AIR TRANSPORT

EC is to

investigate
BA/BCal

deal
LONDON

Lord King, chairman of
British Airways and now
of British Caledonian, is
expected to meet representa-
tives of the European
Commission within the next
few days, to discuss the impli-
cations of BA's successful
offer for BCal.

A number of UK objectors,
led by Michael Bishop's
Airlines of Britain Group,
have lodged protests with the
EC, claiming that the merger
will enable BA to stifle
competition within the UK.
Although the UK Monopolies
and Mergers Commission
(MMC) decided in November
that this would not be the
case, provided certain condi-
tions were adhered to {Flight,
November 21, page 4), the EC
has the power effectively to
overturn its ruling.
Under Articles 85 and 86 of
the Treaty of Rome, the EC
may decide that BA's actions
constitute an "abuse of a
dominant position" within the
UK market. These so-called
"competition rules" enable
the EC, through the European
Court, to order that the
merger should be reversed,
and to impose heavy fines if
BA does not comply.
EC Competition Commis-
sioner Peter Sutherland has
written to Lord King, advising
him of the EC's reservations
about the deal, and an EC
source in London tells Flight:
"We have been closely follow-
ing the whole takeover battle.
We shall be meeting BA and
BCal very shortly to discuss
the competition aspects of the
merger, and we want to see
how far BA will go in meeting
the concerns of the Com-
mission".

The end to the prolonged
takeover battle between BA
and its rival suitor, SAS, was
both sudden and swift. Amid
widespread speculation that
SAS was about to double its
offer for a minority stake in
BCal, BA increased its offer
for the whole airline to £250

Uprated Saab
340 flies

The prototype
Saab 340B, an
uprated version
of the original
Saab (SF) 340, is
now well into its
flight test
programme,
which will lead
to production and
delivery in 1989.
The -B version
has more power
and a higher
maximum take-
off weight.

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million in cash.
Given that BA's original,
pre-Black-Monday bid was
worth £237 million in equities
(not cash), and that BCal had
in the interim sold a hotel
group, the clinching bid left
the industry wondering just
how much more Lord King
might have paid if BCal had
any remaining energy for
further haggling.
City talk had always
predicted an eventual King
victory by use of "canniness",
lobbying power, and influ-
ence. Eventually Lord King
made a bid which surprised
the City by its generosity:
"We wanted it, so we bought
it", BA's chairman said in a
statement which summed up
the situation.

Early this week it was still
not clear whether B A had paid
the full price. It wants to buy
BCal's charter wing, CalAir,
but BCal was asking an addi-
tional £20 million for it.
With the future of a merged
BCal/SAS operation clouded
by political uncertainties,
£250 million proved an
irresistible offer for BCal's
major shareholder, the
investment group 3i. BCal's
board, which had previously
supported the SAS package,
unanimously recommended
the BA offer to its share-
holders.
Earlier, Harry Goodman's
Air Europe had its High Court
appeal against the MMC
ruling dismissed, and the C AA
confirmed that it would
proceed with its examination
of BCal's route licenses,
at the request of BA. That
application will now be
withdrawn by BA, leaving
the European Commission to
have the final word on the
subject.

US ATA is

pleased
with 1987
WASHINGTON D.C.

The US scheduled airlines
carried approximately 450
million passengers in 1987,
compared with 418 million in
1986, 380 million in 1985, and
275 million in 1978, the year
of airline deregulation, the Air
Transport Association says.
The 1986/87 increase is 7-1
per cent.
"Prospects are for contin-
ued growth in demand for air
transportation", ATA presi-
dent William F. Bolger said in
announcing the 1987 figures.
"To meet the future
demand for air transportation
and to replace older aircraft,
the airlines have placed sig-
nificant orders for new equip-
ment. More than 650 new
aircraft valued at $25 billion
are on order for delivery
throughout the remainder of
the 1980s and beyond."
This year's survey of air
travellers showed that a
record number, 126 million, or
72 per cent of the adult US
population, has flown, and
nearly one in three flew
during the past year.
The survey found that 52
per cent of airline trips during
the past year were for pleasure
or other personal reasons, and
48 per cent were for business.
The average air traveller
made approximately three
and a half round trips last
year.
The US airlines registered a
net profit of about $850
million for the first three

quarters of 1987, compared
with a net loss of $150 million
for the same period in 1986.
The profit margin—net profit
as a percentage of operating
revenues—for the 1987 period
was 2-4 per cent. Operating
profits for the first three quar-
ters were about $2 billion,
compared with $800 million
for 1986.

Qantas
refuses SAA

deal
SYDNEY

Qantas is not co-operating
with a South African Airways
attempt to circumvent the
Australian Government's ban
on SAA flights between the
two countries.
SAA has offered to provide
extra flights between
Mauritius and Johannesburg
if Qantas introduces a stop-
over in Mauritius on its
current service between
Australia and the
Zimbabwean capital, Harare.
This would obviously enable
Johannesburg-bound passen-
gers to avoid Harare, where
Air Zimbabwe is awaiting
South African Government
permission to operate extra
connecting flights to
Johannesburg.
Qantas says: "It's fairly
transparent what SAA is
offering here. Our service is to
Harare, and we are waiting for
the South Africans to allow
Air Zimbabwe to fly the
supplemental to Johannes-
burg. "At the moment, we
have no landing rights in
Mauritius, and we don't plan
to apply for them."

FLIGHT INTERNATIONAL, 2/9 January 1988