

NEWS BRIEFS

EU, US air service talks set for fall

The European Commission said it reached an agreement with the US "to begin comprehensive air service negotiations in early autumn" following the decision of the EU Council in June to grant a mandate to the EC. The goal is to achieve a transatlantic free trade area that will "give EU and US airlines complete freedom to serve any pair of airports in the EU and US" as well as removing "the restrictions on foreign investment in each other's airlines," the Commission noted.

EC VP Loyola de Palacio said, "We welcome and are encouraged by the US administration's proposals to bring foreign investment restrictions in line with those in the EU, and hope that they are successful." Ultimate objective is to put aviation "on the same footing as other industries."

Swiss to cut capacity 27%, eliminate 3,000 jobs

Swiss International Air Lines will operate 27% fewer ASKs in its winter schedule effective Oct. 26 as part of a massive restructuring announced on June 25 that also calls for elimination of up to 3,000 jobs from a total workforce of 9,000. The layoffs include around 700 pilots, 850 cabin staff and up to 1,500 jobs on the ground. The cutbacks are intended to produce cost reductions totaling Sfr1.6 billion (\$1.21 billion). The company said 34 aircraft will be parked, lowering the fleet to 74 excluding charter aircraft; however, subsequently it said the winter schedule will be flown with 79 airplanes.

In its European network, Swiss will serve 41 destinations, down from the current 56. Its intercontinental network will cover 30 destinations, 10 fewer than at present.

The carrier also intends to begin charging for food and drinks in economy class on its European routes, becoming the first European network airline to



AirTran which had been rapidly transitioning to an all 717 fleet, is adding a second type with an order for up 100 737-700s (see equipment, p. 18).

do so. The no-frills economy product will be "extremely competitively priced," while business-class passengers "can look forward to the usual Swiss service."

The company also will introduce a new pricing structure, permitting passengers to mix service classes as desired on outbound and return tickets. It will maintain three classes on its long-haul services.

"The cuts in the new business plan are deplorable, but they are necessary to safeguard the airline's existence," said CEO Andre Dose. He stated that Swiss needs Sfr500 million in fresh capital to finance the overhaul and return to profitability in 2005. The government already has ruled out providing more aid, although it offered mild tax relief valued at around Sfr6 million per year.

Swiss also apparently has backed off plans to launch a low-fare regional subsidiary (*ATW*, 6/03, p. 56) in a deal with its pilots that will permit it to move forward with its overall restructuring.

Air Canada restructuring moving forward

Air Canada moved closer to completing its financial restructuring last month with the signing of a broad agreement with GE Capital Aviation Services covering all 106 GECAS-financed and -managed aircraft, as well as new exit and aircraft financing totaling approximately

C\$1.8 billion (\$1.34 billion).

The agreement followed completion of negotiations with AC's major unions on C\$1.1 billion in annual labor savings. Its pilots, who are contributing about one-third of the total labor savings, overwhelmingly ratified a contract calling for a 15% reduction in pay scales as well as changes in work rules. In addition, the union said 317 pilots are expected to be laid off over the next six months.

AC flight attendants narrowly ratified their own concessionary contract containing work rule changes, reduced vacations and lowered wages. Up to 1,750 attendants may be furloughed, although this may be reduced through voluntary separation packages.

AC also said that a further 300 management and non-union positions are being eliminated, bringing total layoffs in the group to 1,100. Six senior VPs and VPs are departing, five of whom will not be replaced. Retiring/departing at the SVP level are Senior VP-International and Alliances Ross MacCormack, Senior VP-Customer Service Doug Port and Senior VP-Air Canada Maintenance Robin Wohnsigl.

AA, Delta, NWA sell Worldspan interests

American Airlines, Delta Air Lines and Northwest Airlines completed the sale of their interests in the Worldspan global dis-

tribution system to a newly formed company, Travel Transaction Processing Corp., owned by Citigroup Venture Capital Equity Partners and Teacher's Merchant Bank, the private equity arm of the Ontario Teacher's Pension Plan.

Northwest, which owned 40% of Worldspan, said it received cash proceeds of approximately \$280 million at the closing plus "additional credits for future services." Delta said it received a cash payment of about \$285 million for its 34% share. It also will receive credits totaling some \$125 million and a \$45 million subordinated promissory note that matures in 2012. American said it received \$180 million in cash and a \$39 million promissory note for its 26% share of Worldspan, which it acquired when it purchased the assets of TWA.

Airlines rebuild SARS-ravaged schedules

Airlines continued to restore services to, from and within the Asia/Pacific region during the early summer following the withdrawal of the last World Health Organization SARS travel advisories in June, but the damages from the episode will impact airline operations and finances for some time. For example, Cathay Pacific, at the center of the storm, said it will resume a full schedule by the end of Sept. and give away more than 10,000 free tickets in an effort to help rebuild the local tourism industry.

IATA preliminary traffic figures for May, released last month, show member airlines suffered a 21% drop in international passenger traffic compared with May 2002, with Asia/Pacific carriers noting a 50.8% decline. International RPKs for North American carriers fell 20.6% versus May 2002. European carriers experienced a fall of 5.5%, making them the least negatively impacted by the industry downturn. Overall, ASKs declined 12.6%. As a result of capacity reductions, global load factor edged up from

63.5% in April to 64.6% in May, although it was well down on a year-to-year basis. Cargo traffic continued to grow, with overall figures for May indicating a 3% rise in FTKs over May 2002.

Europe report

British Airways rejected a £5 million (\$8.4 million) bid from Virgin Atlantic Airways for its Concorde fleet in late June and said it will retire the supersonic aircraft as planned in Oct. "Concorde is not for sale. Our position is absolutely unchanged on that," a BA spokesperson said.

"We need to act now to save the company."

—Singapore Airlines Group CEO Chew Choon Seng announcing the company's first layoffs in 20 years

Air France Group shareholders on July 10 approved resolutions that will permit the French state to reduce its 54% stake in the carrier. CEO Jean-Cyril Spinetta said freedom from state control is "necessary to give AF the means to fully develop." He said the timing of privatization is up to the government and also told shareholders that the company is on track to meet its target of achieving a slight improvement in full-year operating profit before aircraft sales, although "the outlook for the rest of the year is still fragile." AF posted a €162 million (\$182.2 million) operating profit last year.

Separately, Air France pilots approved an accord on remuneration and seniority covering the 2003-05 period. Of the close to 4,000 eligible pilots, 54.3% voted for the referendum. Although main pilots union SNPL had urged members to reject the agreement, 71% supported it.

Scandinavian Airlines contracted with Connexion by Boeing for an undisclosed sum to equip its

long-haul aircraft with high-speed wireless broadband Internet access. Passenger user fees have yet to be determined. The year-long installation process for the entire SAS long-haul fleet will begin in Feb. The airline said it will be the first to invest exclusively in wireless technology for onboard Internet.

Separately, SAS reached a collective wage agreement with its Norwegian cabin crew unions, the final holdouts among the several unions representing attendants. The accords, which SAS said are a prerequisite for full implementation of its Plan C restructuring, include the possibility of increasing productivity 40% from 530 block hr. to 750 block hr. annually, as well as a 2003 wage freeze.

MyTravel, in a historic first, is seeking damages of £500 million (\$865 million) from the European Commission for thwarting its attempted takeover of First Choice in 1999. The travel group bases its claim on the ruling of the Court of First Instance last year that the Commission was wrong to block MyTravel's acquisition of its smaller competitor. MyTravel, formerly Airtours, argues that the EC's decision caused it to lose profits and other income amounting to millions of pounds. The claim marks the first time a company has demanded damages from the EC.

Thomas Cook Group, the travel company jointly owned by Lufthansa and German retail giant KarstadtQuelle, reported an adjusted loss before interest, taxes



ATW Senior Editor Geoffrey Thomas was honored at the Aerospace Journalist of the Year Awards gala dinner on the eve of the Paris Air Show. Thomas was recognized in the "Technology and Systems Solution" category for "An Incomplete Solution," his article about fulfilling the promise of TCAS (*ATW*, 12/02). The award was sponsored by the Royal Aeronautical Society. Last year, Thomas received top honors for his article on LROPS.

and amortization of €292.5 million (\$345 million) for the fiscal first half ended March 31. Revenues declined 8.3% to €2.35 billion as the number of customers dipped marginally to 3.6 million.

Alitalia Chairman Giuseppe Bonomi said the airline intends to reduce staff costs by €15 million (\$17 million) through improved productivity measures rather than job cuts, scrapping previously announced plans to trim cabin crew numbers.

Separately, Alitalia confirmed it will sell 80% of its Eurofly charter unit as it tries to cut costs and return the main business to profit. In a statement, investment bank Banca Profilo said it signed a preliminary agreement to buy the stake on behalf of a Luxembourg-based private equity fund to

which the bank is acting as adviser. The deal will be closed in the autumn, the bank said, without providing details of the value.

Deutsche BA's new boss, German entrepreneur Hans Rudolf Woehrl, said in July that "the next four months will be the toughest in the airline's history" and warned that "if it becomes clear the airline is not en route to profitability, we'll have the courage . . . to end the adventure." Cornerstones of recovery, Woehrl stated, included employee acceptance last month of a 20% pay cut that would save €10 million (\$11.3 million), plus €8 million in savings to be gained from revamping the reservation system. Fleet refinancing will bring in another €6-8 million.

LOT Polish Airlines' supervisory board elected interim chief executive Marek Grabek president and CEO. The government treasury official had served temporarily in the post since March following the resignation of President and CEO Jan Litwinski and other board members amid allegations of financial improprieties.

Lufthansa raised its stake in Air Dolomiti to 98.8%.

Uzbekistan Airways put into operation last month on an inaugural flight between Bukhara and Tashkent the first Pratt & Whitney-powered Il-114-100 turboprop. The latest version, equipped with PW100s and fitted with Rockwell Collins avionics, is being manufactured by Tashkent Aircraft Production Corp.

European Parliament passed a draft bill in July doubling what airlines must pay passengers who are denied boarding for overbooking or other reasons and requiring cash compensation for delays and cancellations. Ratification of the legislative proposal is expected by the 15 EU governments in time for the law to take effect in summer 2004. European carriers currently are required only to offer bumped travelers alternative flights or

European Airline Traffic June 2003

	RPKs (billions)	% chg. 2002	ASKs (billions)	% chg. 2002	Load factor (%)	+/- 2002
AF Group	8.53	-0.1	10.99	0.8	77.6	-0.7
AUA Group*	1.16	-6.0	1.61	-3.4	71.9	-1.9
BA Group	9.05	5.8	11.79	3.1	76.8	2.0
Finnair	.96	-11.7	1.35	-3.8	71.4	-64
Iberia	3.47	2.0	4.53	-0.5	76.7	1.9
KLM	4.54	-9.2	5.70	-8.5	79.7	-0.6
LH Group	7.77	-3.7	10.20	-3.1	76.2	-0.5
SAS**	2.86	-1.2	4.12	2.9	69.3	-2.8

*AUA Group includes Austrian, Lunda Air and Tyrolean Airways. **SAS Group, includes SAS, Braathens, Spanair, Wideroe and Air Botnia. Source: Airline reports.