
AIR TRANSPORTATION

The world's airlines financial performance improved in 2004 on increasing revenues and passenger traffic. Operating profits, at \$3.5 billion, recovered from a \$1.5 billion loss a year earlier. Taking into account non-operating expenses such as interest and taxes, the industry's net loss totaled \$4.2 billion—an improvement from last year's \$7.6 billion loss, but still a loss. International Civil Aviation Organization statistics show that the world's airlines carried 196 million more passengers in 2004 and flew 263 billion more passenger-miles. Load factor—a measure of the airlines' ability to fill their planes—rose to a record 73%. The bottom line: despite record traffic and load factor, the world's airlines still lost money.



The U.S. airlines and their domestic operations lie at the epicenter of this morass. Despite a worsening of domestic results, operating losses lessened from \$2.1 billion to \$1.4 billion as profits from international operations widened. Enplanements rose by 54 million or 8.5% and total revenue ton-miles rose by 9.6%. Unfortunately, operating expenses also increased 11%, or \$13 billion. Fuel prices, which were already high, have risen 34% or 29 cents per gallon. Fuel cost rose \$5.8 billion or as a percentage of operating expenses from 13.4% to 17.2%, according to data from the Air Transport Association of America. Consequently, U.S. scheduled airline operating losses mounted in 2004. The com-



bined losses during 2001-2004 totaled \$22 billion—far exceeding the \$6 billion operating loss of the 1990-1992 downturn.

The world's turbine-engined airline fleet continued to grow in 2004—reaching 27,189 aircraft in service—according to Air BP's "Turbine-Engined Fleets of the World's Airlines." While the number of jets increased by nearly 800 to 18,784, the numbers of turboprops and helicopters increased by smaller amounts—14 and 12, respectively. Among the jet aircraft fleet, the number of Boeing 727s declined by 79 to 709, DC-9s declined by 36 to 447, and approximately 45% of the British Aerospace 111s left the active fleet. Perhaps not too surprisingly, smaller, newer aircraft models led the fleet growth. The Airbus A320 family (A318/A319/A320/A321) grew by 254 to 2,281 and Boeing's 737s grew by 172 to 4,118, but regional jets showed both large unit gains and large percentage increases. In particular, the Canadair RJs grew by 153 or 15% and the Embraer ERJ family grew by 144 or 21%.



The number of installed turbojet engines grew by 595 to 45,948 in 2004. Accounting for the growth: CFM International engines increased 622; General Electric, 409; International Aero Engines, 220; and "Other", 110. The number of Rolls-Royce engines declined by five to 4,448 and Pratt & Whitney engines dropped by 761 to 12,556. Pratt & Whitney retained the dominant share with 27.3% of the installed turbine engines in the world's airline fleet.

Based on the latest available data, the number of hours flown by general aviation aircraft in the United States increased for the second straight year in 2003. However, the number of active general aviation aircraft slightly decreased to approximately 209,700.