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British Airways criticised by US report
BRITISH AIRWAYS' productivity is
significantly lower than that of US
carriers; its unit costs and revenues
are higher; its fleet is less efficient
than those of US airlines and it is
subsidised—to the tune of up to $70 million, £33 million a year—through the availability of public dividend capi-tal. These are the main conclusions of a report commissioned and published by the US Department of Transporta-tion*, prepared by US airline analyst William M. Taussig. Although the re-port specifically does not represent the official view of the DoT, it makes some very penetrating observations on British information policy and the penalties which a "buy British" policy has inflicted on British Airways.

Taussig notes that the public avail-ability of data collected in the USA by the Civil Aeronautics Board's Form 41 allows the United Kingdom to be "fully armed with complete informa-tion on US carriers' operating costs and efficiencies." But the recommenda-tion of the 1969 Edwards Committee that economic information should be more freely available has not been implemented; if anything it has been reversed. BEA and BOAC annual re-ports up to 1972-73 are described as "reasonably helpful," but the British Airways reports since 1973-74 do not break down financial data by divisions.

Britain, Taussig notes, has formally refused to supply the CAB with Form 41-style information, because it might prejudice current talks on a successor to the Bermuda agreement. The re-port also notes minor but disturbing discrepancies between published fig-ures in the airline's annual report for 1974-75 and the data published by the Civil Aviation Authority.
Direct productivity comparisons are made between British Airways and US airlines. European Division, and European plus Regional Division, are compared with the Allegheny Airlines system; the US carrier operated 57 per cent more flights in 1975-76, and flew about the same number of pas-sengers and rather fewer passenger-kilometres. Allegheny employed 7,476 people; the European and Regional Divisions employed 21,502.
Pan Am is shown to be more pro-ductive than British Airways in 23 out of 30 indices used by the report (ex-ceptions include passengers carried per cabin attendant and departures per flight crew member) and TWA is more productive on all counts. The re-port admits that these comparisons are not as close as that between Alle-gheny and European/Regional: "We have never known one airline to admit that its problems are like those of any other." Accordingly the British Air-ways statistics are compared with those of Pan Am and Allegheny com-bined; the report states that "British Airways comes; off very poorly."
Data furnished to the International Civil Aviation Organisation and sum-

marised in the report show that British Airways costs and revenues have risen more in the years since 1972 than those of the US car-riers. BOAC's revenue-tonne4dlometre (RTK) costs were slightly lower than Pan Ami's in 1972, but since then British Airways RTK costs have risen by 54-9 per cent as against 45 per cent for Pan Am and 45-1 per cent for Pan Am plus Allegheny. RTK revenues have also increased more sharply for British Airways: 44-6 per cent compared with 41-7 per cent for Pan Am and Allegheny combined.

One major source of extra costs, the Taussig report notes, is the "buy British" policy enforced by successive British Governments. The sheer variety of the British Airways fleet is another major contributory factor— 11 types of aircraft and eight different engines, compared with seven types and seven engines in the combined Pan Am, TWA and Allegheny fleets.

Taussig cites Allegheny data filed with the CAB which show that the One-Eleven 200 has seat-mile costs 38 per cent higher than those of the larger DC-9-30 in Allegheny service.

A Boeing 707-420 operator indicates that operating costs are six to eight per cent higher than those of the 707-320B. A Super VCI0 operator finds Conway maintenance costs of $50/hr, compared with $15/hr for the JT3D, and, according to Taussig, airline sources put One^Eleven/Trident Spey costs at $40-$50/hr, about twice as much as the costs for the Pratt & Whitney JT8D.

The report also quantifies the degree of subsidy received by British Airways through public dividend capi-tal, comparing its capital requirements with those of Pan Am. In recent years, the report observes, airlines have found it virtually impossible to sell shares or stock. "If British Airways joined Pan Am's world," it is esti-mated, its interest charges could be as high as $105 million, compared with the $29-4 million it actually paid. The equivalent subsidy is likely to increase as the older aircraft in the European/ Regional fleets come up for replace-ment.

* Available from the National Technical Information Service, Springfield, Va 22151.

Romanian One-Eleven background
BAC's involvement with Romania goes
back to 1967, when a One-Eleven 400
was demonstrated and a sales cam-
paign mounted even though a contract
for Caravelles had already been
initialled. Six One^Eleven 400s were ordered in May 1968, offset against the licence manufacture of 215 Islanders.

At that time BAC had a small but significant record of success in selling civil aircraft across the East/West border, with four Britannias sold to Cuba and Viscounts sold to China (still operating) and LOT. CSA inter-est in the VC10 had been killed by political factors in 1966, though the airline continued to be interested in One-Elevens. But that deal fell through in early 1969 after the Soviet invasion of Czechoslovakia and the end of the "Dubcek spring."

From 1969 BAC and the British Government continued their efforts to extend Romanian collaboration, but without a great deal of success. Apart from the Rolls-Royce Viper turbojet (used in the Jugoslavian Galeb trainer and Jastreb light strike aircraft, and eventually selected for the Jugoslav-Romanian Orao fighter), the British industry had no products which Romania badly needed. The One-Eleven 500, BAC was told, was too big for Tarom. Offers of various facilities made via the British Government, in-cluding a Mach 3 wind tunnel, were rejected.

The turnround came in September 1973, when BAC was told that the

One-Eleven 500 figured in Tarom's plans. Romanian import agency Tehno-import, uncertain whether the One-Eleven would be available, invited tenders from Boeing and McDonnell Douglas in 1974. la June of that year BAC flew what would have been the last OneJSleven, but the Labour Government, intent on nationalisation, preferred to see the line kept open and underwrote continued production. Tarom's order for five One-Eleven 500s was announced in March 1975.

The next move came in April 1976, when VFW-Fokker and BAG were asked to propose joint manufacture of the 614 and the One-Eleven respect-ively. Both manufacturers signed a series of protocols with Romania. These documents constituted a base for continued discussion rather than a firm commitment In December last year BAC proposed a framework agreement on One-Eleven co-produc-tion, and from that time on it was up to Romania to decide between the 614 and the One-Eleven.

The latest protocol is a further step towards One-Eleven production in Romania, although it is easy to be over-optimistic about the progress1

of
East/West deals, and political factors often intervene unexpectedly. BAC, with its Czechoslovakian experience, knows this as well as anybody. Romania has little experience of fabricating components more complex than the Islander airframe and the One-Eleven sections being built already, and One-Eleven production would be a major step forward.