



MCC/JOC on B737 Motion Simulator



75th anniversary year offers Aer Lingus stability

On 26th March, Aer Lingus unveiled Airbus A320-214, EI-DVM, at a ceremony at the iconic, Old Central Terminal Building Dublin airport - designed by the late Desmond FitzGerald. Named 'St Coleman' the aircraft is painted in the former 1960s 'Irish International' livery, to mark the 75th anniversary celebrations. It will, together with De Havilland DH-84 Dragon, EI-ABI, 'Iolar', form the centre piece for this year's anniversary celebrations. EI-DVM first flew on 25th February of this year and was then ferried to Chateauroux for painting. It returned to Toulouse on 9th March and was ferried Toulouse-Dublin on 24th March on delivery. The 'retro jet' entered service on 27th March operating the EI-358 to Stuttgart one of five routes inaugurated this summer. The others being Gatwick-Shannon (also on the 27th by EI-DVH), Cork-Palma (the 28th by EI-DEF), Belfast-Las Palmas (also on 28th by EI-DEO) and Dublin-Perpignan (29th by EI-EDP).

Aer Lingus used the event to launch its new Gold Circle Club and Business Class



Lounge located in Terminal 2. This facility offers enhanced services, internet connectivity and with improved catering. In keeping with the nostalgia of the moment, cabin crew modelled vintage uniforms for the 'unveiling' ceremony, from each decade, from 1945 through to the current Aer Lingus uniform by designer Louise Kennedy. The accrual anniversary is 27th May and on that day back in 1936, Aer Lingus launched its first ever flight between Baldonnel and Bristol, with five passengers, on the six-seater De Havilland DH-84 Dragon.

In its inaugural year Aer Lingus operated three routes, carrying 892 passengers and employed a total of 12 staff. In 2010, the airline carried 9.4 million passengers, flying to over 100 routes - to 75 destinations in 22 countries and providing employment to almost 4,000 staff. Speaking at the event, Aer Lingus CEO Christoph Mueller said, "2011 is a very special year for Aer Lingus as it marks the airline's 75th anniversary. Since the early days of 1936, Aer Lingus has grown to become a flag carrier with a worldwide reputation for our friendly staff, our high quality of service, value for money and innovation. Throughout the 75 years we have carried out our mission of connecting Ireland with the world, transporting millions of customers annually. We look forward to continuing to fly the shamrock for the next 75 years."

Quietly confident

He has every reason to be quietly confident as airline's annual report, published on 29th March, shows a significant reversal of fortunes on recent years. The Annual Report largely replicated the preliminary results which were considered in some detail in our last issue, however, the 'bottom line' (after extraordinary items) has improved by €3 million following the improved deal negotiated with the Revenue over the controversial 'leave and return' arrangements giving it a €33.4 million pre-tax profit for the year. Some further information emerges from the Report which is worth considering. Revenues from external customers, attributable to Ireland, were €705 million (2009: €723.5 million) a fall of 2.6%, while revenues attributed to foreign countries were €510.6 million (2009: 482.2 million) up 6%. The total average staff numbers were down from 3,844 to 3,516 while average payroll cost (including pensions, share based payments) was down from €81,200 to €73,600. The average number of sales and marketing staff has been cut from 108 to 50.

More numbers

The following figures are given for aircraft utilisation and passenger



The Aer Lingus crew for the first service of the 'Retrojet' to Stuttgart. Paul Morris

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At the unveiling of the new 'Retrojet', Aer Lingus had staff members dressed in the uniforms worn by cabin crew through the decades from 1936. EI-AMD photos

numbers exclude the code-share with United Airlines and Aer Lingus Regional services. Long-haul aircraft utilisation (block hours per day) was 10.4, down from 11.6 in 2009 and 13.9-14.3 in 2006-2008. Short-haul aircraft utilisation (block hours per day) was 9.3, down from 10.2 in 2009 and 9.7-10.4 in 2006-2008. While long haul passenger numbers were the lowest in the period since 2006, cargo tonnes were the highest. So was average fare (including airport charges and taxes). Short haul passenger numbers were roughly average for the period since 2006, Cargo tonnes were the highest up 31% up on 2009. The average fare, while 11% up on 2009, was still less than 2006-2008. The Annual Report gave extensive information on the

contracts and remuneration of the CEO Christoph Mueller (totalling €1.132 million) and Chief Financial Officer, Andrew Macfarlane who was paid €209,000 after a voluntary reduction of about €24,000. Aer Lingus chairman Colm Barrington earned director fees of €126,000 in 2010, which was €20,000 less than his remuneration the previous year. Naturally these figures attracted the most media attention. In his first full year at the airline, Mr. Mueller, received a bonus payment of €483,000 together with his €475,000 basic pay, a €119,000 pension contribution and further extras including a health plan and relocation expenses of €55,000, which brought his total remuneration for the year to €1.13 million. He also has a stock option

structure that includes 500,000 shares with a strike price of 58 cent. Aer Lingus shares are trading yesterday at around 73 cent, having reached €1.17 back in November so a sum of €192,531 was charged to the Aer Lingus income statement in relation to those share options.

Annual General Meeting

Aer Lingus will issue an Interim Management Statement on 5th May, followed by the Annual General Meeting (AGM) on 6th May. In advance of the AGM, Ryanair launched a High Court bid to put resolutions before Aer Lingus aimed at limiting pension fund payments for Aer Lingus workers and securing a €30 million dividend for Aer Lingus shareholders. Aer Lingus had refused to table the resolutions saying it was not appropriate for Aer Lingus to co-operate with any attempt by its largest competitor to restrain Aer Lingus' 'unfettered freedom' to conduct its business. To do so would constitute a criminal offence under Irish law, it said. Ryanair holds 29.82% of the issued share capital of Aer Lingus and has 3% of total voting rights at the Aer Lingus AGM. In the High Court on 15th April, Mr Justice Brian McGovern accepted the Aer Lingus arguments. He noted that its directors had recommended no dividend should be paid for the year ended December 2010 and, in those circumstances, Ryanair's proposed resolution seeking a €30 million dividend payment was an impermissible attempt to circumvent Aer Lingus' articles of association. He also accepted Aer Lingus' submissions that it was entitled to refuse to accept the proposed resolution stating that there should be no further payments to the Employee Share Ownership Trust or any company pension schemes over and above existing defined contribution rates without prior shareholder approval.

Latest traffic figures

On 7th April, Aer Lingus announced traffic statistics for the month of March. Total booked passenger numbers in



The 'Retrojet' heading on its first service. Paul Morris.

March 2011 were 716,000, a decrease of 8.4% compared to March 2010. Short haul booked passengers were 653,000, a decrease of 8.4% on March 2010 while long haul booked passengers in March 2011 were 63,000, a decrease of 8.7% on March 2010. In the year to date, the total number of booked passengers registered by Aer Lingus has fallen 12.7% year-on-year to 1.84 million. On short-haul services, the number was down 12.7%, while on long-haul it has fallen 13.4% year-on-year. The year-on-year comparison of booked passenger numbers is however impacted by the timing of the Easter holiday period, which commenced in the last week of March in 2010. Easter 2011 occurs in late April 2011. Aer Lingus' booked load factor in March 2011 decreased by 3.7 points on March 2010 to 72.2%. Short haul booked load factor was 71.4%, a decrease of 4.5 points on March 2010, with capacity decreasing by 4.8% as a result of planned year-on-year reductions at London Gatwick and Cork. Long haul booked load factor was 73.6%, a decrease of 2.1 points on March 2010, with capacity decreasing by 4.8% as a result of planned year-on-year reductions at Shannon. Given these figures it is clear why Aer Lingus is hoping for small growth in passenger numbers this year but obviously the main target will be to maintain passenger numbers at 2010 levels in what remains

a challenging environment. Mr. Mueller has said that Aer Lingus hope to keep "the same passenger numbers for 2011 and maybe a little bit more. That depends pretty much on how tourism develops here in Ireland." He added that the airline has "some optimism" but expected a "longer and slower recovery" in visitor numbers and "that is why our capacity for 2011 is largely the same as 2010".

The fleet

The delivery of EI-DVM brought the total number of A320s to 32 with further examples, EI-DVL and EI-DVN, to be delivered in May. Three leased A321s, EI-CPC (Ural Airlines as VQ-BKJ), EI-CPD (VQ-BKH), and EI-CPF have already left the fleet leaving three in service. VQ-BKH left Shannon on 6th April on delivery to Ural Airlines at Ekaterinburg. EI-CPF was ferried Shannon - Bordeaux on 4th March as is also bound for Ural Airlines. One A320 (EI-CVA) is also available for sale. Aer Lingus has the ability to cut back further if necessary with more A320 leases due to expire in 2012. Airbus A330-301 EI-ORD has been sold to GECAS having been withdrawn from use on 11th February. It was ferried Dublin - Bordeaux on 14th March for C Check and associated Inspections. The cost of these works prove uneconomical and the

aircraft was ferried Bordeaux - Bangor - Greenwood in basic Aer Lingus colours on 16th April for parting-out, leaving the active A330 fleet at seven units (EI-LAX, DAA, DUO, DUZ, EAV, EDY and EI-ELA).

and finally...

Aer Lingus won a case in the Bombay High Court relating to a petition it had filed in 1996 challenging the illegal detention by the Airports Authority of India (AAI) of two Boeing 737-200s which had been leased to local carrier East West Airlines in November 1992 and had been returned to Aer Lingus. Aer Lingus had only been allowed to fly the aircraft out of India subject to a bank guarantee. The AAI argued that for the service provided to the aircraft, charges could only be recovered by detaining the same. Aer Lingus argued the charges related to operations by East West and liability should be for East West alone. The court said that the owner can be made liable to pay AAI "only if there is a contract between the owner and AAI or a law which obliges the owner to pay charges... and in this case, there is neither such contract nor law which has been pointed out." The two aircraft (EI-BEB and BEC) were recovered and subsequently served with Kenya Airways from 1998 to 2007 and have since been in storage at Nairobi airport.