

Low Cost Carriers in the European Aviation Single Market

ECA Industrial Sub Group



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European Aviation Single Market**

ECA Industrial Sub Group
September 2002

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1. Introduction and Credits

The growth of Low Cost Companies (**LCC**) in Europe can be seen as the direct result of the European Aviation Internal Market liberalisation process. With their bright colours and aggressive publicity campaigns, LCC have created a new aviation culture. Far from rejecting this new way of operating, the European Cockpit Association (ECA) would like to learn more about these companies and assess their impact in the European Aviation market.

With this publication, the ECA intends to analyse the internal workings of these companies, and more specifically to explore their compatibility with European laws, their relations with the European social model, the level of safety and the quality of service with regard to passenger rights. The final objective is to open a debate and to invite decision makers, especially in the European Union, to address the questions and concerns raised by the emergence of this new aviation business model.

This publication is the result of teamwork, and although the ECA's Industry and Social Group (ISG), chaired by Capt. Teppo T. Tyrmi, is identified as the originator, it needs to be recognised that it would not have been possible without the collaboration of many other people. The ISG would like to thank the ECA Member Associations for their close cooperation, as well as the individual pilots who submitted relevant information pertaining to contract details, employment terms & conditions, working environment and other relevant industry information. A special acknowledgment should be given to Eckhard Bergmann, from EUROPAIRS© for his excellent analysis of the Low Cost Model.

Airline Data is provided by Air Transport Intelligence (ATI). For up-to-date Airline statistics and for the latest Airline News logon to www.rati.com, or contact Daniel Sedman on +44 20 86 52 39 14, daniel.sedman@rati.com".

Brussels, September 2002

2. Low Cost Carriers: *Why they are here to stay*

The recent big success of LCCs was confirmed by Ryanair's announcement of the purchase of 100 new Boeing 737 at the beginning of 2002. This when globally, the aviation industry was facing one of the most acute crises affecting this industry since the development of the Commercial Aviation. This crisis confirmed that the LCC model is not only very successful, but seems also to resist better to economic downturns. The increased number of routes operated, aircrafts in command, passengers carried and staff employed during the last decade confirms that LCCs have definitively found their place in the liberalised EU Single aviation market and seem to be promised to even more success (See the economic analyses in Section 3).

LCCs also respond to (create) specific market needs:

LCCs greatly contribute to enhance the mobility of European citizens. They have achieved a very lucrative position on several intra-Community routes forcing those carriers who were traditionally operating these routes to review their offer. This success is also recognised by market investors today; for instance, easyJet's stock value is today superior to Air France's market value. In the same way, the most successful LCC in the US, Southwest, had a stock value equal to the four US Majors together.

The continuity of the LCC model is also confirmed by the fact that Full Service Carriers (**FSC**) have already or are considering a Low Cost subsidiary. For instance, KLM is restructuring the organization of the KLM group. At this moment its subsidiaries Transavia and KLM-UK both offer low cost services. KLM is planning to put these two products together and positions it as a low cost operator under one single management instead of the two separate products now.

For the time being, most of the LCCs are based in the UK and Ireland, but some are also located in Sweden, Germany, Belgium and The Netherlands.

LCCs mainly target point-to-point traffic in and from less congested European airports, where Full Service Carriers have concentrated their traffic to support International traffic. Point-to-Point LCCs' passengers are therefore not paying for a service they don't use (baggage handling, computer reservation systems, airport transit area...).

*"LC/LF Carriers will take advantage of the point to point traffic sacrificed by the mega-alliance carriers who force their [passengers] through dominant congested hubs..."(Airlines Consolidation Conf. BRU 24-250102, **J.Callhagan, Ryanair**)*

LCCs have different structures and operate in different market segments. However, even if some LCCs operations do overlap with FSCs, it is fair to say that they can generate their own traffic and do not necessarily draw passengers away from FSCs.

Finally, it appears that LCCs tend to benefit when the economy slows down: the leisure traveller stays home, however the business traveller swaps from the FSCs, to the LCCs because of their perception that it is cheaper. In the upturn, the business travel may leave the low cost operators and travel C-class, however there will be extra leisure travellers to compensate this.

3. General Economic Study of the Low Cost Model

3.1. Task Description

The European Cockpit Association (and its Industrial Study Group) is looking into the Low Cost / Low Fare Airline¹ issue in terms of general market, cost, social and also safety aspects in reference to Full Service Carriers².

The task of the following evaluation is to show typical economic data – general (European) market data and special airline figures compared between full service carrier data and low cost carrier data. Almost all comparisons will be shown with LCC as a percentage of FSC and / or of total market.

In chapter 3.6 the “Southwest-Model“ will be shown in comparison.

3.2. Data Used

This study analyses data and informations from different sources:

ATI³, Flight Int'l⁴, IATA⁵, Airbus Industries⁶, Pr. R. Doganis⁷, Collective Labour Agreements⁸, and EUROPAIRS data⁹

¹ referred to as Low Cost Carriers (LCC)

² referred to as Full Service Carriers (FSC)

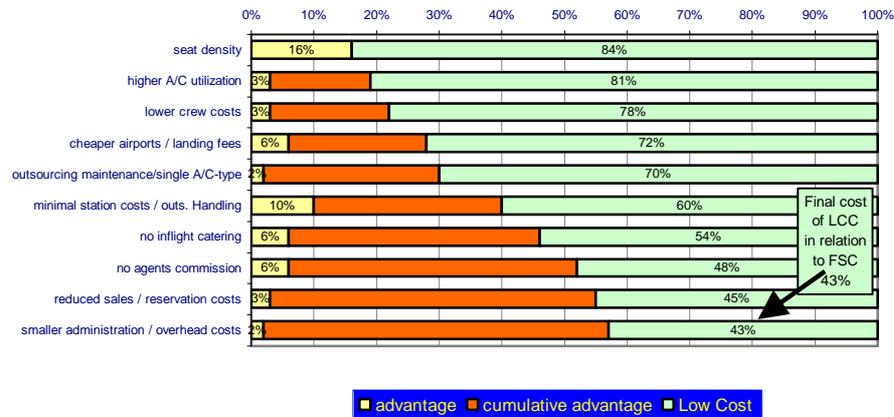
³ 02/03-2002

⁴ “Rebel Skies“, Flight Int'l 9-15 April 2002, page 29

⁵ “Current Airline Industry Trends“ – Peter Morris, March 2002

⁶ www.airbus.com

Figure 1: Low Cost Carrier Advantages



3.3. Low Cost Carrier Advantages

Figure 1 shows the cost positions where LCC’s have advantages over FSC’s. Even though there are differences between the LCC’s savings in each position the graph clearly shows that there are accumulated saving possibilities which cannot be matched by FSC’s due to

- grown structures
- network requirements
 - the need of an integrated network and
 - of a network serving the FSC’s long-range flights
- the need to serve major airports (with high (landing-) fees)
- the need of offering a premium service in flight

3.3.1. General Cost Advantages

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⁷ “The Airline Business in the 21st Century“ - Doganis, Rigas , 2001

⁸ through ECA

⁹ EUROPA/RS research

3.3.2. (Flight-) Crew-Cost Savings

In Figure 1 it is assumed that crew-costs can give a 3% saving. In a FSC crew costs vary between about 10 to 12% of total costs. The assumed 3% can be drawn by less crews required due to higher crew workload, fewer required overnights and hence higher crew-utilisation.

In addition, LCCs' payments include almost always a higher variable income compared to the actual work accomplished.

Table 1 shows the comparisons of annual pilot gross income in selected FSCs and LCCs.

FSC data are an average of Air France, British Airways, Iberia, Lufthansa and SAS (only short haul pilots (A-320, B-737)¹⁰ LCC data⁹ are an average of BUZZ, Deutsche BA¹¹, easyJet, Germania and Ryanair

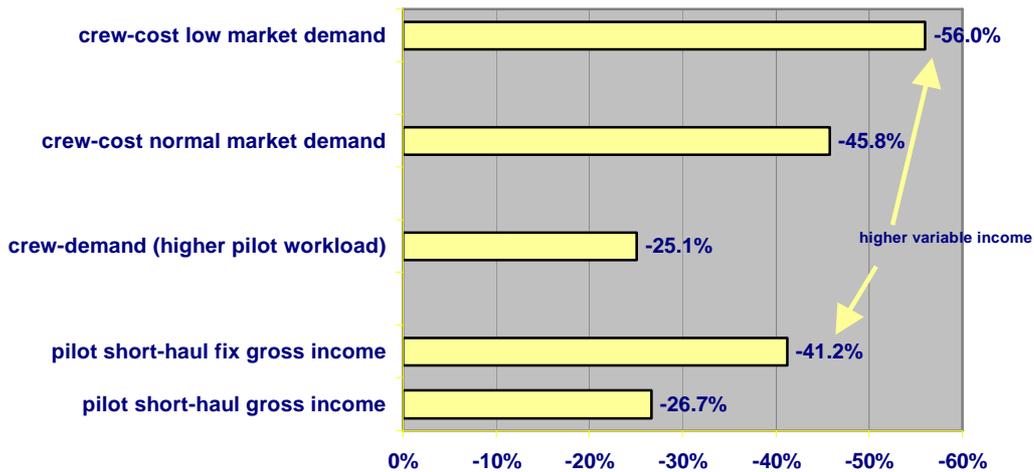
Table 1 also shows typical annual duty-days and block-hours flown in both carrier types.

Figure 2 shows a comparison of gross income (only the FSC's short-haul pilot wages taken into account), the crew demand and the crew costs, the latter in case of normal market demand and low market demand (temporarily lower production). During times of lower production (lower market demand) the LCC crew costs are reduced more than those of the FSC's because of the higher variable crew salaries in LCC's.

Table 1: Comparisons of salaries & FDPs in selected FSC's and LCC's.

annual gross income (Euro) short-haul pilots			
	aver. FSC	aver. LCC	LCC % FSC
FO	83,972	63,786	76.0%
FO fix	79,167	46,008	58.1%
var FO	4,805	17,778	370.0%
var % gross	5.7%	27.9%	487.1%
CPT			
CPT	133,224	94,043	70.6%
CPT fix	125,286	74,272	59.3%
var CPT	7,938	19,771	249.1%
var % gross	6.0%	21.0%	352.8%
average pilot			
average pilot	108,598	78,915	72.7%
pilot fix	102,227	60,140	58.8%
var average	6,372	18,775	294.7%
var % gross	5.9%	23.8%	405.5%
annual block-hours and duty-days			
	aver. FSC	aver. LCC	FSC /. LCC
annual block	562	760	-26.1%
annual duty-days	184	210	-12.5%
crew-demand	100.0%	73.9%	-26.1%

Figure 2 : Low Cost Carrier (LCC) advantages over Full Service Carriers (FSC)
 (LCC = average Buzz, Deutsche BA, Ryanair
 FSC = average AF, BA, IB, KL, LH SK)



¹⁰ EUROPAIRS research

¹¹ though not a typical LCC the fleet of 16 B-737 is typical as well as the airline age and crew-structure – Deutsche BA also intends to go the LCC way presently, success yet to be proved



3.3.3. Economic Data Comparisons

Table 2 shows data of various airlines¹² (last recent full year figures). BMI* data are still referred to as FSC data¹³.

	AF	BA	LH	BMI*	Ryanair	GO	EasyJet	Virgin Express
long-haul aircraft	97	149	75					
short-haul aircraft	151	98	205	51	41	24	24	17
short-haul-pilots	2,181	1,225	2,695	612	390	220	250	177
pilots per short-haul aircraft	14.4	12.5	13.1	12.0	9.5	9.2	10.4	10.4
employees	56,244	62,844	56,500	8,800	1,476	573	1,632	1,300
employees per aircraft	227	254	202	173	36	24	68	76
pilots per aircraft	14.4	12.5	13.1	12.0	9.5	9.2	10.4	10.4
revenue (mill. Euro)	12,668	15,040	15,236	1,198	489	278	578	291
revenue per employee (Euro)	225,236	239,319	269,670	136,105	331,054	485,880	354,417	223,776
revenue per pilot (Euro)	3,536,403	4,871,181	4,139,219	1,957,071	1,252,914	1,265,496	2,317,344	1,645,413
profit aft. Tax (mill. Euro)	434	-127	691	10	105	5	61	-66
profit per employee (Euro)	7,718	-2,025	12,228	1,111	70,830	8,131	37,600	-50,699
profit per pilot (Euro)	121,179	-41,222	187,697	15,969	268,065	21,178	245,848	-372,789
mill. RPK	93,355	116,674	88,608	3,837	4,656	3,081	4,730	4,016
RPK per employee	1,659,821	1,856,565	1,568,283	436,023	3,154,472	5,376,963	2,898,284	3,089,231
RPK per pilot	26,060,639	37,789,150	24,071,879	6,269,608	11,938,462	14,004,545	18,950,321	22,714,932
mill ASK	119,562	162,824	117,862	6,071	6,661	4,250	7,003	5,749
loadfactor	78.1%	71.7%	75.2%	63.2%	69.9%	72.5%	67.5%	69.9%
ASK per employee	2,125,773	2,590,924	2,086,053	689,886	4,512,873	7,417,103	4,291,054	4,422,308
ASK per pilot	33,376,489	52,736,518	32,019,229	9,919,935	17,079,487	19,318,182	28,056,891	32,516,968
cost per ASK (Eurocents)	10.23	9.31	12.34	19.56	5.76	6.43	7.38	6.20
profit per ASK (Eurocents)	0.37	-0.07	0.59	0.17	1.57	0.12	0.88	-1.14
passengers (mill.)	42.40	36.20	41.30	7.10	7.00	2.76	5.60	3.82
passengers per employee	754	576	731	807	4743	4817	3431	2938
passengers per pilot	11,836	11,725	11,220	11,601	17,949	12,545	22,436	21,606

sources: Flight Int'l 9-15 April 2002, ATI, Airline web-pages and own calculations

* BMI figures before founding BMI low cost (bmbaby)

An extract of these data are shown in Figure 3.. Because LCC's "buy" instead of "make" a lot of services, the number of employees per production unit (aircraft) is relatively low. The higher ASK (available seat kilometres) and RPK (revenue passenger kilometres) are also a result of "buy" instead of "make". This is not necessarily a result of outsourced services – LCC's do not normally even built up for example big maintenance units, ground handling departments with employees at each destination and so on.

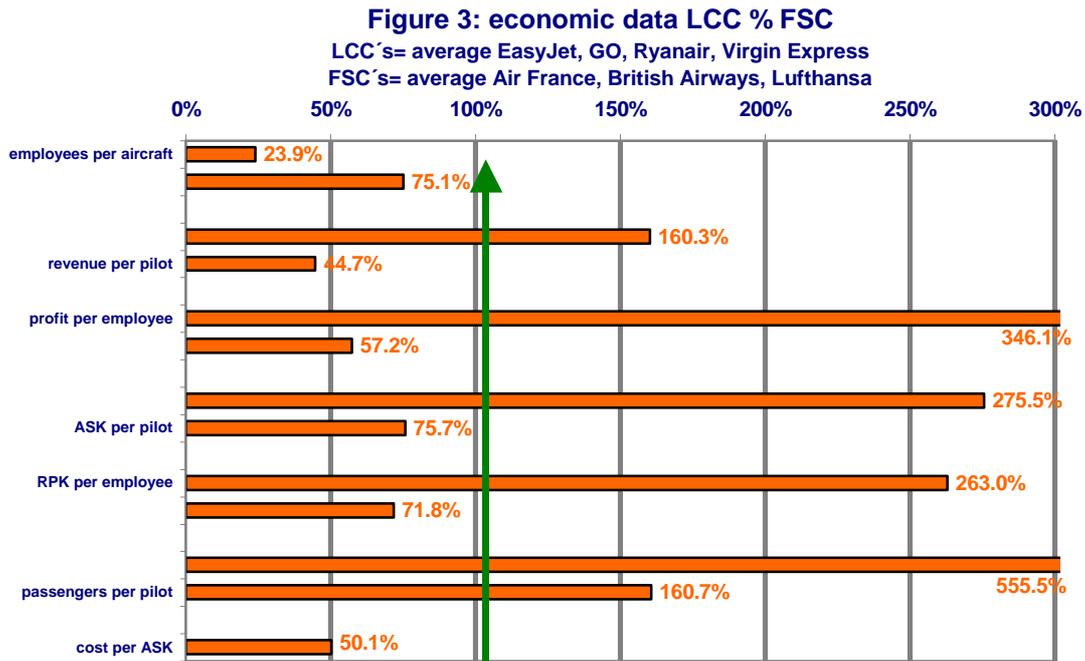
Because pilots are needed to fly an aircraft (and are still employed with the LCC's), the lower pilot number per aircraft reflects (only) the higher crew-productivity¹⁴.

Figure 3 shows the LCC advantages. The cost per ASK reflect and confirm the data in Figure 1.

¹² source ATI 03-2002 and Flight Int'l 9-15 April 2002, page 30

¹³ see also Doganis, "The Airline Business in the 21st century", Table 6.5

¹⁴ see also Table 1



3.4. Market Development

Important questions are:

- a. How does the market recover from the general economic downturn and from the tragedy that induced aviation market decline on September 11th 2001 and
- b. How does the aviation market grow thereafter?

A 1999 Airbus forecast showed an annual growth rate of +5,1% to 2009¹⁵ for intra European traffic. Table 3 shows the passenger figures from 1991 to 2000 and the annual and average growth rate (+8,5%, intra European only).

IATA worldwide figures of the years between 1970 and 2000 showed an annual average growth rate of +6,6%.

The LCC's and some analysts expect a LCC traffic growth-rate of (up to) 25% in the coming years¹⁶ with an intra European market share going up to one third¹⁷.

Which one can be used for a forecast?

¹⁵ Global Market Forecast – Airbus Industries year 1999, page 68 / www.airbus.com

¹⁶ "Rebel Skies", Flight Int'l 9-15 April 2002, page 29 and

¹⁷ IATA – "Current Airline Industry Trends", Peter Morris, March 2002



year	total Europe	growth rate
1991	115.4	
1992	128.0	10.9%
1993	136.7	6.8%
1994	145.8	6.7%
1995	157.6	8.0%
1996	167.0	6.0%
1997	194.9	16.7%
1998	211.3	8.4%
1999	233.1	10.3%
2000	239.6	2.8%
average growth rate		8.5%

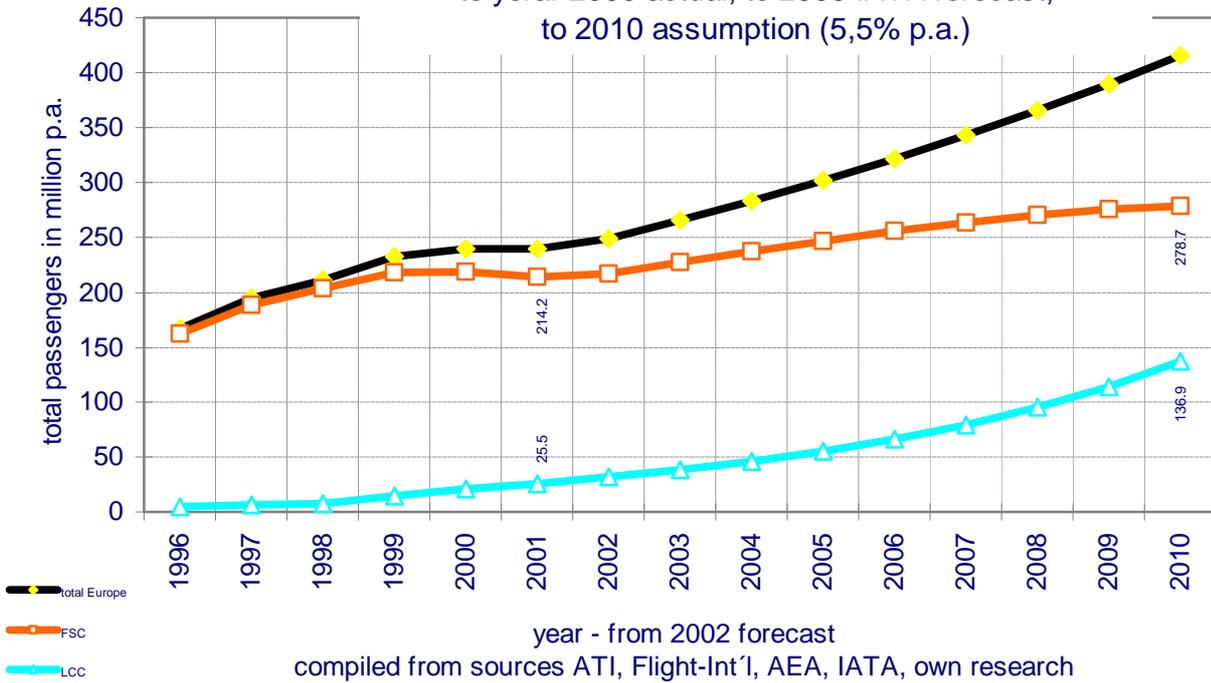
Table 4 shows the total traffic development in Europe since 1996. Information from 2001 to 2005, with a 0% growth, was based on the IATA forecast (from March 2002) and 2005 to 2010 assumes +5,5% growth (close to the 1999 Airbus forecast but less than the average +8,5% from 1992 to 2000).

	total Europe	FSC	LCC	LCC share	total growth	FSC growth	LCC growth
1996	167.0	162.3	4.7	2.8%	6.0%	5.2%	39.9%
1997	194.9	188.6	6.3	3.2%	16.7%	16.2%	33.7%
1998	211.3	203.5	7.7	3.7%	8.4%	7.9%	23.2%
1999	233.1	218.3	14.8	6.3%	10.3%	7.3%	91.0%
2000	239.6	218.9	20.7	8.6%	2.8%	0.3%	40.2%
2001	239.6	214.2	25.5	10.6%	0.0%	-2.2%	22.9%
2002	249.2	217.4	31.8	13.0%	2.0%	1.5%	25.0%
2003	265.7	227.5	38.2	14.5%	7.8%	4.6%	20.0%
2004	283.2	237.4	45.8	16.3%	6.8%	4.3%	20.0%
2005	301.9	246.9	55.0	18.7%	4.3%	4.0%	20.0%
2006	321.8	255.8	66.0	21.3%	5.5%	3.6%	20.0%
2007	343.1	263.8	79.2	24.2%	5.5%	3.1%	20.0%
2008	365.7	270.6	95.1	27.6%	5.5%	2.6%	20.0%
2009	389.8	275.8	114.1	31.4%	5.5%	1.9%	20.0%
2010	415.6	278.7	136.9	35.7%	5.5%	1.1%	20.0%

LCC's 2001 actual figures are shown. 2002 is reflecting the over-proportional growth due to the present market situation with 25% and up to 2010 the table shows a growth rate of +20% per year¹⁸. This results to about one third LCC intra European passenger market share in 2010 (see also¹⁷ page 13).

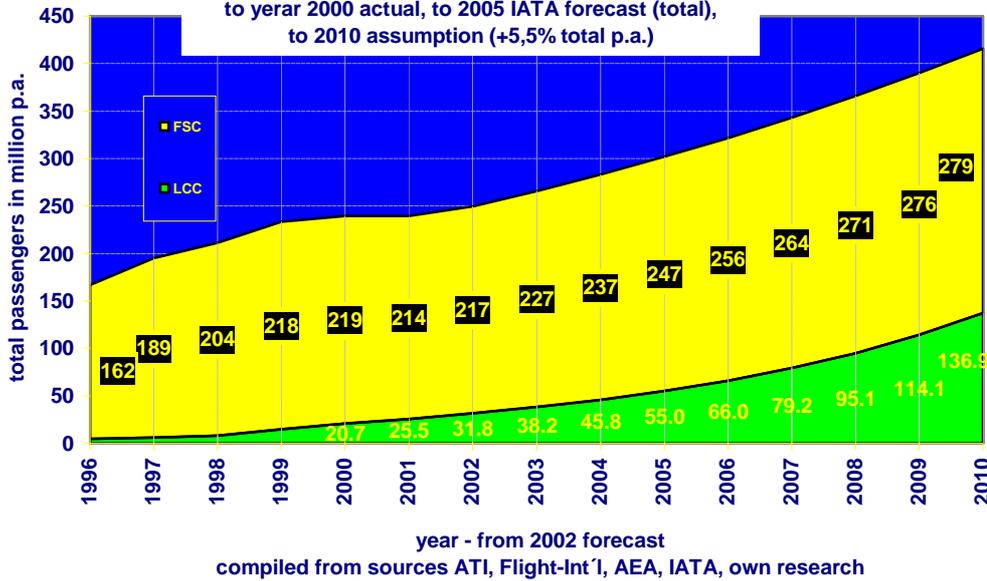
¹⁸ more conservative than some LCC managements assume today

Figure 4: Market Growth in terms of Passengers - Europe to year 2000 actual, to 2005 IATA forecast, to 2010 assumption (5,5% p.a.)



compiled from sources ATI, Flight-Int'l, AEA, IATA, own research

Figure 5: Market Growth in terms of Passengers - Europe to year 2000 actual, to 2005 IATA forecast (total), to 2010 assumption (+5,5% total p.a.)



compiled from sources ATI, Flight-Int'l, AEA, IATA, own research

Table 4 shows intra European figures of this possible development.

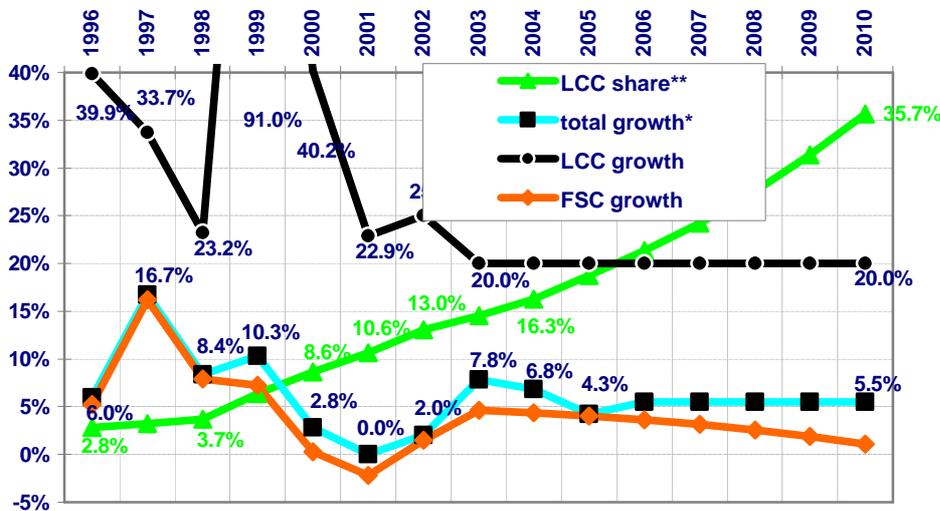
Table 4 also shows the calculated growth rates and the LCC marked share. FSC growth rates are gradually decreasing until reaching only 1,1% in 2010.

Figures 4 and 5 are graphs showing the results in absolute figures.



Figure 6: Market Growth in terms of Passengers - Europe and Market Share of Low Cost Carriers (LCC) to 2000 actual, to 2005 IATA forecast(*), to 2010 assumption,

* year - from 2002 forecast compiled from sources ATI, Flight-Int'l, AEA, IATA, own research



3.5. LCC Pilot Recruitments versus Total Recruitments

The last question to be answered is:

What pilot demand is resulting out of this market development? How many pilots have to be recruited to meet this demand?

As a calculation basis the above-described market is taken and an annual retirement rate of 2,86%, which reflects 35 years average service years of every pilot employed.

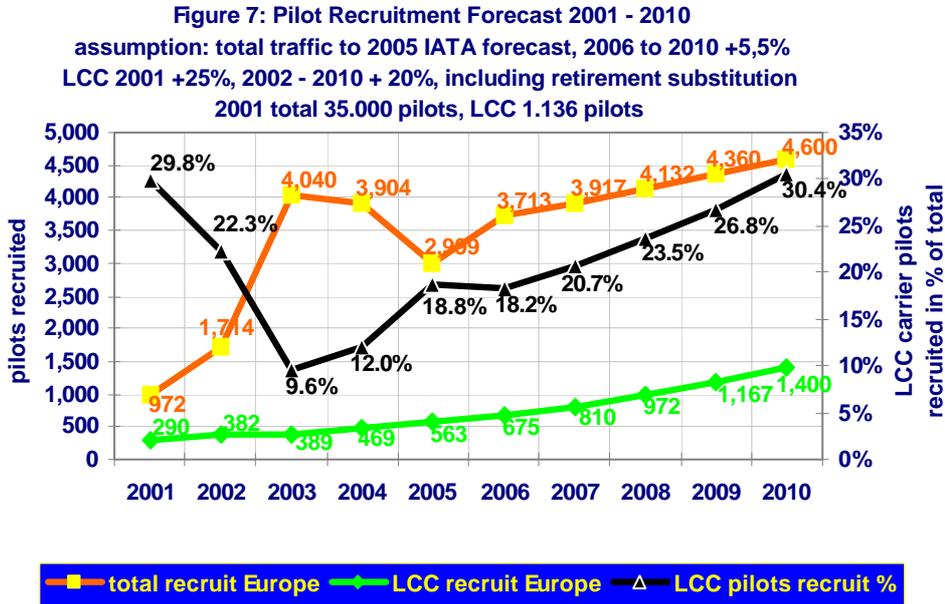
The annual demand, as a result, is generated out of these +2,86% and the annual market (total and LCC).

Table 5: Total Demand for Pilots in Europe

year	possible pilot recruitment from 2001/02 (including retirement substitution), all pilots in Europe			total pilots Europe and LCC share in percent		
	recruit Europe	recruit Europe	LCC pilots recruit %	total pilots Europe	LCC pilots Europe	LCC pilots %
2001	972	290	29.8%	35,000	1,136	3.2%
2002	1,714	382	22.3%	35,700	1,397	3.9%
2003	4,040	389	9.6%	38,500	1,746	4.5%
2004	3,904	469	12.0%	41,125	2,095	5.1%
2005	2,999	563	18.8%	42,875	2,514	5.9%
2006	3,713	675	18.2%	45,233	3,017	6.7%
2007	3,917	810	20.7%	47,721	3,621	7.6%
2008	4,132	972	23.5%	50,346	4,345	8.6%
2009	4,360	1,167	26.8%	53,115	5,214	9.8%
2010	4,600	1,400	30.4%	56,036	6,256	11.2%



It must be admitted that the retirement-generated demand in LCC's is most probably somewhat lower because these carriers simply have not yet been in existence long enough. But on the other hand some of them (already) recruit retired captains from FSCs. Because retirement ages are some 5 to 8 years lower due to collective labour agreements, FSCs are forced to recruit captains 5 to 8 years earlier.



Additional annual growth demand is calculated according IATA forecast to year 2005, thereafter assumed with +5,5% per year. For LCC's growth 2002 is forecasted with +25%, thereafter with 20% per year. Table 5 shows the resulting demand – total Europe and in LCC's.

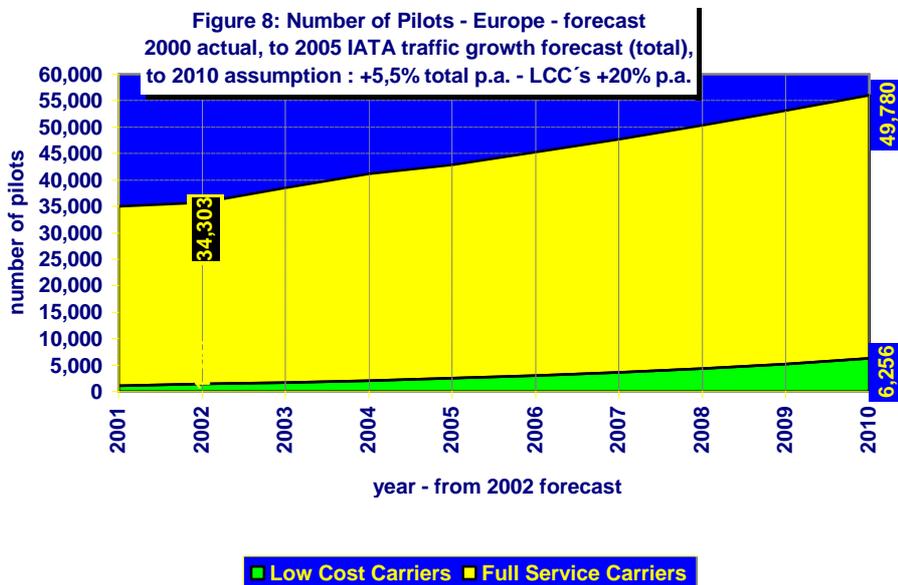


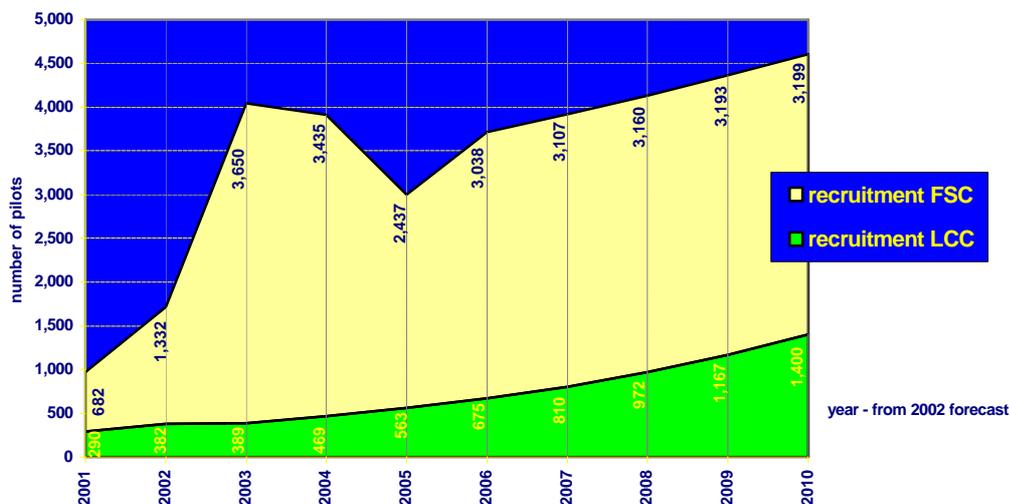
Table 5 and Figure 7 indicate that the above described market development will lead to a substantial pilot demand in LCC's, in 2010 about 30% of total recruitment while the total LCC pilot number will be about 11%.

Figure 8 shows the total pilot number development in Europe. Figure 9 shows the total pilot demand (the recruitment need).



Figure 9: Pilot Demand - Europe - forecast

2000 actual, to 2005 IATA traffic growth forecast (total),
to 2010 assumption: +5,5% total and + 20% LCC p.a.



3.6. "Southwest-Model"

Whenever somebody is discussing the low-cost-airline issue (in Europe) the "Southwest-Model" is quoted as THE EXAMPLE of low cost carrier success.

Southwest, founded in 1971 operating with 3 Boeing 737, today operates 363 B-737 (with 115 on order) and is – on the base of domestic passengers carried – the fourth largest airline in the USA.

With the perspective of deregulation of the US-market in 1977 it successfully fought against competition "using high frequencies, low operation costs, standardised fleet and heavy promotion. It itself presented as the underdog carrier that should be supported because it was American and be supported as free enterprise. The latter strategy met approval of the state of Texas¹⁹."

The market background in the U.S. at that time was regulated (before 1977) with relatively low management responsibility for the fate of an airline – this is a complete difference to today's European market, but Ryanair, for example, also grew faster before and during full liberalisation of the European market on April 1st, 1997.

1998 Southwest operated at 56% of the costs of DELTA (B-737-300 – operation only), using 137 instead of 126 (DELTA) seats (- 9% costs per ASK), and had an aircraft daily utilisation of 11,3 hours (DELTA 9,8 h), which gave a cost advantage of about 15%²⁰ (see also Figure 1 as a reference).

Southwest basically used the same cost advantages as the European LCC's (again see Figure 1).

There is one remarkable difference:

Southwest flight crew salaries have always been competitive, well above U.S. average for an airline operating B-737's. Year 2000 salaries were about 85% of the DELTA B-737 salaries²¹. Southwest still

¹⁹ "Strategic AirlineManagement", Louis Gialloredo, 1988

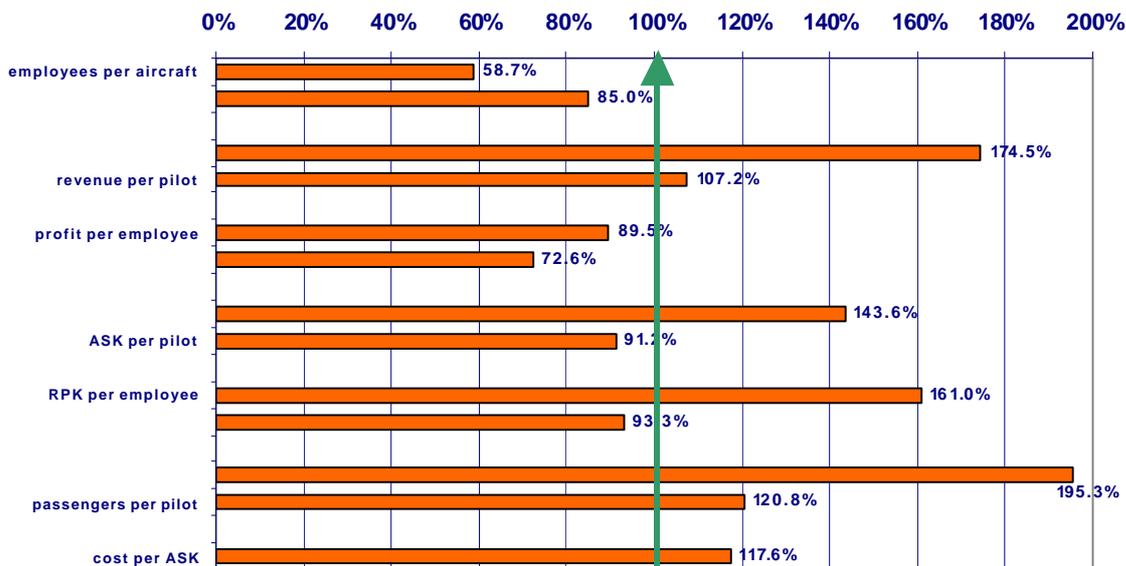
²⁰ "The low-cost revolution" in Doganis, "The airline business in the 21st century", 2001

²¹ AIR INC, U.S. airlines salaries 2000-2001

has the advantage of higher flightcrew utilisation (due to its route-structure), but obviously never was heading for additional savings due to lower salaries than the European LCC's do²².

Figure 10 shows European LCC's economic data as a percentage of Southwest data. The graph is comparable to Figure 3 (page 7) and reflects the "performance" of European LCC's in relation to the "Southwest-model".

Figure 10: Economic Data LCC-Europe in percent of Southwest
LCC's = average easyJet, GO, Ryanair, Virgin Express



This graph reflects that European LCCs obviously have fewer employees per aircraft than Southwest (58,7%), which shows even more that they "buy" instead of "make" secondary services,²³ and, as a result, the revenue per employee is much higher (175%) in European LCCs.

The profit per employee (and per pilot!) is higher in Southwest while the cost per ASK is 17,6% higher in the European LCCs. Though Southwest pilot salaries are competitive in the U.S. market²⁴ (and European LCCs are not²⁵), profit per pilot, ASK per pilot and RPK per pilot are better in Southwest than in European LCC's.

Figure 10 basically shows that, despite European LCC's look for the same cost advantages, the market environment in Europe is obviously different to that in the U.S. .

Though the "Southwest-model" is copied in Europe the outcome is not the same.

3.7. Conclusions

Low Cost Carriers have a lot of cost advantages, generated mainly by:

- higher seat density
- minimal station costs /outsources handling
- using cheaper airports
- no inflight catering - „no frills“

²² see Table 1 and Figure 2.
²³ refer text below & Table 3.
²⁴ see above
²⁵ see Table 1 and Figure 2.



- no agent commission
- serving no extensive network, no feed to longrange flights etc.
- having higher aircraft utilisation

and partly by:

- using single aircraft type
- smaller administration/overhead costs
- crew-utilisation and crew costs (the latter only in European LCC´s)

These advantages may result in costs (per ASK) below 50% of a Full Service Carrier.

In the mid-1990s, stimulated by the "Southwest-model" and the Ryanair success easyJet (1995), Debonair (1996) and Virgin Express (1997) entered the LCC market.

As a result, in 1997 Ryanair expanded out of UK/Ireland to Continental Europe. In 1998 British Airways set up Go, KLM´s BUZZ followed in January 2000 and shortly after, Debonair left the market.

In 1999 about 15% of the U.S. domestic passengers flew with low-cost carriers. The European LCC´s almost always operate international, which may be a disadvantage to the "Southwest-Model" and the LCCs presently fly about 10% of the intra European passengers with a possible future share of up to one third; this after just over 20 years after low-cost airlines were established in the market.

Due to cost advantages, LCC traffic in Europe may grow about four times quicker than the average market.

The resulting pilot / aircrew demand will also grow quicker in LCCs and, given the described assumptions and traffic forecasts, will reach about 30% of the total pilot- (aircrew-) demand in year 2010.

General assumptions see 50% of the LCC-passengers generated from former FSC business travellers looking for cost-savings in the general economic downturn. 50% of the LCC passengers are generated from passengers who used other means of transportation before.

The question is, if the LCC´s in Europe can keep the present high growths rate in the next general economic upturn to be expected in 2003. It may be possible that the business traveller changes again to FSC´s due to again higher travelling budgets and less time available for travelling.

Also possible cost savings may decrease in the next economic upturn due higher market prices (e.g: handling fees, aircraft lease rates, maintenance) comparable to pre-September 11 levels.



4. The Players in the EU

See Annex II : Economic and Financial information regarding some LCCs

5. The Low Cost Carriers in the EU Single Aviation Market

“Ten years after liberalisation, the true benefits of a clear focus on a liberalised European market - and not on specific airlines - are becoming clear for European consumers. Dynamic and entrepreneurial airlines are shaking up the industry and bringing prices down. We have seen such development very significantly in the case of short-haul carriers operating within Europe, notably easyJet and Ryanair. We now need to replicate this at an international level.”

Loyola de Palacio
Vice-President of the European Commission
Towards a global framework in air industry
World Economic Forum
New York, 3 February 2002

As mentioned several times by the European Commission, the development of Low Cost Carriers is considered as being one of the positive results of the creation of the Single Aviation Market.

Such enthusiasm is probably reinforced by the fact that many of these new civil aviation operators can be considered as true EU trans-national airlines.

Although their headquarters are based in one EU country, they often establish bases of operation in other Member States. Even before the beginning of a EU cross-border consolidation process, these new carriers were spread across the EU Single Aviation Market and benefited from the new market opportunities offered by the EU regulatory framework. In general, these carriers offer inferior employment conditions to their staff (ground staff, in particular) when compared with Full Service Carriers.

It is estimated that the current market share of low cost airlines within Europe is approximately 10%. Currently there are 5 airlines that are specifically identified as being LCCs. These are the UK-based Easyjet, Go and Buzz, the Irish based Ryanair, and the Belgium based Virgin Express.

It should be noted that two of these airlines were established as ancillary services to their mainline parent companies, namely KLM with Buzz and British Airways with Go (although Go has since been sold in a policy re-alignment). Despite having experienced a difficult beginning, the growth of low-fare travel has seen both airlines enjoy a moderate trend reversal. Subsequently, other airlines have also begun to consider developing their own low-cost services, as witnessed by the recent launch of BMI's (formerly British Midland) own in-house low-cost operation under the name of 'BMI Baby'.

There is, however, very little doubt as to the leading position held by the two largest players, namely EasyJet and Ryanair. Their aggressive and rapid growth tactics, supplemented by the use of flamboyant advertising, have greatly assisted their expansion in the EU Single Aviation Market. Much like Virgin Express' already well known Richard Branson; EasyJet's Stelios Haji-Ioannou and Ryan Air's Michael O'Leary have become known faces in their company advertising, somewhat imitating Richard Branson's formula of giving their airlines an identifying feature.

5.1. Executive Summary

The fact that these low cost carriers (LCC) have adopted a formula that allows them to operate on a much reduced cost basis compared to their mainline competitors, and which has significantly altered the traditional 'status quo', can certainly be construed as a positive market development. However, the underlying element of the EU Single Aviation Market is the concept of a level playing field. In other words, all players must abide by the same rules and therefore ECA believes that LCCs should be held to comply with the same Community principles that apply to the mainline operators.

It cannot be said that this is the case at the present time. In general LCCs :

- Do not accurately describe in their marketing the limitations of their product.
- Do not subscribe to Passenger Rights initiatives developed by the industry (access to air transport by disabled people, minors, etc)
- Do not fully contribute to the concept of aviation public services.
- Regrettably have a system allows one carrier in particular to:
- Be proud of its fierce opposition to Trade Unions' and employees' aspiration for collective representation;
- Benefit from and takes advantage of the lack of harmonised fiscal and social security systems between Member States plus the inadequacies of existing EU social legislation ('Posting of Workers' Directive);
- Not demonstrate that it recognises labour as a capital to be developed (training investments) and respected (job security, family life);

These are a few of the 'obvious' problem areas, which require close supervision by a European regulator, and are also a number of veiled matters that should be subject to close examination:

- The impact on the competitiveness of the EU aviation industry on the global scene (network airlines are forced to compete with low fares, whilst their markets inherently differ); and
- The actual compliance of all airlines, including LCCs with safety and security standards (human performance and machines constantly pushed to the limits).

Although ECA welcomes the emergence of these new airlines, we believe that they may not always be playing by the rules on a number of important issues: mainly due to the lack of harmonisation and effective control in the European Union.

The ECA Industrial Sub Group wishes to stress the need to link the development of the low-fare airline model with existing Community Policies in the social and air transport fields, and calls on the EU Institutions to address the following issues:

- Trade Union recognition;
- Protecting and promoting Good Quality jobs;
- Including the Low Cost Carriers (LCCs) in the European Social Model;
- Exploitation of existing fiscal and social differences within the EU;
- Air Passenger Rights;
- European Economic and Social cohesion;
- Safety & Security;

5.2. Trade Union Recognition



“Everyone has the right to freedom of peaceful assembly and to freedom of association at all levels, in particular in political, trade unions and civic matters, which implies the right to everyone to form and to join trade unions for the protection of his or her interest”

Article 12.1, Charter of Fundamental Rights of the European Union²⁶

The European Union has always affirmed its commitment to human rights and fundamental freedoms, and has explicitly confirmed the Union’s attachment to fundamental social rights. At the time of its adoption, the Amsterdam Treaty established procedures intended to secure their protection.

It is recognised that the emergence of LCCs has resulted in the creation of jobs, which of course must be seen as a positive trend. However, the creation of jobs cannot be reduced to its simplest equation: more jobs equals less unemployed. The responsibilities of an employer are enshrined in a number of legislative measures, of which one is the recognition of the fundamental rights as provided for in the EU Treaties in terms of fair remuneration, improved working conditions, social protection, training, health and safety considerations, plus the freedom of association in particular.

Although the development of this new model of air carriers is promoted and supported by the EU regulator, so the adherence to and protection of these fundamental rights must be ensured in order to guarantee the fair treatment for the workforce of these companies.

²⁶ Charter of Fundamental Rights of the European Union (OJ 2000/C 364/01) of 18 December 2000

As an example, it should be noted that by their very nature, these operators qualify as EU transnational airlines and as such, these carriers should comply with the Community Directive on 'European Works Council'²⁷ and the Directive on 'Workers' Involvement in the European Company', which were adopted on 8 October 2001²⁸. In this regard, it should also be born in mind that a Directive establishing a general framework for employee information and consultation in the European Community was recently adopted.

5.3. Protecting and Promoting Good Quality Jobs

The adoption of the "Lisbon Strategy" in 1999 gave a very clear indication of the EU's intention to emphasise the need to strike the right balance between business flexibility, which has become increasingly important in times of permanent restructuring, and job security for workers, which is necessary to maintain human capital and employability²⁹.

In this context, the ECA believes that there is an incompatibility between the EU's declared intentions and the known practices of some low-cost operators where significant proportion of remuneration is attached to hours or sectors flown or compulsory relocating flight crew to other member States. Whereas this certainly allows these airlines to maintain a competitive cost basis, it does not reflect the stated objectives of the EU(see annex) with regards to its Social Policy.

5.4. Including the Low Cost Carriers (LCCs) in the European Social Model

Social dialogue and social partnership approaches are considered important instruments in ensuring a balanced development of the European Economy by guaranteeing that employee fundamental aspirations are met at the same time as business needs. ECA shares the ambition of the 'Lisbon Strategy' in these fields and applauds the proposed objectives related to economic productivity, while ensuring the creation of new and better jobs. ECA notes that such a partnership approach underlines the strategic requirement for mutual trade union recognition.

LCCs, like other companies, should accept these Community policies and should urgently reconsider their approach towards employees and their fundamental right to form and to join trade unions for the protection of their interests.

ECA URGES the European Commission to:

INVITE low-cost airline representatives to attend consultation bodies, such as the 'Industry and Social Group', and Social Dialogue instances, such as the 'Social Dialogue Committee for the Aviation Sector'.

URGE low-cost airlines to voluntarily recognise local pilot unions and initiate negotiations to establish Collective Labour Agreements.

ESTABLISH a Collective Labour Agreement in low-cost airlines and advocates the inclusion of the items as contained in Chapter 3 of this document.

²⁷ Directive 94/45/EC of 22.9.1994, OJ L 254 of 30.9.1994, p.64.

²⁸ Directive 2001/86/EC of 8.10.2001, OJ L 294 of 10.11.2001, p. 22.

²⁹ See Annex 2

5.5. Exploitation of Existing Fiscal and Social Differences within the EU

When examining the internal structures of the low-cost airlines more closely, it becomes quite clear that some of these airlines have adopted a tactic that is known as ‘cherry-picking’. This basically consists of identifying the most cost beneficial possibilities within the regulatory framework that can be exploited.

For the majority of them, they benefit of an un-harmonised fiscal environment.

Some LCCs have also adopted the tactic of basing their flight crews in another Member State rather than their principal place of establishment. Generally where the “home countries” of the airlines are considered to be more favourable from a fiscal and social point of view for these new entrepreneurial owners. The working contracts, employment conditions and Flight Time Limitation rules then applied to these flight crews are the more “flexible” than those, which apply in the Member State where the company has its headquarters, despite the contracts stipulating that these pilots will have to live and work in a different country.

Further, recruited pilots are told that their base is – say – in Germany and their contractual rights and obligations are – say – in Ireland. These employees are left on their own with the fiscal and social problems and obligations generated by the employer and can hardly find advice by the responsible authorities that the ECA is aware of.

This situation is generating a distortion of competition between pilots working in the same country and creates strong economic pressures on local air carriers, which are subject to different fiscal and social obligations.

Commission’s experts have confirmed that the so-called “posting of workers” directive does not address this case, as the duration of the contracts are not time limited. In one specific case, a LCC is clearly exploiting these uneven social and fiscal conditions between EU member States and by the same token, future choices between merging airlines could be conditioned by the same considerations.

Considering this loophole in the EU Social legislation as extremely serious, ECA:

URGES the European Institutions to amend existing legislation or adopt new legislation to prevent fiscal and social dumping practices within the EU, especially in the context of the EU enlargement;

URGES the European Institutions to harmonise operating, fiscal and social conditions applicable to Air Carriers within the European Aviation Single Market, including Flight Time, Duty Time Limitations and Rest periods.

5.6. Air Passenger Rights

It is a well-known fact that the European Commission identified the issue of Passenger Rights as one of its priorities, the aim being to make travelling by air a more transparent and consumer-friendly experience. In response to this initiative, and in addition to provisions already contained in EU legislation, the main European airlines developed a voluntary ‘Airline Passenger Service Commitment’

to which a number of airlines already adhered. The salient points contained in their commitment are to:

- Assist passenger facing delays;
- Allow telephone reservation to be held or cancelled without commitment or penalty within 24 hours;
- Provide prompt refunds;
- Provide assistance to passengers with reduced mobility and passenger with special needs; and
- Meet passengers' essential needs during long, onboard aircraft delays



The low-cost airlines have adopted a different stance with regard to their passengers and their associated rights. There is a clear attempt by these airlines to minimise their responsibility and obligations e.g.:

- Less flexibility;
- No connecting flights and baggage transfers,
- In the case of flight delays or cancellations, these airlines do generally not provide refreshments or meals, accommodation and no refund of the ticket: only a rebooking which maybe more expensive;

LCCs' publicity campaigns can create expectations among potential passengers, who overlook the conditions and the restrictions attached to advertised promotional fares;

The low-fare passenger policy is very strict regarding unaccompanied minors or disabled people;

Low-fare passengers should be treated as fairly, consistently and openly as any other passenger in Europe.

The ECA therefore:

CALLS on the EU Institutions to ensure that all EU carriers abide by the same rights and obligations in regards to passenger rights.

5.7. European Economic and Social Cohesion

In its recent White Paper; *“European Transport Policy for 2010: Time to Decide³⁰”,* the European Commission states that *“...the enormous changes wrought in the transport sector by opening up to competition and by technological progress should not obscure the fact that transport is not only a commodity subject to market rules, it is also a service of general interest for the public benefit.”*

The ECA is of the firm opinion that this concept must be linked to the notions relative to Passenger Rights. It should not be forgotten that the possibility for an airline to operate is subject to approval by the appropriate regulatory authorities, whereas the purpose of any airline is clearly to make a profit on the basis of its activities.

The ECA believes that LCCs should be included in this vision proposed by the Commission.

³⁰ White Paper : European Transport Policy for 2010: Time to Decide, COM (2001) 370, 12 September 2001

5.8. Safety & Security

The history of LCCs in Europe is too short to draw conclusions. A recent publication in Flight indicated the importance of safety in the public's perception. *"The high profile of LCCs has proved a disadvantage before. In 1996, the US Low-Fare carrier ValuJet suffered a serious crash, and the public reaction was so great that the airline underwent a reverse merger, adopting the name of AirTran Airways, a company that it had purchased in 1997. No European low-cost has yet suffered a single fatality – but, in the long run, an accident is inevitable. And the backlash maybe far more serious than any criticism from competitors"*³¹.



Understandably, LCC airlines have been quite aggressive about safety, after the ValuJet accident in the mid-nineties or prior to this with the Air Florida accident in the seventies.

The issue of safety is so vital in the airline industry that ECA cannot believe that any operator would be complacent with the need to protect and ensure highest safety levels in every aspect of airline operations.

However, the fierce competitive environment and the continuing efforts to achieve more productivity raise the need for close monitoring by the European Aviation Safety Regulatory Authority and the National Aviation Authorities.

The ECA RECOMMENDS close monitoring this area where operators are:

- Running operations in a Member States yet applying rules in from another country
- Monitored by a CAA based in another MS
- Aiming at a very high utilisation of aircraft and as recently reported, put pressure on Flight Crew to maintain schedules that are too tight³²;
- Increasing the number of sectors flown, and the use of crew generally.

ECA URGES the EU Institutions to ensure that the utilisation of aircrew does not exceed the 900 hours flight time limit as per the Agreement on Working Time for Air Crew

³¹ Flight International, 9-15 April 2002 page 39.

³² The Times, Tuesday 18 June 2002

6. Promoting Minimum Collective Labour Agreements (CLAs)

Some of the LCCs seem to prefer to conclude individual contracts with their pilots. The ECA is not in favour of this system because it leaves the single pilot in front of his/her company without the right for collective representation.

The ISG of ECA has identified a number of issues which appears to be deficient in the current terms and conditions applicable to Flight Crew in some specific LCCs. ECA does not wish to open a polemic with these carriers and therefore has kept these contracts samples anonymous. Should they still be identifiable, ECA insist on the fact that ECA has no intention to present itself as a bargaining organisation and would leave it to its member Associations to address eventual shortfalls.

ECA wishes also to congratulate BALPA for having achieved Union Recognition and negotiations for CLA's in 3 of the Low Cost Airlines based on the UK.

6.1. Analyses of current Terms and Conditions

(See the sample of LCC's anonymous contracts in Annexe III)

Trade Union Recognition

It should be stressed that CLAs and pilot union recognition already exist in the following LCCs : GO, BMIBaby, Buzz, AirLib and Easyjet.

We must admit here that provisions in the "scope protection clauses" part of the CLA's of FSC's help in involving Associations in the new LCC airline, when this is created by an FSC.

The other LCCs studied (11 in all) conclude individual contracts with their pilots.

Hiring with Type Rating (TR) or T/R by Airline (Bonding)

These contracts show that when available, there is generally a preference for type rated pilots. ECA has identified at least 5 cases that had the TR as a prerequisite for hiring. In at least 3 cases those airlines proposed to provide the TR in their TR Training Organisation for CHARGE before the final selection (although the job is not guarantee at the end of the process).

Seniority list system

The seniority list is generally not used, or referred to in new LCCs operations. The reasons apparently given by these operators is related to the fact that a single type of operation would not require the establishment of such a list.

In two cases, CLAs exist, like BMI Baby and BMI or Buzz and KLM Uk. In the case of AirLib Express, the pilots come from the Network airline where pilots maintain their position in the original list.

Pay Systems: sector pay, other types of pay

Most LCCs offer a total pay composed of a fix salary plus an high proportion of sector pay compared to European Short Haul Ops of FSCs.

Company Social Conditions Including :

a) Pension Schemes.

Most of the studied LCCs offer pension schemes, including for individual contracts (in the absence of CLA)

ECA MAs countries, having “national pension schemes” for pilots, have expressed concern of the survivability of those schemes “by repartition” if there is no choice of where the contribution is made.

b) Medical Insurances.

Are available for LCCs, in some cases even on an individual contract basis.

c) Loss of Licence Insurance.

Is available in some cases.

d) Forced Mobility

Some LCCs contractually impose to pilots to accept relocation, including new employment conditions, in the new base.

e) -National Flight Time Limitations (FTL) Rules

One LCC in particular has developed operations basis in other EU countries than its main place of establishment. Contractual conditions stipulates however that the applicable FTL rules will be those in force in it's home country. This is in itself is the best possible “plaidoyer” for a EU harmonised FTL scheme.

6.2. ECA Views on Industrial Issues Listed in 6.1

Trade Union Representation

This issue is extremely important. Unfortunately, in many countries this recognition is not guaranteed. While many European countries request more than 50% memberships or substantial membership, nothing obliges some of these airlines to engage in negotiation with their employee representatives. This situation is appalling and ECA's MAs will continue to pursue their efforts to ensure that their members have the right to collective representation.

Germany: Need to force union recognition with the company.

UK: Need for 50% plus 1 member to force union recognition.

France and Italy: Need to force union recognition with the company. There are several pilots unions in these countries.

The Netherlands: A minimum of 15% membership is required for negotiations talks, however, this is not the same as union recognition, and this has to be enforced by court action or industrial action.

Need for Collective Labour Agreements

ECA strongly recommends the negotiation of CLAs between pilot union representatives and individual airlines. It provides the best guarantee that not only terms and conditions, but also Flight Crew planning practices are fair and efficient.

Hiring with Type Rating(TR) or TR by Airline (Bonding)

ECA strongly believes that new airlines should be discouraged from imposing a valid Type Rating as a condition to apply for a pilot position. Especially when such an Airline also runs a Type Rating Training Organisation (TRTO). Their need for pilots should not trigger further business for their TRTOs, -in some cases this has become a prerequisite (2 Airlines) before even selecting the pilot candidates.

Seniority System:

ECA strongly supports Seniority list system within airlines because among other reasons, the system provides fairness and contributes to establishing a relation of trust between pilots and management.

Sector Pay:

Although in existence in many airlines and also sometimes requested by pilots themselves, ECA is of the view that the system of sector's pay should be limited and not be higher than a certain limit. The productivity of pilots tends to be exaggerated when such systems are in place, to the possible detriment of safety.

Social Conditions Including Pension, Medical Insurances & Loss of Licence Insurance:

ECA is concerned by possible discrepancies or incompatibilities between Member States regarding fiscal, social and pension accrued systems. Pilots employed by Trans National airlines should not risk

any losses in their pension and fiscal benefits during their careers. This issue should be covered in both the CLA and the European regulatory system.

There should be a pension system applicable for the whole company
The employer should participate in financing the Pilot's pension fund.
The pension should be transferable and recognised in every Member State.

Forced Mobility:

ECA supports pilot mobility within the EU aviation single market. However this should not lead to abuses. Therefore:

- The issue of Mobility of pilots should be covered by a CLA,
- More favourable local legislation should take precedence when available
- Acquired rights should be transferable
- Mobility should not lead to any diminution of terms and conditions
- Moving costs should be covered by the employer for the pilots and the members of his/her family

National Flight Time Limitations (FTL) Rules

In the absence of a European wide FTL scheme ensuring the same time safe flying operations and a level playing field, airlines and National Aviation Authorities should not ignore the latest results of the research in human fatigue and performance. The increasing number of sectors flown during the day by a single crew is somewhat a new development. Further research should be carried out to examine the impact of this new development on (flight) crew fatigue, who by contract are also asked to carry out non related flying duties during their operations.

Captain's Responsibility

The Air Crew members and the Flight Crew in particular are above all responsible for the safety of the aircraft operations and its passengers. It is very important that the Captain is able to make the proper decisions without being subject to any external pressure.

6.3. Model CLA for New Airlines

The Board of ECA is committed to the development of a European wide Standard Collective Labour Agreement (CLA) for Flight Crew.

This CLA model, which will cover a number of basic items, is designed to be used as a tool by national Flight Crew organisations in their relations with Trans-national airlines. This initiative is considered vital in a changing market environment.

The Board of ECA has tasked its Industrial Sub Group to develop this model by spring 2003 at the very latest.

Recommendations for Action:

In this study, all the ECA positions are highlighted and endorsed by its member associations.

ECA strongly urges member associations to promote those positions and the “model CLA” to interested parties, in the countries where these Airlines are based, or wherever the cockpit crews are hired.

Simultaneously, the ECA will act, as a Social Partner in the EU Aviation Industry, to inform, promote and obtain the implementation and adoption of the referred texts.

ANNEXES

- I. The social aspects of the Lisbon Strategy
- II. The main LCCs in Europe : facts and figures
- III. Sample LCC employment contracts

Annex I : The Social Aspects of the Lisbon Strategy

Recognising the strategic importance of human capital means:

Sustained investment in human capital;
Strengthening the capacity of businesses to adapt; and
Involvement of workers in managing changes and creating new job security.

This involvement is based on the effective search for alternative solutions, such as redeployment, training or retraining of the workers concerned, the appropriate phasing-in of planned measures over time, the reorganisation of work, including working time, as a precondition for the use of more radical measures, assistance with job seeking, and occupational guidance,

Drawing inspiration from existing law and practices in the Member States, and taking into account the trans-national dimension of the operations referred to herein, the Commission considers it necessary to combine in an effective and balanced manner the interests of businesses, faced with changes in the conditions governing their activity, and those of employees, threatened with the loss of their jobs. In this context, it considers that a debate on the essential principles, which would support businesses' good practice in restructuring situations, could relate to the following four main areas:

- Employability and Adaptability;
- Effectiveness and Simplification;
- External Responsibility; and
- Modalities of implementation.

Both the Social Policy Agenda and the 'Lisbon Strategy' emphasise the importance of ensuring a positive, mutually reinforced interaction between our economic, employment and social policies. Hence, the Lisbon goal focuses on building a competitive, dynamic and cohesive knowledge-based

economy. It also sets the overall goal of attaining full employment through the creation of not only *more* but also *better* jobs.

The Nice Council conclusions state that "...to meet these new challenges, the (Social Policy) Agenda must place the emphasis on the promotion of quality in all areas of social policy. Quality of training, quality in work, quality of industrial relations and quality of social policy as a whole are essential factors if the European Union is to achieve the goals it has set itself regarding competitiveness and full employment."

As a supplement to this, it should also be noted that the Social Policy Agenda states that "...quality of work includes better jobs and more balanced ways of combining working life with personal life. Quality of social policy implies a high level of social protection, good social services available to all people in Europe, real opportunities for all and the guarantee of fundamental and social rights. Good employment and social policies are needed to underline productivity and to facilitate the adaptation to change."

Annex II The Main LCCs in Europe: *Facts and figures*

“Airline Data is provided by Air Transport Intelligence (ATI). For up-to-date Airline statistics and for the latest Airline News logon to www.rati.com, or contact Daniel Sedman on +44 20 8652 3914, daniel.sedman@rati.com”

Air Europa*

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Internet: <http://www.aireuropa.com>
Services: Scheduled, Passenger, International

Turnover (million): 636.0 USD (2000)
Net profit (million): 1.6 USD (2000)
Passengers (million): 5.9 (2000)
Employees: 2,081 (2000)
Fleet: 26 aircraft in service
Destinations: 28

Description

Air Europa is the operating title of Air España. The airline specialises in inclusive-tour services between Northern and Western Europe and holiday resorts in the Canary and Balearic Islands. The airline also operates domestic scheduled flights and long haul scheduled services to North America and the Caribbean.

History

Date established: 17 Feb 1984
Date operations started: 01 Nov 1993

Air Europa became active in 1986 as part of the Airlines of Europe Group. In January 1998 they signed a franchise agreement with Iberia. In 1999 KLM agreed to purchase equity in the airline, which would have become part of the still-born Alitalia-KLM alliance. In April 2000 the Alitalia-KLM merger failed and in November 2000 Air Europa entered negotiations to be taken over by fellow Spanish carrier Iberia, but in January 2001 the talks collapsed.

Traffic and statistics	2000	1999	1998	1997	1996
Passenger millions	5.900	5.140	4.890	6.400	5.470
Passenger load factor	77.8 %	74.31 %	72.62 %	77.08 %	79.23 %
Revenue passenger km (mill)	8,592.00	8,089.00	8,625.00	10,303.00	8,963.40
Available seat km (mill)	11,044.00	10,223.00	10,802.00	13,367.00	11,313.13
Freight tonne km	na	na	na	na	na
Revenue tonne km (mill)	730.00	687.00	733.00	876.00	806.80
Total employees	2,081.00	1,838.00	1,920.00	2,209.00	2,225.00

Notes: 1996 - Company name

is Air España SA. Passenger tonne km calculated

* "Airline Data is provided by Air Transport Intelligence (ATI). For up-to-date Airline statistics and for the latest Airline News logon to www.rati.com, or contact Daniel Sedman on +44 20 8652 3914, daniel.sedman@rati.com"

"Airline Data is provided by Air Transport Intelligence (ATI). For up-to-date Airline statistics and for the latest Airline News logon to www.rati.com, or contact Daniel Sedman on +44 20 8652 3914, daniel.sedman@rati.com"

Finance (USD million)	2000	1999	1998	1997	1996
Period start	1 Nov 1999	1 Nov 1998	1 Nov 1997	1 Nov 1996	1 Nov 1995
Period end	31 Oct 2000	31 Oct 1999	31 Oct 1998	31 Oct 1997	31 Oct 1996
Passenger Revenue	581.78	549.07	526.93	na	na
Cargo Revenue	3.00	2.66	3.56	na	na
Other Revenue	50.96	24.68	22.56	na	na
Total Revenue	635.73	576.41	553.05	570.01	524.40
Operating result	0.97	2.82	2.95	2.85	na
Net result	1.60	1.96	3.30	2.35	na
Net margin	0.25 %	0.34 %	0.59 %	0.41 %	na

Notes 1996 - Exchange rate

from carrier

Fleet Summary

Aircraft in service: 3 Boeing 737-300, 6 Boeing 737-400, 14 Boeing 737-800, 3 Boeing 767-300ER

Aircraft in storage: 6 Boeing 757-200

Total: 26 aircraft in service, 6 in storage

Codeshare partners

Aerpostal - Alas de Venezuela (Nov. 2001)

Note : Codeshare operations between Caracas and Madrid, with onward connections to Lima, Quito, Guayaquil, Bogota, Manaus and all major domestic Venezuelan destinations while Air Europa will also provide Spanish and European connections for Aerpostal.

Alitalia (Sep 2000)

Note : Alitalia flights from Rome and Milan to Madrid and Barcelona will connect with Air Europa services in Spain. The co-operation also covers marketing, loyalty incentives, and involves reciprocally linking the two carriers' frequent flyer programmes.

Continental Airlines (Nov 2001)

Note : Codeshare on Air Europa flights in Spain, and Continental flights between Spain and the USA and onward domestic connections

Copa Airlines (Jul 2001)

Note : Codeshare between Madrid and Santo Domingo and onward to Panama.

TAP Air Portugal (Oct 1999)

Note : Codeshare on Lisbon-Madrid and Oporto-Madrid.

FFP Partners

LOT Polish Airlines

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Air Lib

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 Orly Aerogare Paris, 94551 France
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 ICAO: AOM
 Telephone: +33 (1) 49 79 23 00
 Telephone: +33 (1) 46 86 72 49
 Fax: +33 (1) 46 86 50 95
 Fax: +33 (1) 46 79 94 82
 SITA: ORYCSVD
 Internet: <http://www.air-liberte.fr>
 Services: Scheduled, Passenger, Cargo, International, Regional, Domestic

Turnover (million): 528.0 USD (1999)
 Net profit (million): -37.6 USD (1999)
 Passengers (million): 4.0 (2000)
 Employees: 2,259 (2000)
 Fleet: 31 aircraft in service
 Destinations: 22

Description

Air Lib operates scheduled domestic and international services to more than 35 cities.

History

Date established: Jul 1987
 Date operations started: 22 Sep 2001

Air Liberté filed for bankruptcy in September 1996 but was rescued when British Airways acquired a majority stake in October of that year. TAT European Airlines and Air Liberté started to merge together in March 1997, with completion in March 1998. It was decided that the merged airlines would operate under the Air Liberté name. Air Liberté became a wholly-owned subsidiary of Taitbout Antibes, a Dutch financial institution, in May 2000. Taitbout is a subsidiary of Marine Wendel and Group Alpha which, with SAirGroup, already controls AOM and Air Littoral. AOM, Air Littoral and Air Liberte were merged into a single entity in early 2001 and was later rebranded as Air Lib.

Traffic and statistics	2000	1999	1998	1997
Passenger millions	3.980	4.380	4.140	3.700
Passenger load factor	69.3 %	73 %	69.24 %	63.6 %
Revenue passenger km (mill)	5,297.12	5,411.20	4,903.68	4,325.97
Available seat km (mill)	7,639.89	7,410.79	7,082.02	6,803.19
Freight tonne km	50.87	47.83	46.38	69.27
Revenue tonne km (mill)	527.61	487.00	487.71	458.60
Total employees	2,259.00	2,800.00	2,520.00	2,560.00

Notes : 1997 - W/Including TAT; 1998 - Source: WATS; 1999 - Source: WATS; 2000 - Source: IATA WATS

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Air Lib is a parent of subsidiary

ALS France

Finance (USD million)	1999	1998	1997	1995	1994
Period start	1 Apr 1999	1 Apr 1998	1 Apr 1997	1 Nov 1994	1 Nov 1993
Period end	31 Mar 2000	31 Mar 1999	31 Mar 1998	31 Oct 1995	31 Oct 1994
Passenger Revenue	na	na	na	na	na
Cargo Revenue	na	na	na	na	na
Other Revenue	na	na	na	na	na
Total Revenue	528.00	616.76	515.00	374.13	177.40
Operating result	na	na	na	na	0.5
Net result	-37.60	-0.45	na	2.4417	0.6
Net margin	-7.12 %	-0.07 %	na	0.65	0.33

Fleet Summary

In Use: 2 A340-200 ; 2 A340-300 ; 2 MD-82; 2; 14 MD-83; 11 DC-10-30 **In Storage:** 1 MD-82; 4 MD-83; 6 Fokker 100; 1 F28 Mk2000; 2 DC-10-30

Total: 31 aircraft in use, 14 in storage.

Codeshare partners

Air Calypso (Jun 1999)

Air Normandie (1997)

Notes : Marketing and codeshare agreement on all Normandie Aviations services.

FFP Partners

LOT Polish Airlines

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Buzz

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Telephone: +44 1279 660400
Fax: +44 870 2407575
Email: askbuzz@buzzaway.com
Internet: <http://www.buzzaway.com>
Services: Scheduled, Passenger, International

Description

Buzz operates scheduled services from Stansted Airport to continental Europe. Buzz has recently cut its twice-daily service to Vienna as part of its ongoing fleet reorganisation plans of the wider KLM UK from 28th October 2001. Flights to Toulouse and Montpellier plus services to Gerona will be taken off the winter timetable as the airline transfers capacity on winter routes to ski destinations to the French Swiss and Italian Alps.

History

Date established: 1999
Date operations started: 04 Jan 2000

The airline was launched in January 2000 as a low cost airline brand by KLM uk, with eight BAe 146-300s transferred from it's parent company

Fleet Summary

Aircrft in use: 8 BAe 146-300; 2 737-300

Total: 10 aircraft, all in use

Buzz is a division of

KLM uk UK

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Deutsche BA

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ICAO:	BAG
Telephone:	+49 (89) 975 91 500
Fax:	+49 (89) 975 91 503
SITA:	MUCWWDI
Internet:	http://www.deutsche-ba.de
Services:	Scheduled, Passenger, International, Domestic
Turnover (million):	358.0 USD (1999)
Passengers (million):	3.0 (2000)
Employees:	850 (2000)
Fleet:	17 aircraft in service
Destinations:	8

Description

Deutsche BA operates scheduled flights on the German domestic market and within Europe. It also operates charter flights for tour operators to Europe and North Africa and mail flights within Germany.

History

Date established: Mar 1992
Date operations started: Jun 1992

Founded in 1978 as Delta Air Regionalflugverkehr. In March 1992 three German banks bought 51% of the shares and British Airways the remaining 49% stake. It was renamed Deutsche BA on 5 May, 1992. In 1997 BA acquired a further 16% of the company through the dilution of one of the German banks' holdings. This was increased to 100% in April 1998, when British Airways took over full ownership of Deutsche BA. On 5 March 1999, Deutsche BA and Iberia signed a codeshare agreement for connections between Germany and Spain.

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easyJet

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easy Land
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ICAO: EZY
Telephone: +44 1582 44 55 66
Fax: +44 1582 44 33 55
Internet: <http://www.easyjet.com>
Services: Scheduled, Passenger, International, Regional, Domestic

Turnover (million): 513.0 USD (2001)
Net profit (million): 54.5 USD (2001)
Passengers (million): 7.1 (2001)
Employees: 1,632 (2001)
Fleet: 26 aircraft in service
Destinations: 17

Description

Pan European, low cost airline operating frequent daily scheduled services for both leisure and business passengers. Serving 16 cities with 40 routes, throughout Europe.

History

Date established: 18 Oct 1995
Date operations started: 10 Nov 1995

Stelios Haji-Ioannou launched easyJet in November 1995 with two leased aircraft operating two routes to Glasgow and Edinburgh from London Luton. In 1997 easyJet began additional operations from Liverpool airport. In March 1998 easyJet purchased a 40% stake in Tea Switzerland. For much of 2000, easyJet was involved in a dispute over airport charges with Barclays Bank, the majority owners of London Luton, its main operational base. Partly as a result of this, easyJet is increased its operational presence at Liverpool and Schipol airports. Floated on the London Stock Exchange in October 2000.

Traffic and statistics	2001	2000	1999	1998	1997
Passenger millions	7.120	5.630	3.100	1.770	1.140
Passenger load factor	83 %	80.8 %	75.6 %	68.7 %	na
Revenue passenger km (mill)	5,903.00	4,730.00	2,636.00	1,447.14	na
Available seat km (mill)	7,003.00	5,801.00	3,487.00	2,107.58	na
Freight tonne km	na	na	na	na	na
Revenue tonne km (mill)	na	na	na	124.864	na
Total employees	1,632.00	1,386.00	674.00	na	na

Notes: 1998 - CAA

easyJet is a stakeholder in

easyJet Switzerland Switzerland Percent share 40%

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Acquire date Mar 1998

Details easyJet relaunched TEA Basel as 'easyJet Switzerland' operating under a franchise agreement.

Finance (USD million)	2001	2000	1999	1998	1997
Period start	1 Oct 2000	1 Oct 1999	1 Oct 1998	1 Oct 1997	1 Oct 1996
Period end	30 Sep 2001	30 Sep 2000	30 Sep 1999	30 Sep 1998	30 Sep 1997
Passenger Revenue	512.88	409.20	226.90	127.02	75.12
Cargo Revenue	na	na	Na	na	na
Other Revenue	na	1.2	0.8	0.21	na
Total Revenue	512.88	410.40	227.70	127.25	75.12
Operating result	57.68	34.40	2.10	2.64	-0.45
Net result	54.48	34.40	2.10	3.80	-1.18
Net margin	10.62 %	8.38 %	0.92 %	2.98 %	-1.57 %

Notes : 1998 – CAA ; 2000 - Pretax

Fleet Summary

Aircraft in service: 14 Boeing 737-300 & 12 Boeing 737-700

Aircraft ordered: 20 (+ 30 in option)

Total: 26 aircraft in service, 20 ordered and 30 in option

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Germania

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Email: info@GermaniaAirline.de
Internet: http://www.germaniaairline.de/
Services: Passenger, International

Description

Germania operates charter services from Berlin, Cologne, Düsseldorf and other regional airports to the Canary Islands, Egypt, Israel, Madeira, The Mediterranean, North Africa and Georgia.

History

Date established: Apr 1978
Date operations started: Sep 1978

The airline was originally founded as SAT and re-named Germania in June 1986. At the end of 1986 the last Caravelle SE-210 was retired from service, notwithstanding that delivery of the new Boeing 737-300 aircraft was not scheduled prior to the end of 1987. Consequently, Germania participated in the charter market with only two Boeing 727-100's during 1987. Both of these aircraft were sold in November 1987. On 29 November 1987 the first Boeing 737-300 was finally delivered and put into service.

During the winter of 1987/1988 two additional 737-300 aircraft followed. The fall of the Berlin Wall in 1988 made collaboration with Berliner Flug Ring (a tour operator with several outlets in Berlin) more important. Meanwhile all shares of BFR are held by SAT Fluggesellschaft mbH. Passenger volume in Berlin rose and in consequence Germania's departures from Berlin. In the fall of 1991 Germania management was able to rent and occupy some offices at Berlin-Tegel airport.

The contract between the German Federal Transport Department and the Deutsche BA Luftfahrtgesellschaft mbH (DBA), a subsidiary of British Airways, with Germania also signed a charter agreement for operating several flights of the DBA-flight program with Germania's B737. A charter agreement was signed with LTU according to which certain flights of LTU's program are flown by Germania aircraft.

Fleet Summary

6 Boeing 737-700

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Go

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 Telephone: +44 1279 666333
 Fax: +44 1279 681763
 Internet: <http://www.go-fly.com>
 Services: Scheduled, Passenger, Cargo, International, Regional, Domestic

Turnover (million): 245.0 USD (2000)
 Net profit (million): 4.1 USD (2000)
 Passengers (million): 2.8 (2000)
 Employees: 573 (2000)
 Fleet: 19 aircraft in service
 Destinations: 22

Description

Go is a low-cost, low-fare airline based at London Stansted and flies throughout Europe.

History

Date established: 1997
 Date operations started: 22 May 1998

Set up by British Airways to compete in the growing low fare operations out of London Stansted.

Traffic and statistics	2000	1999
Passenger millions	2.760	1.880
Passenger load factor	72.5 %	63 %
Revenue passenger km (mill)	3,081.00	2,041.00
Available seat km (mill)	4,252.00	3,238.00
Freight tonne km	na	na
Revenue tonne km (mill)	na	na
Total employees	573.00	550.00

Finance (USD million)	2000	1999
Period start	1 Apr 2000	1 Apr 1999
Period end	31 Mar 2001	31 Mar 2000
Passenger Revenue	na	na
Cargo Revenue	na	na
Other Revenue	na	na
Total Revenue	244.60	161.90
Operating result	5.90	-35.10
Net result	4.10	-24.50
Net margin	1.67 %	-15.13 %

Fleet Summary

20 Boeing 737-300 (All but one in service)

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PGA - Portugalia Airlines

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Telephone: +351 21 842 55 00
Fax: +351 21 842 56 23
SITA: LISDENI
Internet: <http://www.pga.pt>
Services: Scheduled, Passenger, Cargo, International, Regional, Domestic

Turnover (million): 144.0 USD (2000)
Net profit (million): -4.3 USD (2000)
Passengers (million): 1.0 (2000)
Employees: 1,017 (1999)
Fleet: 13 aircraft in service
Destinations: 24

Description

PGA operates scheduled international and domestic flights from Lisbon together with charters to Barcelona, Basle, Bilbao, Cologne, Mulhouse, Morseille, Faro, Las Palmas, Lyon, Madrid, Manchester, Milan, Munich, Nice, Palma, Porto, Stuttgart, Tenerife, Turin and Valencia. It also operates passenger charter services to Bologna, Dusseldorf, Frankfurt, Geneva, Stuttgart, Zurich and various destinations in France.

History

Date established: 25 Jul 1988
Date operations started: 07 Jul 1990

Although PGA was established as a joint-stock company on 25th July 1988, the airline did not start operating until 1990 due to a delay market liberalisation. PGA started operations with scheduled domestic and international charter flights, as scheduled international flights were not permitted under Portuguese legislation. Scheduled International services commenced in June 1992, from Lisbon and Porto. Portugalia initially planned to float on the Lisbon Stock Exchange by the end of 1998, to raise money to expand the airline, but in July 1999, Portugalia's main share holder Grupo Espirito Santo, announced it intended sell 42% of PGA to Switzerland's SAirGroup. European Commission (EC) regulators then launched an investigation into the transaction, citing possible negative effects on local market competition given that SAirGroup already controlled 34% of rival Portugese carrier TAP. In August 2000 SAirGroup decided to withdraw from the deal.

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Traffic and statistics	2000	1999	1998	1997	1996
Passenger millions	0.980	0.840	0.910	0.760	0.630
Passenger load factor	58.63 %	52.19 %	57.4 %	54.46 %	na
Revenue passenger km (mill)	824.00	701.00	683.20	607.00	na
Available seat km (mill)	1,444.00	1,214.00	1,189.25	1,145.57	na
Freight tonne km	na	na	na	na	na
Revenue tonne km (mill)	na	na	70.74	54.63	na
Total employees	na	1017	944	788	577

Fleet Summary

6 ERJ-145 EP, 2 ERJ-145 ER & 6 Fokker 100 (of which one in storage)

PGA - Portugália Airlines is a parent of subsidiary

PGA Express Portugal

Alliances

Qualiflyer Group

Codeshare partners

Regional Air Lines (Jan 1999)

Note : Codeshare agreement on Lisbon-Casablanca.

Spanair (2001)

Notes : Code sharing between Spain-Portugal; Reciprocal Frequent Flyer Programs

TAP Air Portugal (Apr 2000)

Notes : Sell & Report agreement on routes from Lisbon to Faro, Funchal, Nice, Lyons, Bologna, Cologne, Berlin-Schönefeld, Stuttgart, Marseille and Turin.

FFP Partners

LOT Polish Airlines

Ryanair

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Co Dublin, Republic of Ireland
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Fax: +353 1 812 1213
SITA: DUBHQFR
Internet: <http://www.ryanair.com>
Services: Scheduled, Passenger, International, Regional, Domestic

Turnover (million): 442.0 USD (2000)
Net profit (million): 94.9 USD (2000)
Passengers (million): 7.0 (2000)
Employees: 1,476 (2000)
Fleet: 41 aircraft in service
Destinations: 47

Description

Ryanair, a low-fare carrier, operates between Ireland, the UK and continental Europe where it has a mini hub at Brussels South Airport Charleroi.

History

Date established: 1985
Date operations started: 1985

Ryanair commenced operations in 1985 with two 18-seat Embraer EMB-110 Bandeirantes. In 1986 Ryanair began services to Dublin from London in competition with British Airways and Aer Lingus. Set up as a low cost airline, by 1991 Ryanair had lost £20 Million. As a result, Ryanair's management decided to adopt the low-cost-no frills formula which had proved successful for Southwest Airlines in the USA. Services were cut from 23 to four and the airline started operating jets (BAC One-Elevens) instead of turboprops.

1991 marked Ryanair's first profit. Between 1993 and 1994, Ryanair introduced its formula to Birmingham, Manchester and Glasgow and doubled its traffic figures almost overnight. The airline received its first B737-200 in 1993 and had a fleet of 20 by the end of 1994. 1997 saw Ryanair move into the European market with services to Stockholm, Oslo, Paris and Brussels, Pisa, Venice, Rimini, Carcassonne, Kristianstad and St. Etienne. That same year, the airline was floated on the NASDAQ stock exchange for \$500 Million. Ryanair has been awarded Ireland's 'Airline of the Year' for 1995, 1996 and 1998 as well as Ireland's 'Best Value Airline' in 1995, 1996, 1997 and 1998.

During early 2001 the airline set up a European mini-hub at Brussels Charleroi Airport from which to operate a mix of French, Italian, Irish and UK services. This significant expansion included an investment of \$100 million and the allocation of four Boeing 737 aircraft.

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Traffic and statistics	2000	1999	1998	1997	1996
Passenger millions	7.000	5.500	4.900	4.010	3.050
Passenger load factor	69.9 %	67 %	71.5 %	72 %	73 %
Revenue passenger km (mill)	4,656.37	3,385.34	2,643.59	1,865.50	1,491.70
Available seat km (mill)	6,657.42	5,052.74	3,697.33	2,591.67	2,043.42
Freight tonne km	na	na	na	na	na
Revenue tonne km (mill)	419.07	304.68	237.90	167.90	134.30
Total employees	1,476.00	1,388.00	1,284.00	1,094.00	950.00

Notes: 1996 - RPK from IATA WATS, RTK calculated from RPK; 2000 - Source: IATA WATS

Finance (USD million)	2000	1999	1998	1997	1996
Period start	1 Apr 2000	1 Apr 1999	1 Apr 1998	1 Apr 1997	1 Apr 1996
Period end	31 Mar 2001	31 Mar 2000	31 Mar 1999	31 Mar 1998	31 Mar 1997
Passenger Revenue	393.05	340.62	278.02	234.39	na
Cargo Revenue	na	na	na	na	na
Other Revenue	49.45	40.77	39.72	32.27	na
Total Revenue	442.49	381.39	317.73	266.66	136.50
Operating result	103.60	86.61	76.73	64.73	na
Net result	94.86	74.72	61.18	52.35	na
Net margin	21.43 %	19.59 %	19.25 %	19.63 %	na

Fleet Summary

21 Boeing 737-200 Advanced & 20 Boeing 737-800

In addition, Ryanair has ordered 108 Boeing 737-800 and has an option for 50 more.

Star Airlines

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 Fax: +33 (1) 48 15 90 10
 Email: laurent.valet@star-airlines.fr
 Internet: <http://www.star-airlines.fr/>
 Services: Passenger, International

Turnover (million): 98.0 USD (2001)
 Passengers (million): .8 (2000)
 Employees: 301 (2000)
 Fleet: 6 aircraft in service
 Destinations: 0

Description

Star Airlines operates charter flights from France to the Mediterranean region and to Africa.

History

Date established: 05 Aug 1995
 Date operations started: 22 Dec 1995

Star Airlines began trading on 22 December 1995 with a fleet of leased B737s. The airline was acquired by the Canadian tour firm 'Look Voyages' which is part of the Transat Group at the end of 1996. The airline is now a division of French tour company Look Voyages. During the fiscal year of 1997 the company changed its name from Star Europe to Star Airlines.

Traffic and statistics	2000	1999	1997	1996
Passenger millions	0.810	0.800	0.430	0.220
Passenger load factor	na	na	na	na
Revenue passenger km (mill)	na	na	na	na
Available seat km (mill)	na	na	na	na
Freight tonne km	na	na	na	na
Revenue tonne km (mill)	na	na	na	na
Total employees	301.00	273.00	166.00	152.00

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Finance (USD million)	2001	2000	1999	1998	1997
Period start	1 Nov 2000	1 Jan 2000	1 Jan 1999	1 Jan 1998	1 Jan 1997
Period end	31 Oct 2001	31 Dec 2000	31 Dec 1999	31 Dec 1999	31 Dec 1997
Passenger Revenue	na	na	na	na	na
Cargo Revenue	na	na	na	na	na
Other Revenue	na	na	na	na	na
Total Revenue	97.85	96.80	114.14	74.42	60.70
Operating result	na	na	3.72	na	1.7
Net result	na	na	1.9	0.87	0.7
Net margin	na	na	1.66	1.16	1.15

Fleet Summary

6 A320-200

Star Airlines has recently ordered one A330-200

Star Airlines has a stake held by

Air Transat Canada Percent share 22.7%

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Virgin

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Internet: http://www.virgin-express.com
Services: Scheduled, Passenger, International

Turnover (million): 267.0 USD (2000)
Net profit (million): -60.1 USD (2000)
Passengers (million): 2.4 (2001)
Employees: 1,212 (2000)
Fleet: 14 aircraft in service
Destinations: 9

Description

Low fare airline, operating scheduled services to European destinations from its Brussels hub. Its charter operation is also based in Brussels and operates ad hoc charters throughout Europe and the Mediterranean.

History

Date established: 1992
Date operations started: Nov 1992

Virgin Express was founded by the City Hotels Group in 1992 as Eurobelgian Airlines. The airline became a wholly owned subsidiary of the Virgin Group in April 1996 and was subsequently renamed Virgin Express. In November 1997 Virgin sold 49% of the equity in a global public offering. In November 1999 operations started from Berlin Schoenefeld Airport, the new focus city. In August 2000 Virgin Express recorded a six-month US\$18.7 million operating loss, blaming its inadequate distribution network, weak sales and marketing effort, and high fuel prices and over-capacity for the result. In September 2000 Virgin Express announced its decision to withdraw from London Stansted airport with effect from the winter timetable. In November 2000, Managing Director John Osborne resigned after just a year in the post. The airline also cancelled 11 Boeing 737-700s that were due for delivery in Summer 2001.

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Traffic and statistics	2001	2000	1999	1998	1997
Passenger millions	2.420	2.980	2.930	3.560	2.920
Passenger load factor	81.7 %	73.3 %	76.6 %	74.5 %	75.6 %
Revenue passenger km (mill)	2,076.93	2,465.00	2,250.55	3,680.00	3,512.49
Available seat km (mill)	2,542.40	3,361.00	2,939.50	4,725.62	4,645.10
Freight tonne km	na	na	na	na	na
Revenue tonne km (mill)	na	na	384	331.218	418.09
Total employees	na	1212	971	712	685

Notes: 1999 - Scheduled

services only; 2000 - Scheduled services only; 2001 - Scheduled services only

Finance (USD million)	2000	1999	1998	1997	1996
Period start	1 Jan 2000	1 Jan 1999	1 Jan 1998	1 Jan 1997	1 Jan 1996
Period end	31 Dec 2000	31 Dec 1999	31 Dec 1998	31 Dec 1997	31 Dec 1996
Passenger Revenue	255.00	296.17	272.60	na	na
Cargo Revenue	na	na	na	na	na
Other Revenue	12.17	13.21	15.80	na	na
Total Revenue	267.26	309.37	288.37	256.58	213.61
Operating result	-56.97	-7.81	0.85	11.31	13.08
Net result	-60.11	-6.04	0.72	7.80	6.69
Net margin	-22.49 %	-1.95 %	0.24 %	3.03 %	3.13 %

Fleet Summary

9 Boeing 737-300 and 5 737-400.

Annex III: Sample of LCCs employment contracts



Agreement 1

Version 15/03/02

SECTION 1

TERMS AND CONDITIONS

Scheduling Rules

Rules will be to CAP 371. Further discussions will take place between the Company and [Union name] with a view to agreeing a set a scheduling guidelines.

Roster Notice

A minimum of two weeks notice will be given. Further discussions will take place.

Roster Tracking

To CAP 371 rules.

Report Time

45 minutes with the understanding at EMA under normal circumstances crews are expected to be airside 30 minutes prior to STD. It is accepted that weather and other planning considerations may impact upon this. Under normal circumstances, on the first flight of the day the refuelling of the aircraft and pre-departure inspection will be carried out by a licensed engineer.

Hotel Standard

Comfortable hotels will be used and will be to a standard comparable with other Low Cost Operators, and must provide a reasonable opportunity for obtaining undisturbed rest, in particular with respect to noise and excessive temperature.

Leave

20 days plus 8 public holidays equivalent to
5 Leave weeks + 3 days (LPH)

Bidding for leave by seniority within [company name].

Days Off

A minimum of 8 days off in 28. To be discussed further in conjunction with scheduling.

Salary

Captains	£62,000
F/O	£38,000

Sector Payment

Captain	£20
F/O	£12

Subject to tax free portion being at least 68 per cent.

Allowances

Simulator Duty = 2 x Sector Pay

Night Stop = £25 (preferably tax free or subject to tax-free portion being at least 68 per cent)

Loyalty Bonus

It was agreed that there will be a requirement for the introduction of a Loyalty Bonus or other long-term incentive scheme. To be discussed further.

Pension

Any new starters will have the opportunity to join a Money purchase scheme, details of which are under discussion.

Redundancy

Last in first out based on date of joining the [name of the mother Company].

Relocation

No financial assistance.

Crew Meals

No Crew meals will be supplied, however free drinks will be provided and food may be purchased on board at discounted prices.

Report/Hospitality/Mileage allowance

Not provided

Sick pay

Up to 6 months service	Statutory sick pay
6 Months – 2 Years	8 Weeks full pay
2 Years +	13 Weeks full pay

Medicals

One payment per year (date to be agreed) to cover Medicals.

Captains £300 (subject to being tax free. [name of the mother company] to liaise with IR)
 F/O £200 (subject to being tax free. [name of the mother company] to liaise with IR)

Licence Renewal

The Company will make a single payment of £20 per year (subject to being tax free / [name of the mother company] to liaise with IR) to cover the cost of Licence renewal.

Loss of Licence

Cover provided by the Company will be 1x Annual salary up to age 50. It will then decrease by 10% per annum.

Personal Accident Insurance

As per the existing Company agreement.

Training Bond

£12,000 over a period of three years.

Staff Travel

Travel concessions will be granted on all [name of the mother company] and [company name] routes (details to be advised).



Training Captains Pay

To be discussed further

Uniforms

To be provided by the Company.

Notice Period

Up to six months' service. One months notice.
More than six months service Three months notice

Car Parking

Not provided

E-mail

All pilots are required to have a current e-mail address for use at home.

Application fees

None

EMPLOYMENT CONTRACT N° 1

WRITTEN STATEMENT

This is a statement of those terms and conditions of employment, which must be provided to you in writing. These particulars are correct as at the date of issue.

Employers name :
Employers address :

Employee's name :
Address :

Start Date : This Employment

Date of commencement of employment

Start Date : Continuous service

Date of commencement of continuous employment

Probationary Period: Three months

• **Job Title**

You are employed as a Captain and will carry out your duties to the best of your ability at all times. Although employed in this capacity you will work flexibly and carry out such other duties as we may assign to you from time to time.

• **Remuneration**

Your basic salary will be £62,000 per annum, payable monthly in arrears on the last working day of the month by bank transfer (except in your first or last month when depending on the timescale you may be paid by cheque).

• **Variable Allowance**

You will receive a variable allowance based on sectors flown. Payment will be calculated based on the following criteria :

£20 per sector flown / £40 per night stop (in addition to sector payment)

Payment will be calculated monthly in arrears and paid at the end of the following month.

• **Training**

Accommodation on a room only basis will be provided for pilots that are under training at a place away from their intended base.

Transport to and from a training venue may be reimbursable at a rate and in accordance with the terms described in the [company name] Directory which forms part of this contract. Any variation for extraordinary circumstances will only be allowed with the express permission of the Flight Training Manager.

[company name] may assist where possible with flights on its own network where this is advantageous.

•Working Hours

You will be required to follow work patterns applicable to an airline pilot with hours of work and roster patterns regulated in accordance with the procedures laid down by the Civil Aviation Authority. These work patterns will be notified to you in due course.

•Work Location

You will be based at _____. Your flying duties will require you to operate between any of the destinations served by [company name] at any time and will include any night stops away from base as determined by the operating circumstances.

Your place of work is reliant on [company name] continuing to have an operation at _____
If, for whatever reason, this ceases to be the case then [company name] reserves the right to require that your place of work changes to one of its other bases. In this event the cost of re-location will not be paid by [company name].

During training and for 2 roster periods following your Final Line Check you will be required to be based at [name of base] The Company will pay for hotel accommodation when you are required to nightstop at [name of base]

•Qualifications

Your employment is conditional upon satisfactory completion of the Limited training course and you holding and maintaining a valid and unrestricted United Kingdom Pilots Licence. You must also hold all other necessary licences, permits and other qualifications, including an unrestricted passport and all other travel documentation to enable employment on any type of aircraft operated by the company, to any destination, as directed by the company.

•Holiday Entitlement

You will be entitled to 29 days holiday each year. This includes the UK statutory holidays, which are currently 8 days. The company is entitled to decide when the statutory holidays will be taken. The holiday year will run from 1st April to 31st March. Holiday entitlement is accrued pro rata for completed calendar months of service. Any entitlement outstanding upon termination of employment will be compensated at the basic rate of pay and any amount taken over that due will be deducted from your pay at the basic rate.

•Sickness Payment

Once you have completed 26 weeks service you will be eligible to benefit from the company's sick pay scheme. Provided you have satisfactorily complied with the absence reporting procedures and conditions, as set out in the handbook, you will normally benefit as follows:

From 27 weeks to 2 years of service: up to 8 weeks full basic salary

Over 2 years of service: up to 13 weeks full basic salary

•Pension scheme

The company provides a matched contribution of up to a maximum of 5 % of your basic salary into an approved pension scheme with [Insurance company name]. The details will be made available on commencing employment with [company name].

•Age of retirement

Your compulsory age of retirement is 60 years extendible as agreed dependent upon JAA regulations.



• **Notice period**

	Employer	Employee
up to satisfactory completion of Training	one week	one week
Thereafter	3 month	3 months

• **Disciplinary and grievance procedure**

Full details of the disciplinary, grievance and appeals procedures are available to you in the company handbook entitled the...

• **Uniform**

Uniform items will be supplied by the company. All such items not purchased by you will remain the property of the company and must be returned, in an appropriate condition, to the company on termination of your employment. Failure to do so will result in an appropriate deduction being made from your final salary payment.

• **Airside Passes**

As a member of the flight deck, you will be issued with an airside pass. This pass is essential for you to perform your flying duties. If this pass is mislaid and a duplicate issued a charge will be made. If this happens on more than two occasions airline regulations will not allow a duplicate to be provided and you will therefore not be able to perform the duties for which you have been employed. This will therefore, of necessity, lead to your dismissal.

• **Confidentiality**

During the period of your employment and all times thereafter you shall not, other than in the proper course of your duties, disclose or publish to any person or negligently cause any unauthorised disclosure of any information of a confidential or secret nature which you may acquire in the course of your employment (including without limitation trade secrets, know-how, inventions, designs, processes, formulae, notations, improvements and financial information) concerning the affairs or business or products or services of the company or of any associated company or any of their predecessors in business or of any third party to whom the company is under an obligation of confidence such as suppliers, agents, distributors, employees or customers.

This clause does not apply to information or knowledge, which might come into the public domain other than in consequence of your default.

For the avoidance of doubt and without prejudice to the generality of the preceding paragraph, the following are examples of confidential information, which must be kept secret:

- Unpublished price sensitive information relating to securities listed on a stock exchange,
- Lists of customers or agents and details of contracts with customers or agents,
- Business strategies including those relating to pricing and marketing;
- Lists of suppliers and details of contracts with suppliers,
- Information supplied in confidence by third parties,
- Technical information relating to the operation of the company's business.

EMPLOYMENT CONTRACT N° 2

Mr
Flight Operations

Dear,

We are pleased to offer you the position of First Officer Boeing 737-800 in **[company name]** which is subject to your signed acceptance of the specific terms and conditions outlined in this document and the relevant sections of the General Terms and Conditions of Employment Booklet (The Rough Guide to Amendments to this booklet are made periodically and it is your responsibility to ensure that you are familiar with the most up to date version and the relevant sections which apply to your employment. Details of amendments and the most current version of the booklet are regularly posted on "**[company newsletter]**" in the monthly company newsletter or by internal memo. An up to date copy is always available in the Personnel Department.

1. POSITION

Upon you;

- (a) obtaining licence validation
 - (b) completing your initial training to the satisfaction of **[company name]** . - and
 - (c) completing line training without a safety pilot to the satisfaction of **[company name]**
- you will be appointed to the position of First Officer - Boeing 737-800 aircraft.
 You will report to **[company name]** . - Chief Pilot and/or his nominated deputies.

As a First Officer you may from time to time at **[company name]** absolute discretion be required to perform non-flying duties within any of **[company name]** departments.

2. TERM

You will commence in this position on the _____

3. WORKING HOURS & BASE

Due to the nature of our business, working irregular hours, including rostered / day or night shifts, are a condition of your employment. **[company name]** aircraft are registered in **[XXXX]**. and as you will perform your duties on these aircraft your employment is based in. You will operate from _____ but it must be clearly understood that you may be required to transfer to any other **[company name]** base without compensation. It must also be understood that should you be transferred to another base you will be paid in accordance with the prevailing salary and flight pay system in operation at that base.

It is a condition of your employment that you live within one hour of the designated base station within 3 months of notification of your base station.

4. SALARY

Your basic salary will be at the rate of £18,000 gross (eighteen thousand pounds) which is the applicable rate for the base. It must be clearly understood that should you be transferred to another base you will be paid in accordance with the prevailing salary and flight pay system in operation at that base. You will also qualify for an annual increment of IEP£300.00 gross (three hundred pounds). This increment is payable on..... and subsequentafter your commencement of employment.

Salaries are paid monthly in arrears into your bank account.

Your potential salary progression within the current **[company name]** Pilot salary structure is as follows:

Current salary/ Position First Officer B737-800 £18,000

3 years service, Senior First Officer, **£20,000**

5. Boeing 737-800 Training Bond (Repayment of Initial training



costs)

(1) You acknowledge that **[company name]** will incur costs in the sum of STG£8,000 in providing you with initial training and that in the event that your contract is terminated before the end of your first two years service **[company name]** will suffer loss in the amount of all or part of that sum.

(2) If your employment with **[company name]** is terminated before the end of the first two years of your service other than;

(a) on grounds of redundancy or

(b) where **[company name]** agrees in writing to the contrary

You will become liable to repay to **[company name]** a proportion of the costs incurred by **[company name]** in providing you with initial training.

(3) You agree that **[company name]** loss in respect of the costs incurred in providing you with initial training and your liability to repay will be;

STG£10,000/24 x number of months of the first two years of your service remaining after termination

(4) You agree that **[company name]** may deduct from any sum due to you from(including salary) all or part of the sum repayable by you in accordance with this contract or by any order of the court.

(5) Definitions;

"costs" include.

(a) facility costs

(b) the cost toof the provision of staff in connection with initial training

(c) your salary and National Insurance contributions paid during initial training

(d) hotel accommodation provided during initial training

(e) per diem allowances paid during initial training

"initial training" has the same meaning as in clause 8.

6. NOTICE OF TERMINATION OF EMPLOYMENT

If it becomes necessary to terminate your employment, **[company name]** will give you 3 months notice period, or payment in lieu will be given. The same period of notice is required from you if you wish to terminate your employment for any reason.

The company retains the right to terminate your employment without notice or pay in lieu of notice in the event of any serious breach by you of your terms and conditions of employment or any act of gross misconduct.

7. PROBATION PERIOD

You are required to serve a probation period of 6 months duration. The purpose of this probationary period is to enable the company to assess your performance, attitude, conduct and general suitability while you are being trained/learning your new job and becoming familiar with the rules, regulations and style of the Company. You will be provided with the appropriate training and assistance to enable you to perform your duties to the required standard. You will be informed, in writing, when you have successfully completed your probation.

If your performance falls short of the required standard, in these circumstances reserves the right to terminate your employment on giving you the statutory notice period or payment in lieu thereof.

8. TRAINING AND LICENCE VALIDATION

(1). You agree that you will undertake any training as required by **[company name]**. Training may, at the absolute discretion of **[company name]** include;

(a) initial training

(b) further training

(2). Your employment with **[company name]** will be terminated in the event that you do not:

- (a) obtain and maintain licence validation from the appropriate aviation authority .
- (b) complete your initial training to the satisfaction of
- (c) complete line training without a safety pilot to the satisfaction of

(3). You;

- (a) acknowledge that by reason of demands on staff and facilities, from time to time, your initial training may be interrupted and
- (b) agree that during any interruptions you will perform any other duties as required by **[company name]**.

(4). Definitions:

"initial training" includes;

- (a) audio visual training;
- (b) simulator training;
- (c) base training;
- (d) line training with a safety pilot;
- (e) crew resource management training;
- (f) safety training;
- (g) any training (which mayor may not be included in the above) necessary for licence validation.

"further training" includes;

- (a) line training without a safety pilot
- (b) any other training after completion of line training

"licence validation" means validation of your pilots licence by the appropriate aviation authority.

9. ANNUAL LEAVE

You will be entitled to annual leave of 20 days per annum plus 8 Public Holidays which must be taken within the calendar year. Annual leave entitlement for less than 12 month's service will be in proportion to the number of months worked in that year.

Because of the nature of our business it is not always possible to grant annual leave at busy periods of the year, especially during the Summer months and over the Christmas period. The amount of annual leave allowable at anyone time will depend on work requirements and is at the sole discretion of the Company.

Annual leave not taken within the calendar year will be forfeit, without compensation, unless otherwise agreed, in writing, by the Chief Pilot. The Company reserves the right to allocate 8 days annual leave on a daily basis (i.e. not consecutive days).

Notwithstanding the foregoing, the company will endeavour to meet your desired annual leave requests and give advance notice of any allocated leave.

10. CONCESSIONARY TRAVEL

You may avail of privileged travel concessions at sector rates on a subload basis on **[company name]** scheduled flights. You may also qualify for further travel with **[company name]** and other nominated carriers who have an interline agreement with **[company name]**. All reduced rate or free travel is a concession only (and is not an entitlement) to **[company name]** employees.

This concession may be amended or withdrawn at any time at the discretion of the airline.

Details of these concession benefits are contained in the General Terms and Conditions of Employment a copy of which is enclosed.

11. EXPENSES

After completing your (a) initial training and (b) line training with the safety pilot released you will be entitled to reclaim properly vouched and authorised expenses which are wholly, necessarily and exclusively incurred by you in the course of performing your duties on behalf of the Company in accordance with standard Company practice.

12. PENSION & LIFE ASSURANCE SCHEME

On successful completion of your probationary period, provided you are 25 years of age or over and a full-time permanent employee, you may avail of the opportunity to become a contributory member of the **[company name]** Contribution Retirement Benefits Scheme and to continue membership in accordance with its rules. Membership of this scheme will only commence upon the return of the completed application form.

Details of these benefits, limitations and membership conditions are available from the Finance Department. An explanatory booklet is attached.

13. PERSONAL INSURANCE

The company provides for loss of licence insurance for pilots. Cover commences upon acceptance by the insurance company of completed proposal form. The proposal form must be returned to personnel within 30 days of receipt. Full details of this scheme are available from the Chief Pilot.

The company does not insure, and accepts no responsibility or liability for loss or damage to, employee's personal property. You are advised to arrange your own insurance for personal property.

14. UNIFORMS

You will be provided with a pilot's uniform at your own expense in line with Company practice

You will be required to sign a salary deduction form in the amount of IEP£300 for the cost of this uniform. You must maintain this uniform in accordance with Company standards, at your own expense.

15. ABSENCE FROM WORK

Because absence or lateness causes major problems with rosters and can result in flight delays, punctual attendance is essential. The regulation applicable in area are strictly enforced and failure to comply with them will result in disciplinary action. Full details of these regulations are contained in the **[company name]** General Terms and Conditions of Employment, a copy of which is enclosed.

16. SICKNESS BENEFIT SCHEME

During your probation period, all absences from work will be covered under the Statutory Sick pay Scheme. All permanent full time employees who have completed their probation period may avail of **[company name]** sick pay scheme.

17. MEDICAL EXAMINATION

You must be prepared to be examined by the Company's Medical Officer or his nominee at any time during the course of your employment at the request of the Chief Pilot, his nominated deputies. Any medical report generated from that medical examination will be the property of **[company name]**.

18. VACCINATION / INOCULATION

Because of the nature of our business as an international transport company, you must agree to be vaccinated and/or inoculated by the Company's Medical Officer, or by a medical practitioner nominated by the Company, at any time during the course of your employment, if and when it is considered necessary by the Company.

19. EXCESS CAPACITY

Because of the uncertainty of the airline business circumstances could arise where **[company name]** has excess capacity. If we are required to reduce our activity level for any reason, it is a condition of this job offer that you accept the right of the Company, at its sole discretion, to give you compulsory unpaid leave for the duration of the period of excess capacity or to terminate your employment.

20. GENERAL

Your employment is subject to the specific terms and conditions outlined in this document, the General Terms & Conditions of Employment, where relevant (a copy of which is enclosed), the rules and regulations presently in force in your department and throughout the Company generally and any additions or alterations which may be introduced in the future. In the event of any conflict between any clause of this contract and the contents of the Terms & Conditions of Employment booklet, the terms of this contract will apply.

21. APPLICABLE LAW

The employment relationship between **[company name]** and you shall at all times be governed by the laws in effect and as amended from time to time in **[name of country]**

22. SEVERANCE CLAUSE

Any clause heading herein is for convenience and use of reference only and shall not effect the meaning, interpretation and construction thereof. Each clause of this agreement is deemed to be separate, severable and independent of any other clause thereof .

23. STARTING DOCUMENTATION

You will be required to complete and sign a Personnel Details Form before joining the Company in addition to the provision to the Personnel Department of an up to date curriculum vitae.

If, after engagement, it is found that relevant information has been omitted or given incorrectly in either of these documents, you may incur disciplinary action and, if the misleading information or omissions are, in the opinion of the Company, serious, you may be dismissed.

You are required to give your correct name, address, details of dependents, etc., when joining and to notify the Personnel Department of subsequent changes as they occur. On or before entering the Company's employment, the following documents must be supplied :

P.45 Income Tax Form.

Bank Account Details. (As your salary will be paid directly into your bank account, it is essential that you have a bank account and that you supply the details to the Personnel Department on joining as failure to do so will result in a delay in your salary payment, which will only be paid by bank transfer).

References. (Two written references from previous employers. If you have not had two previous employers, school/college references will suffice).

Original certification of qualifications, if requested.

Driving licence, passport, etc., if required.

Current telephone number and emergency contact telephone number.

24. REFERENCES

This offer of employment is conditional upon you providing two satisfactory references from previous employers

25. CONFIRMATION

Please confirm your acceptance of this offer, under the above stated terms and conditions of employment, by signing these documents and returning the original in **full** to the undersigned as soon as possible.

We will be pleased to answer any queries which you might have.

Finally, Xxxxxxx, congratulations on this appointment and we look forward to working with you.

I,..... confirm that I have read, understand and accept all of the terms and conditions of my employment, as stated in this contract of employment and the relevant sections of The General Terms & Conditions of Employment, a copy of which is enclosed, and that I will abide by them for the duration of my employment with I also confirm that I will commence work in the above position on the

Signed by :

Date :

Signed on behalf of :

Date :

Two copies of this contract of employment signed on behalf of are enclosed, both of which require your signature. Please sign both copies and retain the copy for your own reference. The original document should be returned to:

Report over Employment Contract N°2

Introduction:

The key question which arises in analysing the Employment contract N°2 is which national legal system is applicable. According to Section 21 of the contract, the contracting parties agree that at all times the employment relationship between Company and the employee are to be governed by the laws of one country, irrespective of the country where the worker is effectively employed.

In this case, the country of employment is Germany, but the contract says that the law applicable will be that of another EU Member State. In principle there is free choice of law. According to Article 27 I 1 EGBGB the contract is governed by the law agreed by the contracting parties, giving rise to the possibility that foreign law is agreed on even though the specified employment takes place in Germany.

However, Article 27 III EGBGB limits the free choice of applicable law. In it is stated that during the selection of applicable law it is not possible to replace imperative legal requirements. Meant are the requirements of norms of Germany. However, the principle of the most favoured is applicable, meaning that if third country's norms are more beneficial to the employee then they do apply.

As a result, this clause is valid, but if one term of the contract contradicts more favourable (for the employee) German laws, it will become null, and German law will prevail. A violation of valid collective agreements is possible.

Underlying employment contracts is the principle that a flawed choice of applicable law system may not lead to a situation in which the employee loses protection, which through the force of law would otherwise exist if a legally informed and objective method of choice would be in place.

Address to the employee

The separate Company General Terms and Conditions of Employment Booklet are included in writing into the contract.

In general, the inclusion of one sided employment contract conditions is possible. The employee should be sure that before signing the contract, he or she is familiar with all employment contract conditions.

Regulations of employment contracts need a content control, inasmuch as they concern regulation of employment rules, which stand in exchange relations. They don't need examination after AGB-Laws; they are judged and compensated by judicial control.

Position:

The last sentence in Position One states that according to the Company's absolute discretion, the First Officer may from time to time be required to perform non-flying duties within any of the Company's departments.

In general, the employment contract does outline the duties to be performed by the employee. The contract specifies that the employee will be placed as First Officer on the 737-800 aeroplane.

Disputed is to what extent the employer can temporarily assign other duties to the employee.

"In that the performing of other duties is specified in the employment contract, the short term transfer is valid. However, the employer cannot be granted absolute discretion in this regard, as measures of

reasonableness, loyalty and belief are applicable. A transfer to a more subordinate/inferior position is, in general principal, not valid.”

Working Hours & Base

Sentences 3 and 4 stipulate that the employee operates generally from a German airport, but that the employer has the right to transfer the employee without compensation to any other base, and that the employee would be subject to the payment system of the base to which he is transferred.

Generally, the amendment of the place of employment is possible, if it is agreed in the contract under preconditions.

If the employee is subject to high additional costs due to transfer to a different place of employment, then the employer is required to compensate the employee for this.

Verenigung Cockpit (VC), March 2002.

7. References:

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Air Transport Intelligence (ATI). For up-to-date Airline statistics and for the latest Airline News logon to www.rati.com, or contact Daniel Sedman on +44 20 8652 3914, daniel.sedman@rati.com

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