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## ICAO NEWS RELEASE

**FOR IMMEDIATE RELEASE** **PIO 03/07**

# PROFITS AND TRAFFIC UP FOR WORLD'S AIRLINES IN 2006

**MONTREAL, 19 June 2007 —** The scheduled airlines of the International Civil Aviation Organization's (ICAO) 190 Member States posted an estimated combined operating profit of 2.9 per cent of operating revenues in 2006, a significant improvement over the 1.0 per cent recorded in 2005.

Expressed in US currency, operating revenues are tentatively estimated at $452.4 billion for 2006, up around 9.5 per cent over 2005, with estimated operating expenses at $439.5 billion, some 7.5 per cent higher. Yields, expressed in terms of operating revenues per tonne-kilometres performed,* rose from 80.2 cents to an estimated 83.5 cents, while operating expenses increased from 79.3 cents to an estimated 81.1.

The net financial result (excluding reorganization expenses of some US carriers) is provisionally estimated to be a profit of about 0.6 per cent of operating revenues, an improvement over the loss of about 1.0 per cent in 2005.

The positive operating results came in spite of average jet fuel price increases of about 12 percent over 2005, which were 49 per cent higher than in 2004. Airlines adopted several offsetting measures, including specific fuel surcharges and related provisions, as well as reductions in controllable expenses, especially distribution costs and general overheads. This led to a reduction in unit costs of around 3.4 per cent. Yields increased by 4 per cent, more a reflection of the fuel surcharge and exchange rate differences than real strength on the pricing front.

## Improved capacity management

Improved capacity management was evident in most of the regions, with increases in capacity occurring at a slower rate than increases in traffic. A particularly strong improvement occurred in North America, a region which accounts for 34 per cent of the world's total capacity. Here, the traffic increased by 4 per cent while the capacity increased by only 1 per cent. The average result for the world showed a 5 per cent increase in traffic and a 4 per cent increase in capacity. In addition, the continuing focus on international traffic by US carriers (international capacity made available by US carriers increased by 6 per cent while domestic capacity declined by 2 per cent compared to 2005 levels) also had a positive impact on capacity utilization and profitability. As a result, the average passenger load factor increased to 76 per cent on total (domestic and international combined) scheduled services. By comparison, the results were 75 per cent in 2005 and 73 per cent in 2004.

## Traffic up worldwide

In 2006, scheduled traffic data measured in tonne-kilometres performed points to relatively strong growth in total traffic of 5.5 per cent and 6.3 per cent on international services compared with 2005 (see table attached). Over the same period, the total number of passengers on all carriers increased by around 5 per cent to 2.1 billion and freight tonnes also increased by 5 per cent to 39.5 million tonnes.

The buoyant traffic conditions in 2006 reflected high growth numbers for Europe (7 per cent), Asia/Pacific (6 per cent) and the Middle East (12 per cent), as well as stable growth by North American carriers. Traffic growth of airlines of North America was below the world average of around 5.5 per cent but still grew by about 3.4 per cent compared to 2005.

**Operating revenues by region**

It is estimated that airlines of North America, Europe, Asia/Pacific and the Middle East achieved, on aggregate by region, a positive operating result, thereby contributing to the overall operating and net results shown by the industry in 2006. The major improvement was in the performance of North American carriers, where a combination of capacity management, and increase in traffic and fares, led to a return to profitable operations ($7 billion operating profits in 2006 compared to a marginal $200 million operating loss in 2005).

**Outlook challenging for some but positive overall**

Slowing growth in real yields and limited scope to achieve further reductions in costs will affect carriers already faced with low operating and net margins. On the positive side, buoyant economic conditions and successful efforts to stimulate traffic should sustain above average traffic growth, especially by carriers in Europe and Asia. The expected positive impact of open skies agreements between the US and Europe, India and China, and other liberalization agreements should see the industry maintain traffic growth and profitability in the coming years.

* tonne-kilometre: a combined measure of passenger, freight and mail traffic, which takes into account the distance flown.

Note to Editors: ICAO News Releases can be accessed on the ICAO website: www.icao.int.

A specialized agency of the United Nations, ICAO was created in 1944 to promote the safe and orderly development of international civil aviation throughout the world. It sets standards and regulations necessary for aviation safety, security, efficiency and regularity, as well as for aviation environmental protection. The Organization serves as the forum for cooperation in all fields of civil aviation among its 190 Contracting States.

- END -

## DEVELOPMENT OF WORLD SCHEDULED REVENUE TRAFFIC 1997-2006

| YEAR | Passengers Carried | Freight Tonnes Carried | Passenger-Kilometres Performed | Seat-Kilometres Available | Passenger Load Factor | Tonne-Kilometres performed | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Freight | Mail | Total (Passengers +baggage, freight, mail) |
| | Millions | | | | % | Millions | | |
| **TOTAL SERVICES** | | | | | | | | |
| 1997 | 1,457 | 26.4 | 2,573,010 | 3,727,900 | 69 | 102,880 | 5,990 | 344,190 |
| 1998 | 1,471 | 26.5 | 2,628,120 | 3,837,730 | 68 | 101,820 | 5,760 | 348,600 |
| 1999 | 1,562 | 28.1 | 2,797,800 | 4,050,780 | 69 | 108,660 | 5,720 | 370,420 |
| 2000 | 1,672 | 30.4 | 3,037,530 | 4,286,200 | 71 | 118,080 | 6,050 | 403,960 |
| 2001 | 1,640 | 28.8 | 2,949,550 | 4,271,860 | 69 | 110,800 | 5,310 | 388,150 |
| 2002 | 1,639 | 31.4 | 2,964,530 | 4,167,110 | 71 | 119,840 | 4,570 | 397,120 |
| 2003 | 1,691 | 33.5 | 3,019,100 | 4,227,860 | 71 | 125,760 | 4,530 | 407,670 |
| 2004 | 1,888 | 36.7 | 3,445,300 | 4,704,730 | 73 | 139,040 | 4,580 | 458,910 |
| 2005 | 2,022 | 37.6 | 3,721,690 | 4,975,910 | 75 | 142,520 | 4,660 | 487,860 |
| 2006* | 2,128 | 39.5 | 3,940,600 | 5,197,250 | 76 | 149,650 | 4,550 | 514,750 |
| | Annual Increase or Decrease | | | | | | | |
| 1997-98 | 1% | 0% | 2% | 3% | -1 | -1% | -4% | 1% |
| 1998-99 | 6% | 6% | 6% | 6% | 1 | 7% | -1% | 6% |
| 1999-00 | 7% | 8% | 9% | 6% | 2 | 9% | 6% | 9% |
| 2000-01 | -2% | -5% | -3% | 0% | -2 | -6% | -12% | -4% |
| 2001-02 | 0% | 9% | 1% | -2% | 2 | 8% | -14% | 2% |
| 2002-03 | 3% | 7% | 2% | 1% | 0 | 5% | -1% | 3% |
| 2003-04 | 12% | 10% | 14% | 11% | 2 | 11% | 1% | 13% |
| 2004-05 | 7% | 2% | 8% | 6% | 2 | 3% | 2% | 6% |
| 2005-06* | 5% | 5% | 6% | 4% | 1 | 5% | -2% | 6% |
| **INTERNATIONAL SERVICES** | | | | | | | | |
| 1997 | 438 | 15.7 | 1,468,150 | 2,102,710 | 70 | 87,740 | 2,490 | 227,390 |
| 1998 | 458 | 15.8 | 1,512,040 | 2,189,270 | 69 | 87,050 | 2,480 | 231,440 |
| 1999 | 493 | 17.3 | 1,622,250 | 2,311,790 | 70 | 93,280 | 2,480 | 247,610 |
| 2000 | 542 | 18.8 | 1,790,370 | 2,476,090 | 72 | 101,560 | 2,670 | 273,090 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2001 | 536 | 18.0 | 1,726,580 | 2,458,040 | 70 | 95,950 | 2,660 | 261,030 |
| 2002 | 547 | 18.8 | 1,736,070 | 2,371,150 | 73 | 101,590 | 2,710 | 267,170 |
| 2003 | 561 | 19.6 | 1,738,510 | 2,414,560 | 72 | 103,130 | 2,710 | 268,420 |
| 2004 | 647 | 21.8 | 2,015,070 | 2,729,880 | 74 | 115,120 | 2,830 | 304,920 |
| 2005 | 705 | 22.6 | 2,199,940 | 2,934,590 | 75 | 118,440 | 2,980 | 325,450 |
| 2006* | 762 | 23.6 | 2,357,990 | 3,111,540 | 76 | 124,180 | 3,030 | 345,890 |
| | | | | Annual Increase or Decrease | | | | |
| 1997-98 | 5% | 1% | 3% | 4% | -1 | -1% | 0% | 2% |
| 1998-99 | 8% | 9% | 7% | 6% | 1 | 7% | 0% | 7% |
| 1999-00 | 10% | 9% | 10% | 7% | 2 | 9% | 8% | 10% |
| 2000-01 | -1% | -4% | -4% | -1% | -2 | -6% | 0% | -4% |
| 2001-02 | 2% | 4% | 1% | -4% | 3 | 6% | 2% | 2% |
| 2002-03 | 3% | 4% | 0% | 2% | -1 | 2% | 0% | 0% |
| 2003-04 | 15% | 11% | 16% | 13% | 2 | 12% | 4% | 14% |
| 2004-05 | 9% | 4% | 9% | 7% | 1 | 3% | 5% | 7% |
| 2005-06* | 8% | 4% | 7% | 6% | 1 | 5% | 2% | 6% |

* Provisional estimates Source: ICAO (May 2007)

note: figures are rounded to the nearest decimal point

On 1 October 2002, the United States Department of Transportation implemented new air traffic data reporting rules which, inter alia, have affected the reporting of domestic all-cargo operations. Consequently, compared with 2002, the reported data for the United States for 2003 shows a significant shift of domestic freight traffic from non-scheduled operations to scheduled services with a corresponding impact on the world traffic shown above. It is estimated that if the traffic for United States carriers had been reported under the old rules, the increases for freight tonnes carried (7 per cent), freight tonne-kilometres (5 per cent) and total tonne-kilometres performed (3 per cent) would have been only 2, 3 and 2 per cent respectively.