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Air Transport World

Including commuter/regional world — A Penton Publication — The magazine for world airline management

Airline of the Year
Singapore Airlines

other winners

Crossair, Pratt & Whitney Canada, Alaska Airlines, Thai Airways International Ltd., All Nippon Airways & America West Airlines

ATW Awards continued

service between Tokyo and Guam. Then in July, ANA entered its first major international markets with service between Tokyo and Los Angeles and Washington. Its Washington operation was the first nonstop service between the Japanese and U.S. capitals. In the following year, service was begun between Tokyo and Beijing and Dalian in the People's Republic of China, and to Hong Kong and Sydney. Then in 1988, service was begun between Tokyo and Seoul, followed by operations to Stockholm, Bangkok, Vienna, London, Moscow and Saipan last year. In the space of just over three years, ANA developed scheduled international operations to 14 cities. This year, routes probably will reach Singapore, Paris, Honolulu and New York.

All Nippon also has shown considerable flexibility and dexterity in developing the new international services. Most of the new markets are served singly by All Nippon, but others are through joint service arrangements with other airlines. The Moscow service is flown through Vienna in a novel agreement with Austrian Airlines and Aeroflot. The Stockholm operations are performed jointly with SAS.

The new service has been warmly received. ANA carried 824,000 passengers on its international routes for the year ended last March 31. It expects to report more than 1 million boardings for the current fiscal year. Load factor has risen from 53.4% in the first year to 75.2% for the first half of the current fiscal year. Load factor in the important Tokyo-Washington market has grown to 81.1%, up 10 points from the previous fiscal year.

To the new markets, ANA has brought a nearly all-new fleet of Boeing 747s and has ordered 26 747–400s. It has developed a level of cabin and ground service for its international passengers that rivals the best in the world with spacious 6-abreast seating in business class with free limousine service at Washington, London and Beijing for business and first-class customers. Its cabin staff are very attentive despite usually having to cater to two very different cultures.

In selecting ANA for the Market Development Award, we feel that the airline has been an excellent representative of its nation.

Financial Management Award

Alaska Airlines

Any U.S. airline that has been profitable in each of the past 17 years—a period that includes the first 11 years of airline deregulation, an oil crisis, the air-traffic controllers' strike and a major recession—deserves to be recognized for superior financial management.

And if that airline achieved these results while more than quintupling in size, then it deserves even greater praise. And if it managed this growth furthermore without abandoning sound financial practice or high-quality passenger service, then it deserves to be called . . . Alaska Airlines.

CEO Bruce R. Kennedy

In an era that is increasingly dominated by megacarriers and global aviation partnerships, it is easy to overlook an airline such as Alaska, which operates to some 30 cities in the far western portion of the continental U.S. and Mexico. That is a shame, for the carrier is proof positive that, in the words of Singapore Airlines' Managing Director Dr. Cheong Choong Kong, "there will always be a niche for a good-quality airline."

For a while, though, it appeared that Alaska Airlines might become a victim of its own success. During the con-

solidation period of the mid-1980s, few thought that the carrier would be able to remain independent. In the end, however, not only did Alaska emerge unscathed but it did a little buying of its own, in 1986 acquiring both a small post-deregulation start-up, Jet America, and one of the country's largest commuter/regionals, Horizon Air.

Acquisition of the two carriers, coupled with strong industrywide traffic growth, led to a dramatic rise in revenues from $468 million in 1986 to $814 million in 1988. The books are still being closed on 1989 but the airline probably grew by an additional 10%-12%.

Profits accompanied growth. Alaska Airlines earned a record $37 million in 1988 and expects to report even better results for 1989.

Over the years, Alaska Air Group has maintained a firm grip on it balance sheet. Although total assets more than doubled between 1983 and 1988, long-term debt as a percentage of total assets dropped from 31% to 23%.

Last year, the airline issued $86 million in convertible debt, boosting long-term liabilities to $239 million. But shareholders' equity has more than kept pace, increasing from $177 million in 1986 to $345 million at the end of last September.

Also, the airline was one of the first to embrace the lease ethic and still owns only about one third of its 50-jet fleet. Leasing has given Alaska flexibility and the ability to expand while keeping aircraft debt low. And expand it will. The airline has 14 MD-80s on order for delivery between now and 1993.

Labor/Management Award

America West Airlines

One of the most important tests of an airline's longevity potential in today's increasingly market-oriented industry is labor-management relations, or how well an airline's managers get along with their workers. It has been that way with airlines for a long time because of the service orientation of the business. But now that this orientation has been intensified by deregulation in the U.S. and by increased competition in many other parts of the world, it is more important than ever that an airline be a "happy family."

Many airlines have tried new approaches to meet this challenge with varying degrees of success. *ATW's* editors feel that in recent years, one of the best examples of how to achieve the elusive atmosphere of harmony within an airline can be found at America West Airlines of Phoenix, Ariz.

Many of the elements of other airlines' labor-management programs are found at America West. The carrier is new—it didn't even begin to fly until August, 1983. So it had the new-entrant drive to be low-cost and superefficient. There are no unions, another characteristic of the low-

Chairman Edward Beauvais

fare new entrants. The employees own stock in the company and have more freedom to innovate and participate in "management" of the airline. There are better-than-usual employee benefits such as child care, even 24-hr. care, company-run medical facilities and other niceties.

The big difference at America West is that it all seems to work. From the chairman, Edward Beauvais—who is credited with developing and administering the program—all the way down to the newest staff member, all seem to have the feeling that they are pulling together to make America West go. The people at America West appear to have that essential ingredient for successful labor/management relations, the feeling that what is good for their airline is good for them.

And it has been good. Despite some rocky loss years in the early going, the airline has grown from its 3-airplane, 280-person operation just over six years ago to nearly major size with almost $1 billion annual revenues, 86 transports serving 58 stations and a work force of more than 10,000 producing the best on-time performance in the U.S. It has been able to make financial sense of it all, showing a $9.4 million net in 1988 and more than $13 million in just the first half of last year. Out of the 1988 profit, the America West people took home $1.86 million in profit sharing and $1.2 million in other incentives.

It's working at America West Airlines. So we salute Chairman Beauvais and all of the America West family with our Labor/Management Award for 1989.