

ANZ optimistic of Ansett deal

KEVIN O'TOOLE/LONDON

AIR NEW ZEALAND (ANZ) remains optimistic that it can go ahead with the proposed deal with TNT to acquire up to half of Ansett Australia.

The agreement with TNT, which owns half of Ansett together with News Corporation, is still under negotiation, but has yet to clear tough competition hurdles in Australia and New Zealand.

ANZ management, nevertheless, believe that the \$300 million deal can go through. "The directors remain optimistic that the continuing negotiations will result in the acquisition of a substantial interest in the company," say ANZ chairman Bob Matthew and managing director Jim McCrea, in the airline's half-year report.

ANZ's long-running efforts to buy into Ansett hit another problem at the end of January, with an initial ruling from New Zealand's Commerce Commission that the deal offended the country's strict competition laws.

The Commission can still allow the deal to go through, provided that the airlines can prove that a merger would benefit consumers.

The concern surrounds the dominance that ANZ would hold in its domestic market when combined with the Ansett New Zealand operation. In its first-half report, ANZ says that its current domestic operations, which account for about one-fifth of group sales, give it a market share of around 70%.

Negotiations are continuing with the Commission over possible compromises, including the possibility of separating out the Ansett NZ operation. A final decision is expected on 20 March.

Overall, ANZ held its performance steady over the six months to the end of December. Net profits edged down a little, to NZ\$135 million (\$91 million) in 1995, largely because of weaker growth

from in-bound tourist traffic.

In-bound tourism, which makes up the largest slice of ANZ's traffic, had been growing at more than 14% in 1994, but that growth has slowed to around 6.5% over the past year. The number is now on the rise again, and the airline expects this to show through in a stronger second half. Over the half year, the airline saw a 17% increase in international seat capacity. □

Private Qantas delivers on performance

QANTAS IS HOLDING its own, despite competition in international and domestic markets, says chairman Gary Pemberton, revealing the group's first financial figures since it completed privatisation in mid-1995.

Pemberton reports that Qantas pushed up profits by more than 15%, to A\$148 million (\$110 million) in the first half of its financial year to December. He adds that the improvement is in line with the target set in the privatisation prospectus. The forecast is for a full-year profit of A\$237 million for the whole of 1995/6.

Recovery in domestic operations again led the improvement, with profits growing by more than 30%, to A\$93 million. Pemberton says that, with improvements in productivity and aircraft utilisation, Qantas is now in a position to

match any potential increase in domestic capacity by competitors without ordering any new aircraft.

He adds that latest market-share figures show Qantas continuing to hold its domestic share at around the 53% mark. The airline's domestic traffic grew by 12.5% over the half-year with yields and load factors unchanged.

Profits on international operations stayed at around A\$163 million, despite a 5.6% growth in traffic. Pemberton says that international market share is still close to 40%, but warns that this is expected to fall as Ansett Australia Airlines and Air New Zealand win new route rights.

The group's cost-cutting plan is running ahead of schedule, says Pemberton, with the half of the A\$300 million in savings promised for 1995/6 already secured. □



Harris: on the move

Air Canada chairman Harris to step down

HOLLIS HARRIS, Air Canada's chairman and chief executive, will step down at the airline's next annual meeting on 14 May. His replacement is Lamar Durrett, a former Delta Air Lines executive who came to Air Canada with Harris in 1992. Harris stays as executive chairman.

Durrett worked at Delta for 23 years before moving with Harris to Continental Airlines in 1990. Subsequently, both men were forced out in a management dispute. Durrett was president of Continental's System One computer-reservations subsidiary and joined Air Canada as executive vice-president of technical operations and corporate services.

Durrett's appointment is a blow to Jean-Jacques Bourgeault, executive vice-president and chief operating officer, who had been expected to replace Harris.

Harris has said that he would leave Air Canada when his five-year contract expires next February and either start a new airline using surplus Air Canada McDonnell Douglas DC-9s or join a US carrier.

The news came as Air Canada released a disappointing set of results for 1995. Net profits more than halved, to C\$52 million (\$38 million), against a forecast of C\$100 million. The 1994 profit, however, had been bolstered by asset sales.

Harris says that Air Canada showed a record operating profit for 1995, despite its heavy expansion, including a shift to international routes. □



Ansett and Air New Zealand are expanding fast — but will they ever merge?