fiercely competitive international market, the political and commercial connections it has developed abroad during that time and the enormous financial strength which lies behind the establishment of the new airline. EVA's registered capital amounts to 10 billion New Taiwan Dollars ($376 million), of which NT$7 billion has already been spent.
Besides building a new headquarters, a 14-storey training centre and a 28,000m2 maintenance hangar, EVA has already bought two Boeing 767-300ERs, leased an-other, and has orders and options for 26 more widebodies from Boeing and McDon-nell Douglas. (The aircraft will be financed largely through syndicated loans from Tai-wanese banks). It was also Asian launch customer for Rediffusion's Concept 90 sim-ulator (one 747-400 and one 767-300), and has ordered 747-400 and 767-300 cabin-crew emergency evaluation trainers from Burtek in Tulsa, Oklahoma.
Ironically, when Evergreen first consid-ered expanding into the airline business, it was as a pure cargo carrier, a logical progression from its core shipping interests. This option was ruled out, however, by Taiwanese laws which prevent companies from acquiring cargo aircraft that are more than five years old, a restriction which Evergreen judged would make the venture uneconomic.

LEGAL RESTRICTIONS

The same law also stipulated that a new airline must acquire new passenger aircraft, and that the aircraft should be owned rather than leased. This restriction was waived because EVA was unable to obtain early delivery positions without leasing. It ar-ranged to take two new Boeing 767-300ERs from Monarch Airlines, which did not require them because of the slump in the UK charter market.
At the last moment, however, Monarch pulled out of the deal, and Boeing ap-proached EVA with a proposal to buy the aircraft directly. EVA president Frank Hsu .says: "I don't know what the problem was between Boeing and Monarch, but it ended up that they could not take delivery. Because we wanted to start operations early, we were forced to buy them."
EVA now operates three 767-300ERs on six regional destinations in south-east Asia, and opened its first intercontinental route, to Vienna, on 11 November. Although initial passenger loads were disappointing, largely because of the political controversy, Hsu believes, they have now almost dou-bled, to around 80%, on the regional routes. The preparation for EVA's launch started even before the airline received its licence in March 1989. The company signed an 'agreement the previous month with Sparton School of Aeronautics in Tulsa to train maintenance personnel, and the first batch of EVA pilot cadets was sent to the Univer-

sity of North Dakota to start ab initio training three weeks after the airline was officially approved.
The most vivid demonstration of EVA's financial muscle was provided when it placed its first widebody order in October 1989, buying four Boeing 747-400s (plus four options), two 767-300ERs (with two options) and up to 14 McDonnell Douglas MD-lls, of which six were firm orders. All the aircraft types were to be powered by

Frank Hsu, president, EVA Air

General Electric CF6-80C2 engines.
Since then, EVA has confirmed two 747-400 options, two 767-300ER options and added two more firm 767-300ER or-ders, giving it a planned fleet of 30 aircraft (the leased 767-300ER will be returned). The extra 767-300ERs were necessary be-cause EVA has postponed delivery of its first MD-ll s until 1994, because of the performance shortfall caused by high fuel

Liu Teh-Ming, chairman, Mandarin Airlines

burn identified during flight-testing. Evergreen's network of overseas contacts has proved vital in laying the groundwork for EVA's own international expansion. EVA has used Evergreen agents to help establish EVA branch offices in each pro-spective destination, counting on the parent company's influence to overcome potential problems. Hsu says: "When we started on 1 July, we had five destinations. That's a

good example of much we take advantage of this synergy. Evergreen has good support from local governments, since we are al-ready in the shipping business with them." EVA now operates from Taipei to Bang-kok, Seoul, Jakarta, Singapore, Kuala Lum-pur, Penang (Malaysia) and Vienna, while permission has also been granted to fly to Sydney. Next year, EVA will open transpaci-fic services to Los Angeles and New York, once it receives its first two 747-400s.

The existing US-Taiwan air services agreement (ASA) permits multiple carriers, with unlimited frequencies into seven spec-ified gateways — New York, Seattle, San Francisco, Los Angeles, Dallas/Fort Worth, Honolulu and Guam. Of these, EVA plans to serve either San Francisco or Seattle en route to New York, plus Honolulu and, eventually, either Dallas/Fort Worth or Houston.

Although Houston is not a designated gateway, it is one of 15 secondary interna-tional airports permitted by the US Depart-ment of Transportation to solicit foreign airlines directly, and to negotiate their own terms. Hsu says that Houston would serve as a good stepping-off point for Central America, to which it is allowed one onward service under the current ASA.

DIPLOMATIC PROBLEMS

In Europe, EVA faces much the same problem as CAL — that of persuading governments which do not have diplomatic ties with the ROC to grant landing rights. The problem is being overcome partially through interlining agreements with Aus-trian Airlines and Lufthansa from Vienna, providing EVA's passengers with access to almost all major European destinations. Hsu says: "Within two hours of our arrival [in Vienna], Austrian Airlines has a lot of flights that can connect, and we are talking about the whole of Europe. You don't need too many new points if you can go through interlining agreements with others."

EVA has applied for traffic rights to the Philippines, Hong Kong, Vietnam, Japan and other countries in Europe, but Hsu says: "It's not that easy. All traffic rights are related to the political problem." He adds: "EVA Air is 100% privately owned, so I think we have fewer problems than China Air Lines. Politically, the PRC is so eager to gain private business sector support that I think they will not try to stop EVA flying to any country."
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Frustration at the political limits on its growth has led CAL to establish its own new .contender in the overseas market — Mandarin Airlines, which will not have the liability of being perceived as a ROC flag-
carrier. Mandarin, which opened its first
service from Taipei to Sydney in October,
is a joint venture between CAL and a local
financial conglomerate, the Koos Finance
Group, with the airline owning 67%, and

FLIGHT INTERNATIONAL 13 - 19 November, 1991 31