



Hong Kong's airline market could be crowded after 1997

Cathay Pacific is warned on future

PAUL LEWIS/SINGAPORE

A MAJOR CHINESE shareholder in Cathay Pacific Airways has issued a blunt warning to the Hong Kong-based carrier that it faces competition after the colony is handed over to China in 1997.

In an interview with Hong Kong's main English language newspaper, the *South China Morning Post*, Citic managing director Henry Fan Hung-ling told Cathay's parent company Swire Pacific to "...wake up to reality and face competition".

Citic is China's main investment and trading company in Hong Kong and owns 10.5% of Cathay stock and 46% of Dragonair. Fan was responding to earlier comments made by Cathay managing director Rod Eddington about global consolidation of airlines.

Eddington reportedly said: "No one seriously suggests it will be good for Singapore if there was another airline there to compete with Singapore Airlines. I don't think that Hong Kong will support more than one major player."

Cathay is the territory's only international airline operating inter-continental routes and, together with Swire, controls 43% of regional operator Dragonair, as well as 75% of cargo carrier Air Hong Kong.

"We take exception to that," replies Fan. "Today, Hong Kong has three airlines, and whether it

can accommodate more than one airline not only depends on the economic development in Hong Kong, but also in China."

Cathay is facing possible future competition from China National Aviation (CNAC), a subsidiary of China's civil aviation administration. CNAC is in the process of applying for a local air operator's certificate for its proposed start-up carrier China Hongkong Airlines.

It has been suggested that Citic interpreted Eddington's remarks as an attack on Dragonair, rather than just CNAC. Dragonair has begun to distance itself from Cathay in preparation for an expected public listing in 1996.

Swire has since been attempting to play down the row, describing it as a "typhoon in a teacup". It claims that Eddington's comments were not meant to suggest that there was room only for "one airline in Hong Kong", but rather that a city of 6 million inhabitants could only really support "one substantial international carrier".

Citic has revealed that together with the Chao family, they had withdrawn an offer to sell 4% of Dragonair to CNAC, leaving only Cathay's offer of 6% still on the table. CNAC had been offered a 10% stake in Dragonair, in a move designed to stop it establishing a competing carrier.

Negotiations have stalled over the price of the shares. The issue has held up an expected public listing of 25% of Dragonair's stock. □

SAA and Lufthansa to co-operate

ANDRZEJ JEZIORSKI/MUNICH

LUFTHANSA AND South African Airlines (SAA) have put signatures to a co-operation agreement, now scheduled to come in to force from 1 April.

The agreement, signed by Lufthansa's chairman Jürgen Weber and his SAA counterpart Mike Myburgh on 15 December, follows a memorandum of understanding signed between the two airlines in May. "Southern Africa is no longer a blank spot in the network of our global alliances," says Weber.

The partnership will begin with the establishment of code-share flights, further freight co-operation and the merging of frequent-flyer programmes. Ground handling and the sharing of lounges will also be incorporated during the third quarter of 1996.

Co-operation in freight transport is to be expanded, building on joint

services already introduced in 1995 by Lufthansa Cargo and SAA Cargo. With the introduction of SAA's Boeing 747-200 freighter service from Johannesburg in October, the partners have already increased joint cargo flights between Germany and South Africa from two to four weekly services.

Conditional on the approval of traffic rights, the airlines will offer 29 weekly code-share flights linking Düsseldorf, Frankfurt and Munich to Cape Town and Johannesburg. Lufthansa will offer ten flights, with SAA offering 19.

Doubts remain over the future of SAA's code-share agreement with American Airlines, in the light of Lufthansa's strategic partnership with United Airlines. Lufthansa declines to comment on the issue, although Weber has previously said that the SAA/American partnership would probably have to be reviewed. □

Austrian orders two A340-300s

AUSTRIAN AIRLINES has placed a Sch3.22 billion (\$320 million) order for two high-capacity Airbus A340-300s, for delivery in 1997 and 1999.

The new aircraft, to be configured for 297 passengers in a two-class layout, will be used to supplement or replace the existing A340-200s on routes to Johannesburg, Beijing and Tokyo, and inaugurate new services, yet to be finalised.

In the new 1996 summer programme, Austrian will be adding twice-weekly A340-200 flights between Vienna and Osaka in conjunction with partner All Nippon Airways (ANA), with ANA taking over one of the joint Vienna-Tokyo services with its Boeing 767.

The delivery of three 168-seat Airbus A321-100s in January, February and March, replacing three smaller 144-seat McDonnell Douglas MD-82s, will result in an estimated 16.9% increase in passengers and 8.9% in freight tonnage in 1996. The MD-82s are being transferred to charter subsidiary Austrian Air Transport. □

NEWS IN BRIEF

■ AIR JAMAICA AIRBUS

Jamaica's privatised flag carrier Air Jamaica has placed an order with Airbus for four CFM56-5B-4-powered A320s, to be delivered from October. The contract represents the final phase of the airline's strategy to renew its fleet with Airbus aircraft. Last October, Air Jamaica received the first of six leased A310-300s. The 150-seat A320s will be used on routes within the Caribbean and to North America.

■ SAS ADDS CARGO CAPACITY

Scandinavian Airlines System (SAS) is leasing a Boeing 747-200F freighter from Atlas Air for services from Scandinavia to Asia and the USA. The aircraft will enter service in March and boost the insufficient cargo capacity on the airline's passenger aircraft. In 1994, SAS carried 200,000t of cargo and expects to increase this by some 40% once the 747 is in operation.