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Global turbulence hits airlines

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THE world's wealthiest airline, Singapore, has been battered by the financial storm enveloping the industry, recording its biggest profit downturn since the Asian financial crisis.

The airline reported a 36 per cent fall in first-quarter profit as well as weak bookings going into January.

It was the carrier's worst quarter since 2005 with a blowout in fuel prices and falling demand carving a big hole in its bottom line.

SIA showed this week that it's not immune from the grim situation that's caused 26 carriers worldwide to close their doors in recent months.

It's equally bad for **Boeing** and **Airbus** with analysts predicting a flow-on effect with unsold aircraft likely to be mothballed at desert locations to safeguard against corrosion.

An aviation conference in Hong Kong heard this week that banks and leasing companies were threatening to pull back from the aviation market.

Should that occur aviation markets would be left with \$US20 billion funding gap with airlines defaulting on orders for 200 new aircraft.

"There's a funding gap and we don't really know where the money is coming from," said Eddy Pieniazek, a director of aviation adviser Ascend, addressing 200 airline chiefs at the the **International Air Transport Association** conference.

Qantas, **Emirates**, **Korean Air Lines** and **MAS** have acknowledged they are hurting and have cut services and retired aircraft.

Cathay Pacific, Hong Kong's biggest carrier, also warned this week that its next results would be "disappointing" due to hedging losses and slowing demand.

Shareholders of Qantas and **Virgin Blue** should expect little joy when at annual meetings in Brisbane, both on November 27.

Geoff Dixon, the outgoing chief executive of Qantas, has already declared the situation precarious for "everyone in

the global airline business".

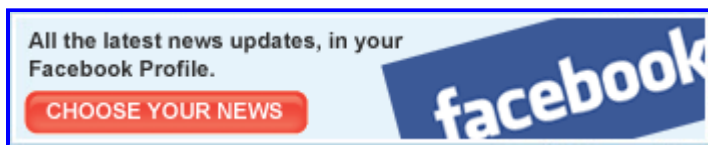
SIA yesterday disclosed net earnings had dropped to \$US216.87 million from \$US340.11 million a year ago.

Japan Airlines has reported a drop of almost half in operating earnings in the first six months of the financial year to \$466.26 million.

In London, **British Airways** announced a net loss of pound stg. 42 million for the first half of 2008. Pre-tax profits were down to pound stg. 52 million from pound stg. 616 million a year earlier.

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