BUSINESS

TAP seeks state aid

to prevent collapse

BY KEVIN O'TOOLE

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he financial crisis at TAP-
Air Portugal could force
the flag-carrier to close by the
end of this year, unless the
Government produces a fresh
capital injection of Es80-100
billion ($500-625 million),
president Fernando Santos
Martins has warned.

The Portuguese Government
has indicated that it is ready to
make the money available, pro-
vided that the flag-carrier
pushes ahead with its cost-
cutting programme and comes
to an amicable agreement with
its unions over a restructuring
plan. Talks between the com-
pany and workforce continue.
Martins, previously TAP
president between 1980 and
1982, was brought back in
December to see through re-
structuring of the troubled air-
line and prepare it for partial
privatisation later this year.
A stake of up to 49% is due
to be sold. Lufthansa has ex-
pressed interest in co-operation
with TAP, although not neces-
sarily in taking an equity stake
(Flight International, 19-25
June). TAP denies rumours of
interest from United Airlines.

The Portuguese flag-carrier
has been plagued by heavy
losses and debts which have
mounted to around Es70 bil-
lion. Martins has admitted that
the airline operations are likely
to show a loss of more than
Es20 billion when full figures
are revealed for 1992.

Adding in the cost of closing
the Air Atlantis charter opera-
tion with the loss of 200 jobs
in April 1992, the deficit is
likely to total more than Es27
billion. A similar loss is fore-
cast for 1993.

Earlier this year, TAP
warned that net group losses
could approach Es50 billion, a
figure which would put the
airline among the world's top
loss-making carriers.
The airline's new manage-
ment team is keen to cut staff

numbers, which now stand at
around 10,500, down from
10,800 at the end of 1992. No
official plan has been disclosed,
but the number of employees
at the end of 1993 is likely to
be close to the 9,000 mark.
One option being mooted is to
hive off services such as cater-
ing and handling from the
main airline into independent
operating units.
Staff cuts have been opposed
by unions, which have threat-
ened industrial action. Workers
protested this year when the
airline was unable to pay the
April wage bill on time. TAP
has also cancelled four Airbus
A340-300 deliveries because of
financial problems. •

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Cargolux keeps loads steady but profits slip

Poor yields squeeze Luxair profits L

uxair managed to scrape a
small profit for 1992, de-
spite plummeting yields which
all but cancelled out a major
capacity increase at the Luxem-
bourg flag-carrier.
Profits fell to LFrl6.5 million
($475,500), from LFrl22.9 mil-
lion in 1992, despite a healthy
16% growth in revenues to
LFr6 billion.

Passenger numbers grew by
more than 22% over the year,

as the carrier added two new
Boeing 737-400s to its fleet, but
falling yields prevented this
from turning to profit.
Profits were also down at the
Cargolux joint venture with
Lufthansa, which took a 13%
stake in Luxair last year. The
cargo operation reported a net
profit of $1.4 million, down
from $21.1 million. Revenues
and traffic volumes stayed
mainly flat. •

BAe reshape allows room for mergers
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ritish Aerospace has re-
organised under a new
legal structure, which will give
it the ability to pay sharehold-
ers dividends and also make it
easier to form joint ventures
for the turboprop, space and
missiles businesses.

The change creates a BAe
holding company which will
oversee a series of separate
operating companies. Core
businesses, including defence
and Airbus units, are now
within BAe (Operations), while

other operations including
Rover cars, Jetstream turbo-
props, Dynamics and Space are
separate subsidiaries.
When the group was formed
in 1978, all of the operating
companies were included
within the parent BAe entity.
This meant that the £1 billion
provision against losses at the
regional-jets business in 1992
had to be written against the
parent company's balance
sheet. Because of lack of re-
serves, BAe was forced to ob-

US maintenance teaming takes off
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FV Aerotech and Stevens
Aviation have agreed a
strategic alliance to provide
expanded maintenance serv-
ices in the US regional-airline,
corporate and general-avia-
tion markets.

The first venture is a paint
and refurbishment shop for
corporate and regional air-
craft, at FFV Aerotech's re-
gional-airliner centre in
Nashville, Tennessee.
FFV will own and manage
the paint centre, while Ste-

vens provides "significant
financial support" under a
long-term contract for paint
and refurbishment services.
Stevens also plans to open a
corporate-aircraft interior
shop in Nashville to comple-
ment the existing FVV centre.
Other co-operative ventures
are due to follow, say the
companies. Stevens will mar-
ket FFV's avionics and acces-
sory overhaul capabilities to
its corporate and general-,
aviation customers. D

tain a court ruling before it
could pay out a dividend.
Under the new structure, the
loss could be taken at operat-
ing-company level.
When John Cahill joined the
group as chairman 12 months
ago, he made it clear that a key
aim was to "unlock profits" for
the shareholders.

Although the new structure
does not create any operational
changes, the fact that the Jet-
stream and Space units are now
held as subsidiaries will make
it easier for BAe to put them
into future joint ventures. The
Dynamics missile business,
which is close to linking with
Matra, and Corporate Jets,
which is being sold to Ray-
theon, are also kept separate
for this reason.
The new structure also cre-
ates the beginnings of the long-
mooted aerostructures unit
within BAe (Operations). Ini-
tially, this will only contain the
regional-jet operations not in-
cluded in the Avro joint ven-
ture, and could later cover
corporate-jet fuselage work at
Chester. A long-term aerostruc-
tures strategy is pending. •

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