

Swissair looks for shares in Air Portugal and links with Air One

JULIAN MOXON/PARIS



Swissair is tapping into Air Portugal as it extends its European interests

THE SWISSAIR Group has revealed its interest in taking a stake of up to 10% in TAP Air Portugal, and is set to complete a link with Italian carrier Air One which will see it taking a significant shareholding in the Alitalia rival.

Swissair's interest in a TAP stake follows the signing of a technical and commercial agreement on co-operation between the two airlines in September 1997. The purchase will be linked to the privatisation of the 100% state-owned Portuguese flag carrier, which is expected in 1999. The amount to be paid will be dependent on the valuation of the airline, still to be carried out.

An extension of the original deal has also been signed, covering the development of a joint reservations and booking system. Other co-operation agreements are expected, says Swissair, including timetable harmonisation, maintenance and ground-handling activities.

In a further development, Swissair has concluded a partnership agreement with Italy's Air One, and is reportedly set to take a "substan-

tial" minority holding. Although the shareholding has not been confirmed, it is said to be in the region of 30%.

The link with Swissair will see Air One joining the Global alliance formed by the Swiss flag carrier and Austrian Airlines, Delta and Sabena, providing the Group with an Italian partner. Alitalia recently selected KLM as its main European ally, rejecting both Air France and Swissair.

Swissair already holds 49.5% of Sabena and 10% of Austrian

Airlines, along with 67.9% of Swiss regional Crossair - which in turn is taking a 40% share in a new subsidiary, Crossair Europe, to be based at Basle-Mulhouse.

The carrier adds that it "...does not exclude" participation in French airline AOM, with which it has already agreed a commercial alliance, giving it access for the first time to the French market. Discussions on the extent of the accord, including whether to introduce a codesharing agreement, are still under way. □

Cathay warns of more cuts as troubles multiply

CATHAY PACIFIC Airways' management is warning of further deep cuts ahead in equipment and possibly staff numbers, as the financially troubled Hong Kong-based carrier struggles to pull out of an increasingly steep downward plunge.

The airline is negotiating with manufacturers to defer decisions on some of its 25 outstanding aircraft options. According to company insiders, the airline is also beginning to focus attention on cutting costs in its most expensive staffing area - aircrew.

"It is quite clear that we cannot just continue doing what we do and simply hope it will all get better. We have to change," Cathay managing director David Turnbull has warned in an address to an

internal management conference.

Earlier in the year the airline had been seeking pricing from competing airframe and engine manufacturers on up to 20 new Airbus A330/A340s and Boeing 747-400s, as decision deadlines approached on options for deliveries in 1999 and 2000.

New aircraft will now only be ordered once "...we have put our house in order", says Turnbull.

It is also looking to reduce its salary bill, with an expected cut of up to 15% in its worldwide ground staff to be decided by February (*Flight International*, 17-23 December, 1997). Sources say that this could be extended to the more-expensive end of the airline's workforce, with a restructuring in pilot and management costs. According

to its own figures, more than 800 employees annually earn HK\$1.5 million (\$195,000), or more.

Spurring on the need for cuts is a shortfall in revenue, which has so far wiped out the entire year's growth, says Turnbull. With intra-Asian traffic well down, particularly on the traditionally lucrative Japanese and South Korean routes, the airline is understood to have turned in an operating loss for November and, possibly, October.

Hong Kong financial houses have in turn continued to revise down end-of-year earning estimates after a 35% drop in the carrier's first-half net profits to HK1.07 billion. Salomon Brothers is now forecasting HK\$1.63 billion profit for 1997 and \$1.6 billion the following year. □

Raytheon completes Hughes merger

RAYTHEON HAS completed its merger with Hughes Aircraft, creating the USA's third-largest defence-aerospace company, with combined annual sales of more than \$20 billion. Raytheon paid \$9.5 billion for Hughes - \$5.46 billion in stock and \$4.04 billion in assumed debt.

The company has formed Raytheon Systems to combine the operations of Hughes with those of Raytheon Electronic Systems, Raytheon E-Systems and Raytheon TI Systems. The unit has combined sales of \$14.5 billion. Raytheon Electronic Systems general manager William Swanson has been appointed chairman of the new group, with former Hughes senior vice-president Ken Dahlberg as president.

Raytheon Systems will be divided into five business segments: Defense Systems (missiles), Sensors and Electronic Systems, C3 Systems (command, control and communications), Intelligence, Information and Aircraft Integration Systems, and Training and Services. Raytheon expects to see "double-digit" growth in its commercial electronics business, particularly air-traffic control. □

NEWS IN BRIEF

■ SHUTTLE TAKEOVER

US Airways has completed the purchase of the US Airways Shuttle from a consortium of US banks. The carrier previously held a minority interest. The Shuttle will continue to be operated as a separate company. A new service between Boston and Washington DC will be added to its Washington-New York and Boston-New York flights.

■ FLIR BUYS AGEMA

Oregon-based FLIR Systems has completed the acquisition of Sweden's Agema Infrared Systems, and its French, UK and US subsidiaries, from Spectra-Physics Holdings.