

Airlines crash in a global storm

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THE world's wealthiest airline, Singapore Airlines, has been battered by the financial storm, 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 the bottom line.

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

It is equally bad for Boeing and Airbus, with analysts predicting a flow-on effect, with unsold aircraft likely to be mothballed.

An aviation conference in [Hong Kong](#) heard this week that banks and leasing companies were threatening to pull back from aviation.

Should that occur, aviation markets would be left with a \$US20 billion funding gap as airlines default 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.

"If the money doesn't arrive, you will see 200 new aircraft, or whitetails, parked in a desert," he said.

Whitetails are new planes that haven't been sold and are not yet painted with airline logos.

Qantas, Korean Air Lines and Malaysian Airline System have acknowledged they are hurting and have cut services and retired aircraft.

British Airways is similarly affected and was expected to tell shareholders that pre-tax earnings had dived

84 per cent during the second half to September 30.

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 directors report in Brisbane on November 27.

Geoff Dixon, the outgoing chief executive of Qantas, has declared the situation precarious for "everyone in the global airline business".

"At Qantas we have certainly seen a deterioration in booking intakes, particularly in international markets," Mr Dixon said last week.

SIA yesterday disclosed net earnings had dropped to \$US216.87 million from \$340.11 million.

In London, the securities firm Evolution Securities estimated British Airways would report revenues slightly up but earnings would fall 78 per cent to pound stg. 124 million.