to be the best hub in Southeast Asia, but all have seen impressive recent growth

Airports serving the Thai capital Bangkok, the Malaysian capital Kuala Lumpur and the city state of Singapore are often portrayed as being in a fight-to-the-death race for hub supremacy in Southeast Asia. But the reality is that all three have seen passenger and freight demand growing at impressive rates in recent years.

Says Bashir Ahmad, managing director of Malaysia Airports: "All the three airports have been growing. I don't think any one airport has been growing at the expense of another."

Passengers and airlines are benefiting from the perceived hub fight, however. Incentives are being offered to airlines and all have been expanding to cope with increased demand.

© Rex features / Patrick Frilet

BANGKOK:

Bangkok's Suvarnabhumi airport is the newest of the three main Southeast Asian hub airports, having opened in September 2006 to replace the city's old Don Mueang airport.

It has had a troubled existence as a result of lengthy delays, construction problems, budget overruns and political uncertainty in Thailand. It has also seen traffic grow at a slower rate than expected since its opening, as the country's then-military government decided early in 2007 to re-open the old Don Mueang facility, largely to cater for low-cost airlines.

Don Mueang's reopening has helped to ease the burden on Suvarnabhumi, which at just over two years old is already nearing its initial design capacity. Expansion work on phase two was to have begun soon after the airport opened, but this was badly delayed as a result of the country's political troubles.

Airports of Thailand is now trying to move forward with expansion works. Its board recently approved a 77.9 billion baht ($2.3 billion) project intended to increase annual handling capacity to 60 million passengers from 45 million. Phase two works are to include a new 'midfield' terminal and third runway. Final government approval is now being sought.

KUALA LUMPUR:

In Malaysia, the flagship Kuala Lumpur International Airport (KLIA) is also undergoing improvement works, with a major expansion of its low-cost terminal currently underway.

The terminal opened in March 2006 as the first of its kind in Asia designed to meet the requirements of low-cost airlines. Its main tenant is locally based AirAsia. The new terminal was built to handle up to 10 million passengers annually and 4.5 million passengers were expected in the first year of operation.

But this target was exceeded, as AirAsia's growth has been quicker than expected. In addition to expanding its domestic network as Malaysia Airlines cut back on services, AirAsia added more international services than originally anticipated and more recently went long-haul with its AirAsia X associate carrier.

Expansion works that are now underway and due for completion early next year will increase annual handling capacity to 15 million. This figure is expected to be reached in around four years, however, and discussions are now underway between Malaysia Airports and the government on an all-new 'permanent LCC terminal' in another part of KLIA that will be able to handle around 25-30 million passengers.

Meanwhile, at the main terminal, which has a design capacity of 25 million passengers annually, studies are to begin next year on an expansion programme.

"We are around 20 million now at the main terminal so we still have some capacity to go," says Bashir. "But I would say that about a year from now we will need to evaluate the need for a second satellite."

> **"All the three airports have been growing. I don't think any one airport has been growing at the expense of another"**
>
> **Bashir Ahmad –** managing director, Malaysia Airports

SINGAPORE:

Not to be outdone, Singapore's Changi Airport has been expanding at a particularly aggressive pace. Earlier this year it opened T3 – its biggest passenger terminal yet.

T3 and associated works cost S$1.75 billion ($1.2 billion), adding capacity of around 22 million passengers annually, lifting the airport's total to around 70 million.

Changi's first terminal opened in 1981 and this was followed by T2 in 1990, and the original masterplan was for a three-terminal airport. The Civil Aviation Authority of Singapore says it strives to ensure that growth in Changi's handling capacity comes "ahead of growth in air traffic".

Work is currently underway on a major upgrade of the 27-year-old T1, which is expected to be completed in the third quarter of 2011.

In addition, a 'budget terminal' that opened just after KLIA's low-cost terminal in March 2006 is also being expanded. Works will continue through early 2009, increasing handling capacity to 7 million passengers annually from the current 2.7 million. ■

REPORT | NICHOLAS IONIDES

ONWARDS AND UPWARDS

The host of this year's Routes, Malaysia Airports, is looking forward to continued growth and international expansion

Malaysia Airports is moving forward with expansion plans for key airports in its portfolio, as it expects healthy growth in travel demand in the years ahead despite the current market weakness. It is also continuing to look – albeit conservatively – at expanding its international investment portfolio.

Managing director Bashir Ahmad said in an interview with *Airline Business Daily*: "We are still positive in the long term. We will still continue with our plans." Malaysia Airports, the official host of this year's Routes event in Kuala Lumpur, manages 39 airports within Malaysia through which it has seen healthy growth in passenger and cargo demand in recent years.

For example, passenger throughput increased 8.1% overall in the first half of this year and at the flagship Kuala Lumpur International Airport (KLIA) alone the increase was 7.4%, to 13.4 million passengers. Freight throughput also increased, by 5.3% overall at the 39 airports and by 17.8% at KLIA.

This translated into increased profits for the publicly traded, government-controlled airport operator, with first-half pre-tax earnings rising 20% and net earnings up 24%, on a 16% growth in revenue.

Bashir says there are concerns about airlines cutting capacity amid high fuel prices and weakening demand. For example, it has already seen Australia's Jetstar withdraw services and Malaysia Airlines reduce services. But he sees any downturn as temporary and is continuing with expansion plans for key airports.

At KLIA, for example, its low-cost airline terminal is currently undergoing a major expansion and there are plans for an all-new, much larger budget terminal to replace it eventually. In addition, studies for a second satellite at the main terminal are expected to begin in the coming years.

Expansion work has also been underway at many of its other airports. At Kuching and Labuan in East Malaysia, upgrade works have been completed, while at Kota Kinabalu work is well underway on a major expansion.

In peninsular Malaysia, Malacca airport is being upgraded while work has taken place on several others such as at Terengganu and Penang.

BOOSTING TRAFFIC

Malaysia Airports' main focus in recent years has been on boosting traffic through its flagship KLIA. Bashir says the operator has been successful in attracting new customers, in part through an incentives programme. He says a new package of incentives is being looked at now.

The current package offers free landing and parking for the first three years for new airlines, or for existing airlines increasing services. Marketing support is also provided. "I would say that over the last three years we have had at least 10 new airlines. We have about 54 or 55 airlines now, including cargo," he says. "It has been quite successful, but we believe it is about time that we may need to enhance that a little bit."

For more airline news go to: **flightglobal.com/airlines**

"It has been very positive for us, going into overseas ventures"

Bashir Ahmad – managing director, Malaysia Airports

Under Bashir's watch since he joined as managing director in June 2003, Malaysia Airports has been expanding its international reach through investments in airport projects in other countries. In India it partnered with local infrastructure and energy conglomerate GMR on the all-new Hyderabad International Airport, which opened earlier this year.

Together with GMR and other partners it also successfully won the bid in 2006 for the privatisation of Delhi airport.

In Turkey, it partnered with GMR and Turkey's Limak and earlier this year took over the operation of Istanbul's secondary Sabiha Gokcen International Airport, which is now being expanded. And in Kazakhstan, Malaysia Airports is now managing Astana airport, although it has no equity in it.

Bashir says the international investments have been positive for Malaysia Airports and it will continue to look at other such opportunities, although he stresses that this will be on a conservative basis. "It has been very positive for us, going into overseas ventures. We are quite happy with the four that we have now," he says. ■

Left: AirAsia's Fernandes, and MAS' Idris, below

REPORT | NICHOLAS IONIDES

AirAsia and Malaysia Airlines have been embroiled in bitter rivalry for some time, and it shows no sign of easing up

MUD-SLINGING MATCH

To say there is no love lost between the heads of low-cost carrier AirAsia and national carrier Malaysia Airlines (MAS) is probably an understatement. It is almost ironic, however, as AirAsia's Tony Fernandes and MAS' Idris Jala have much in common, both being affable guys with a shared passion for music. Were it not for their corporate rivalry they could probably make good friends.

The rivalry became evident not long after Idris was appointed to head up then-troubled MAS at the end of 2005. A veteran of Shell with no airline experience, Idris focused immediately on making badly-needed cost cuts to the business. In so doing, he proved he had solid government support for necessary change and this took Fernandes by surprise.

CONTROVERSIAL

Idris and Fernandes did shake hands on a deal in 2006, when MAS withdrew from the majority of its loss-making domestic routes and handed some of them over to AirAsia under a pact sanctioned by the government. As part of the deal, subsidised turboprop services in rural East Malaysia were taken over by AirAsia, which sub-contracted them to a new airline called Fly Asian Xpress (FAX) that was owned by Fernandes and some of his business associates.

FAX launched on 1 August 2006 but things got controversial when MAS was permitted by the government to set up a new turboprop operation of its own in peninsular Malaysia called Firefly. AirAsia was not amused and just over six months after FAX launched, it asked the government to give back the operation of East Malaysia routes to MAS.

MAS ultimately did take back the operation of the subsidised services under a new unit called MASWings, but not before complaining publicly that FAX had left some of the aircraft it was going to be taking over in a terrible state, which FAX denied.

FAX then announced it was moving into long-haul international operations to markets served by MAS, using Airbus A330s under the AirAsia X name.

AirAsia also won the next round, when it secured long sought-after rights to operate two daily flights on the lucrative Kuala Lumpur-Singapore route. MAS had been fighting particularly hard to keep AirAsia off this route.

The rivalry has continued through much of this year. Early in May, MAS launched a major domestic fares promotion and on the first day its advertisements looked virtually identical to AirAsia's, using the same red colours and same fonts. As Idris told journalists at IATA's annual general meeting in Istanbul a few weeks after the promotion was launched, Fernandes "freaked out" when he saw them.

Fernandes indeed expressed public bitterness, complaining that there was no "level playing field" between government-owned MAS and privately-owned AirAsia.

"Why are they only concentrating on our routes?" Fernandes asked local media. "MAS is turning into a low-cost carrier instead of being the premium airline it was set up to be. This fighting is ridiculous. We should be competing against foreign airlines."

The bitter rivalry continued, however. Idris later wrote to Fernandes informing him that steep discounts he was receiving for travel on MAS would no longer be offered to him, suggesting it was due to "your various negative statements about Malaysia Airlines".

Fernandes is now using his personal blog to get under MAS' skin. One recent posting was about a journey he took on a Singapore Airlines Airbus A380. Raving about the flight, he posed the question: "Why are they better than us?", and wrote that SIA "don't cut corners, ie they are not a five-star value airline, they are a five-star premium airline". This was a clear attack on MAS's goal of being a so-called "five-star value carrier", meaning a premium airline with the cost base of a low-cost carrier to enable it to offer low fares.

WHERE NEXT?

Fernandes went on to write that "some airlines nearer to me are trying to be an LCC and have completely lost what their brand stands for". Where will the rivalry between MAS and AirAsia turn to next? Earlier this year Idris told *Airline Business* he was hopeful the two airlines could eventually "compete and collaborate at the same time".

Whether the two airlines will ever find that balance is anyone's guess, but for now it does not seem like it will be any time soon. ■

OCTOBER 2008 v OCTOBER 2007

Kuala Lumpur – domestic ASK change

Airline	Oct 2008	Oct 2007	
AirAsia	114,801,965	106,066,723	8.2%
Malaysia Airlines	90,909,129	85,968,128	5.7%

Kuala Lumpur – South-East Asia ASK change

Airline	Oct 2008	Oct 2007	
AirAsia	196,692,459	178,404,621	10.3%
Malaysia Airlines	169,215,553	167,019,552	1.3%

Kuala Lumpur – World ASK change

Airline	Oct 2008	Oct 2007	
Malaysia Airlines	849,673,819	923,611,722	-8.0%
AirAsia	256,817,490	204,606,721	25.5%

SOURCE: INNOVATA
Data is based on schedules for 20-26 October 2008 against 15-21 October 2007

To read our CEO interviews go to: flightglobal.com/CEOs

2008 LEADERS' FORUM

This year's Routes Leaders' Forum will take place on Monday 13 October and will give delegates the opportunity to hear from a variety of distinguished speakers on a range of topics affecting the airline industry.

SCHEDULE

10:00

WELCOME and conference opening address
Chair of the Routes Leaders' Forum:
- Professor Rigas Doganis, Doganis & Associates, non-executive director – Hyderabad International Airport and easyJet

10:00-11:00

SESSION 1: Living with high oil prices
Chair: Professor Rigas Doganis
Panellists:
- Idris Jala, chief executive Malaysia Airlines
- Andrew Herdman, director general, Association of Asia Pacific Airlines
- Vijay Poonoosamy, vice-president international affairs, Etihad Airways
- Hans Mitterlechner, director, Macquarie
- Justin Symonds, global head of transportation and logistics sector advisory, ABN Amro

11:00-12:00

SESSION 2: Beyond Open Skies
Chair: Professor Rigas Doganis
Panellists:
- Bashir Ahmad, managing director, Malaysia Airports
- John Byerly, deputy assistant secretary for transportation affairs, US Department of State
- Paul Gretch, director of the office of international aviation, US Department of Transportation
- Olivier Onidi, directorate general for energy and transport, European Commission
- Willie Walsh, chief executive, British Airways

12:00-12:30

FORUM FOCUS – China
Beijing Capital Airport embraces the world with an open mind
- Zhang Zhizhong, president, Capital Airports Holding Company

12:30-14:30

LUNCH | Networking village, Routes

14:30-15:30

SESSION 3: The Climate crunch.
Will stopping flying really change the planet?
Guest chair: Aaron Heslehurst, BBC News
Panellists:
- Alex de Gunten, executive director, Association of Latin American Airlines
- Olivier Jankovic, director general, ACI Europe
- Kerstin Lindberg Goransson, managing director, division Stockholm, Stockholm Arlanda Airport
- Callum Thomas, Professor of sustainable aviation and chair of sustainable aviation at the Centre for Air Transport and the Environment, Manchester Metropolitan University

15:30-16:30

SESSION 4: The next big thing
Chair: Professor Rigas Doganis
Panellists:
- Tony Fernandes, chief executive, AirAsia
- Peter de Jong, president, Pacific Asia Travel Association
- Luis Sanchez Salmeron, deputy chief executive, BAA
- Ad Rutten, executive vice-president and chief operations officer, Schiphol Group
- Azran Osman-Rani, chief executive, AirAsia X

16:30

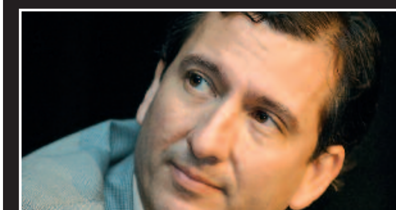
Chairman's closing remarks

11:00-12:00

Beyond Open Skies

British Airways chief executive Willie Walsh will outline his hopes for the second phase of the EU-US Open Skies process, and envisage how different the industry may look in the second decade of the 21st century.

14:30-15:30



The Climate Crunch

Association of Latin American Airlines director general Alex de Gunten will talk about the steps taken so far by the airline industry to improve its environmental record, and how the industry can further reduce its carbon footprint going forward.

15:30-16:30

The Next Big Thing

AirAsia X chief executive Azran Osman-Rani will be giving an update on the new Asian long-haul carrier.

PARTICIPATING AIRLINES

AIRLINES

NATIONAL CARRIERS

A) Adria Airways
Aer Lingus
Aeroflot Russian Airlines
Aerolineas Argentinas
Aeromexico
Afriqiyah Airways
Air Astana
Air Baltic
Air Canada
Air China
Air France Long-haul
Air France Medium-haul
Air India
Air Malta
Air Moldova
Air Tahiti Nui
Air Transat
Alitalia
All Nippon Airways
American Airlines
Armavia Air Company
Atlantic Airways
Austrian Airlines Group

B) BH Airlines
bmi
British Airways Long-haul
British Airways Short-haul
Bulgaria Air

C) Cathay Pacific
China Airlines
China Eastern Airlines
China Southern Airlines
Continental Airlines
Conviasa
COPA Airlines
Croatia Airlines
CSA Czech Airlines

D) Delta Air Lines
Drukair (Royal Bhutan Airlines)

E) Egyptair
Emirates
Ethiopian Airlines
Etihad Airways

F) Finnair Mainline

G) Garuda Indonesia
Georgian National Airlines
Gulf Air

H) Hainan Airlines
Hawaiian Airlines

I) Iberia Long-haul
Iberia Short-haul
Icelandair

J) Japan Airlines

K) Kenya Airways
KLM Cargo
KLM Royal Dutch Airlines (Europe)
KLM Royal Dutch Airlines (Long-haul)
Korean Air

L) LAC/Air Congo
LAN Airlines
LOT Polish Airlines
LTU International Airways

M) Mahan Air
Malaysia Airlines
Malev Hungarian Airlines
Martinair Holland (Passenger)
MAT-Macedonian Airlines
Mexicana

N) Nepal Airlines
Northwest Airlines

O) Olympic Airlines
Oman Air

P) Pakistan International Airlines
Philippine Airlines

Q) Qatar Airways

R) Rossiya Airlines
Royal Air Maroc
Royal Brunei Airlines

S) S7 Airlines
SAS International
Saudi Arabian Airlines
Shaheen Air International
Shanghai Airlines
Singapore Airlines
SriLankan Airlines
Swiss International Air Lines
Syrian Airlines

T) TAM Linhas Aereas
TAM Mercosur
Tarom
Thai Airways
Transaero Airlines
Turkish Airlines

U) Ukraine International Airlines
United Airlines
US Airways
Uzbekistan Airways

V) Vietnam Airlines
Virgin Atlantic Airways
Virgin Nigeria

LUFTHANSA

Lufthansa has been very active on the European consolidation stage, and recently agreed to purchase a 45% stake in Brussels Airlines with an option to acquire the remainder of the carrier.

CHARTERS

Air Finland
Astraeus
Belair
Eurofly SPA
First Choice Airways
Free Bird Airlines
Gadair European Airlines
Hong Kong Express Airways
Indonesia Air Transoprt
Jetairfly
Livingston S.P.A
LTE International Airways
Meridiana
Netjets Europe
Nouvelair Tunisie
Omni Air International
Privatair
RAF Avia Airlines
Scandjet
Thomsonfly.com
Travel Service Airlines
Tuifly Germany
White Airways
Zenith Airways

LOW COST

JETSTAR ASIA

Jetstar Asia was one of several low-cost carriers to recently announce that it would take advantage of the liberalised air services agreement between Singapore and Malaysia and boost flights between the two countries.

AirAsia
AirAsia X
Air Berlin
Air India Express
AirBlue
Belle Air
bmibaby
Cebu Pacific Air
Centralwings
Click Mexicana
Clickair
Dalmatian.hr
Easyjet
Eurolot
FireFly
Flyniki
Indonesia AirAsia
Jet2.com
JetBlue Airways
Jetstar Airways
Lionair
Lionair (Australia)
Nok Air
Norwegian Air Shuttle
Sama
SkyEurope Airlines
Southwest Airlines
Spicejet
Sterling Airlines
Ted
Thai AirAsia
Tiger Airways
TUIfly Germany
VolareWeb
Vueling Airlines
WizzAir

CARGO

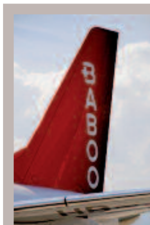
Air Atlanta Icelandic
Air Bridge Cargo
Astral Aviation
Emirates Sky Cargo
Ethiopian Airlines Cargo
Etihad Crystal Cargo
Expo Aviation
FedEx Express
Intercity Air
Jade Cargo International
LAN Cargo
Malaysia Airlines Cargo
Qatar Airways Cargo
Ruslan International
Transmile Air Services
UPS
Volga Dnepr UK Ltd

TOUR OPERATORS

First Choice Holidays
Jet2 Holidays.com
Kenny Tours
Nolitours
TUI AG
TUI UK
Vacances Transat Holidays

REGIONAL CARRIERS

Aegean Airlines
AeroRepública
Air Canada Jazz
Air One
Arik Air
Austrian Arrows
Bangkok Airways
Berjaya Air
Blue 1
bmi Regional
Fly4 Airlines
Iberia Regional
Air Nostrum
Ivoirienne de Transportes
Aeriens (ITA)
Jet Air
KD Avia
Kingfisher Airlines
LAN Argentina
LAN Chile
LAN Ecuador
LAN Express
LAN Peru
Love Air
PB Air
PTL Airlines
Seair
Shandong Airlines
Shenzhen Airlines
Siem Reap Airways
Silkair
Sol Lineas Aereas
VietJetAir
Xiamen Airlines



BABOO

Swiss regional carrier Baboo recently re-branded from Flybaboo and announced plans to expand its capacity and serve new routes.

Flight Insight innovata

PLANNED GROWTH | FOR ASIAN CARRIERS

PLANNED CAPACITY GROWTH FOR TOP 10 ASIAN CARRIERS ON ASIA TO ASIA ROUTES

AIRLINE	WEEKLY CAPACITY		WEEKLY FREQUENCIES		WEEKLY SEATS OFFERED		ASK MARKET SHARE
	ASK million	change	total	change	thousands	change	
China Southern Airlines	1,499	-6.6%	8,428	-726	1,333	-6.9%	8.5%
China Eastern Airlines	1,190	-0.9%	7,135	-254	1,089	-2.0%	6.7%
All Nippon Airways	1,185	-1.7%	6,880	-62	1,353	-4.1%	6.7%
Japan Airlines	1,178	3.6%	5,196	+154	1,204	2.7%	6.6%
Air China	1,177	7.6%	5,638	+141	935	7.6%	6.6%
Singapore Airlines	785	-2.1%	1,020	0	307	-0.3%	4.4%
Thai Airways	644	-2.6%	1,469	-5	392	0.2%	3.6%
Cathay Pacific Airways	599	9.4%	907	+29	310	3.6%	3.4%
Korean Air Lines	561	2.3%	2,277	-55	537	0.6%	3.2%
Malaysia Airlines	465	-1.2%	2,531	+97	350	0.9%	2.6%

PLANNED CAPACITY GROWTH FOR TOP 10 ASIAN CARRIERS ON ASIA TO EUROPE ROUTES

AIRLINE	WEEKLY CAPACITY		WEEKLY FREQUENCIES		WEEKLY SEATS OFFERED		ASK MARKET SHARE
	ASK million	change	total	change	thousands	change	
Singapore Airlines	316	23.3%	93	+16	30	24.1%	15.7%
Thai Airways	267	2.3%	81	+1	30	2.6%	13.3%
Cathay Pacific Airways	190	0.3%	62	0	20	0.6%	9.5%
Japan Airlines	176	-2.1%	55	+1	19	-1.6%	8.8%
Air China	160	-1.0%	64	-1	20	-0.9%	8.0%
Korean Air Lines	129	-7.5%	46	-4	15	-7.5%	6.4%
Malaysia Airlines	123	-14.6%	37	-8	12	-15.1%	6.2%
Jet Airways (India)	94	28.8%	49	+10	13	27.9%	4.7%
Air India	83	-16.5%	38	-6	12	-17.7%	4.2%
Pakistan International Airlines	64	3.8%	35	+4	11	3.3%	3.2%

PLANNED CAPACITY GROWTH FOR TOP 10 ASIAN CARRIERS ON ASIA TO N AMERICA ROUTES

AIRLINE	WEEKLY CAPACITY		WEEKLY FREQUENCIES		WEEKLY SEATS OFFERED		ASK MARKET SHARE
	ASK million	change	total	change	thousands	change	
Cathay Pacific Airways	305	39.4%	72	+16	26	35.4%	19.0%
Korean Air Lines	267	-5.9%	86	-2	28	-5.3%	16.6%
Japan Airlines	129	-4.8%	42	0	14	-5.2%	8.0%
EVA Air	122	-5.0%	36	-3	12	-5.6%	7.6%
Singapore Airlines	114	-15.9%	38	-7	11	-15.7%	7.1%
All Nippon Airways	114	0.0%	49	0	14	0.0%	7.1%
Japan Airlines	110	0.5%	63	0	21	0.3%	6.9%
Asiana Airlines	98	6.3%	40	-1	12	2.0%	6.1%
Philippine Airlines	92	0.6%	28	-1	9	0.5%	5.7%
Air China	88	-11.4%	27	-2	9	-12.6%	5.5%

Source: INNOVATA
Data compiled by Flight Insight based on Innovata schedules for 20-26 October

ANA and JAL share bad dreams

Japanese wake-up call for strike-hit Boeing

BY LEITHEN FRANCIS

A protracted strike at Boeing's aircraft assembly plant means that both All Nippon Airways (ANA) and Japan Airlines (JAL) are bracing themselves for possible further delays to Boeing 787 deliveries, according to Air Transport Intelligence (ATI).

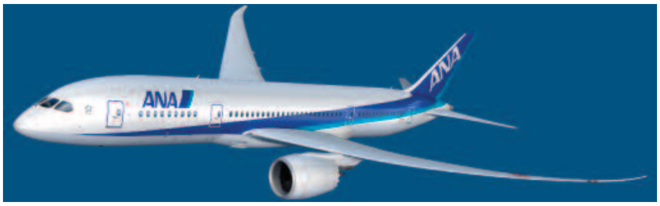
"We are certainly preparing ourselves for the prospect of a further delay although there has been no official word from Boeing yet," said JAL. "The impact the strike may have on the current 787 schedule is certainly of great concern" but "Boeing has not informed us of any update to the delivery schedule of our first 787 aircraft at present. We are still expecting our first aircraft to be delivered in October 2009".

Boeing's 787 Dreamliner project is now way behind schedule and the aircraft still has to make its much-delayed maiden flight, let alone begin the certification process.

ANA, meanwhile, was supposed to receive its first 787 next August but it too is concerned that the strike might lead to a further delay in 787 deliveries. "We've had no information from Boeing but we are still working on the basis of an August delivery," said ANA.

ANA's August delivery date already represents a delay because when it ordered 787s in 2004 it announced it would receive the first in May 2008. JAL placed its 787 order in 2005 and was originally slated to receive its first 787 some time in the second or third quarter of 2008.

A Boeing spokesman was in Tokyo a few days ago and told journalists there that: "Frankly, we do not know when the strike will end." He added: "As soon as the strike does end, our operations will normalise" and then "we will be able to reassess our production, deliveries and programme schedule for the 787".



ANA and JAL share pain of Boeing strike nightmare

THINGS TO DO IN KL

A TOWERING SPECTACLE

Kuala Lumpur (KL) appeared on the map in the mid-1800s and is the youngest capital in Southeast Asia. Its architecture reflects this with a mixture of old colonial-style buildings and modern skyscrapers.There is plenty to do and see in KL, so here is a handful of ideas

Left: Dizzy heights – the Petronas Towers in Kuala Lumpur City Centre

ISLAMIC ARTS MUSEUM

Jalan Lembah Perdana
www.iamm.org.my
Open: Daily 10am-6pm
Large museum holding one of the largest collections of Islamic art in the world that includes beautiful textiles, carpets, calligraphy-inscribed pottery, Islamic jewellery, and illustrated medieval copies of the Koran. There is a stunning reconstruction of an ornate Ottoman room, as well as regular exhibitions. This month's is: *Beyond Orientalism: How the West was Won over by Islamic Art.* If you're hungry, there is a great Lebanese restaurant too.

MASJID JAMEK

Jalan Tun Terak
The British architect AB Hubbock sought inspiration from Mogul mosques in India to build this mosque, in 1909. The mosque, which has beautiful shades of pink and cream brick, is set in a grove of palm trees and is set on the banks of the Klang and Gombak rivers which provide a tranquil setting for prayer and contemplation. Visitors are welcome except during prayer times.

PETRONAS TOWERS

You can't really miss these babies located in Kuala Lumpur City Centre (KLCC). They are the tallest twin buildings in the world at a height of 1,500 feet with 88 storeys. They opened in 1998 and are the headquarters of the national oil and gas company, Petronas, but also house other companies.

The glass Skybridge on the 41st floor connects the towers and has wonderful views. It is the highest floor that members of the public can travel to. For tickets, which are limited, and to avoid queues it is best to go early (Open 9am-1pm and 2.30pm-4.45pm closed on Mondays).

The towers are built on a huge development complex which includes the Suria KLCC shopping mall just at the foot of the towers, tranquil KLCC Park, Aquaria KLCC, where you can see sand tiger sharks in a huge glass tunnel, and Galeri Petronas which has art and photography exhibitions.

LAKE TITIWANGSA

Stretch your legs and take in the city skyline from this pretty lake. If you're feeling energetic you can hire rowing boats, pedal boats or canoes. Or you can relax in the park that surrounds the lake, which is a popular spot with locals.

NIGHT LIFE

Though Malaysia is a Muslim country it does have great nightlife. The main areas you should head to for a good choice of cafés, bars, lounges and nightclubs are the Golden Triangle and Bangsar Baru.

VILLAGE BAR

181 Jalan Bukit Bintang, Starhill Gallery
This upscale basement bar has dangling lanterns and stacked glass bottles. There is an international wine/beer list and they are noted for their perfectly prepared cocktails.

LUNA

Menara PanGlobal, Jlln Punchak ✆2332 7777
Sophisticated bar surrounding a swimming pool. Luna is a great place to come for a fabulous view of the city. It's busy on Friday and Saturday nights, when there is also a fixed cover charge.

FINNEGAN'S

51 Jlln Sultan Ismail
Tel: 2145 1930 51
Have great 'craic' at this Irish bar. There is a good food menu, Guinness and beer on tap, and live sports coverage. There is also a Finnegan's in Bangsar Baru (6 Jalan Telawi Lima).

TIFFIN BAY/TIFF'S JAZZ LOUNGE

4th floor, Starhill Gallery, 181 Jlln Bukit Bintang
✆2782 3870
Crazy décor but it's a great place to chill out during the day for tea. In the evening it turns in to a jazz bar with live bands playing from 9pm.

TELAWI STREET BISTRO

Jalan Telawi 1 & Jalan Telawi 3
✆2284-3168
One of Bangsar Baru's most popular dining venues (try the lamb shank/thin crust pizzas) and dancing – with contemporary DJ tunes and great cocktails.

USEFUL NUMBERS | INFO

✆Country Code:
Malaysia – +60
Area code: 3

Emergency Services
Police/Ambulance – 999
Fire and Rescue – 994
Hospital Kuala Lumpur
Jln Pahang
✆2615 5555
www.hkl.gov.my

Pharmacies are easily located in KL, many in the shopping malls. The most common one is called Guardian.

Health Risks: Kuala Lumpur is generally safe from most sanitation-related diseases. However, it is still wise to take extra precautions. Make sure meat is cooked very well, avoid local dairy products and peel fresh fruit/raw vegetables. Tap water in the cities is considered safe, but it is wise to buy bottled water especially if you are staying on after the show and plan to travel to rural areas. Malaria is present in Sabah, Sarawak and some remote areas in peninsular Malaysia. Use insect repellent when visiting the countryside.

Tourist Information
Malaysian Tourist Centre
109 Jln Ampang
✆2164 3929
www.mtc.gov.my

Tourism Malaysia
www.tourismmalaysia.gov.my
KL Sentral
✆2274 6063

Airport Information
Kuala Lumpur International Airport
✆8777 8888
www.klia.com.my

Car Hire
Avis
www.avis.com.my
✆2144 4487
Hertz
www.hertz.com.my