

**Manage people better, says survey**

**T**HE UK AEROSPACE industry has kickstarted another phase of its plan to improve business performance by pressuring companies to develop people management strategies.

The initiative, launched by the Society of British Aerospace Companies (SBAC), follows an industry survey of people management.

The survey concludes that companies that integrate human resource policies with business goals will continue to outperform those companies that do not. With over half of the companies surveyed having little or no human resource (HR) strategy, the concern is that the UK aerospace sector as a whole is underperforming despite its annual £13 billion (\$21.6 billion) turnover.

The study, commissioned by the SBAC and the Department of Trade and Industry and carried out by the Institute for Employment Studies, was based on responses from 350 aerospace companies employing a total of 85,000.

It shows that only 46% integrated their personnel policies with product market strategy, with only one in four companies having a personnel or HR specialist on the board. Performance is stronger in businesses that manage their staff strategically, the report states. The average value added per employee was £60,000 across all companies with HR directors on the board, compared with an average of just over £40,000 for those with no board level director.

Performance was also higher in companies using a range of so-called "innovative working practices" such as team working, problem solving groups, formal training, broad job grade structures and performance-related pay. With over 30% believing the skills level of their employees is "medium to low", with engineering shortages the most critical, the survey voices concern over the limited skills training in the sector.

SBAC director-general David Marshall says the survey will be used to help companies "mainstream" people management into the business plan. □

**Lockheed Martin and Justice Department head for court**

RAMON LOPEZ/WASHINGTON DC

**L**OCKHEED MARTIN and the US Department of Justice (DoJ) are heading for a courtroom showdown over the defence giant's proposed merger with Northrop Grumman after failure to agree a massive programme of divestitures to satisfy competition concerns.

Lockheed Martin says that it had offered to divest up to \$1 billion of assets in an attempt to smooth DoJ and Department of Defense (DoD) fears over the merger, but the company says that the competition watchdog had demanded disposals accounting for over half of Northrop Grumman's \$9.1 billion annual sales.

The Government's demands for divestitures, which are unprecedented in size and scope, "...undermine the economic viability of the transaction", says Lockheed chief executive Vance Coffman and his Northrop Grumman counterpart,

Kent Kresa, in a joint statement.

The DoJ has left the door open for further negotiations, but says that there is a "significant gap" between the two parties.

US Attorney General Janet Reno says that the proposed merger would "...take the competitive wind out of the sails of innovation in the production of many critical [weapons]". William Cohen, the US defence chief, says that the acquisition would "...increase market concentration and adversely affect competition in critical areas of defence electronics".

He adds that the merger proposal is the most difficult that the US Government has had to handle since the end of the Cold War, when the US defence industry began consolidating. "No previous merger has raised so many interrelated problems across so many markets."

Coffman and Kresa still insist that the merger offers the potential

for \$1 billion of annual savings for the US Government, which now could be lost. They go on to argue that the combined companies would account for less than 25% of defence electronics purchased by the DoD, which would be "...well below levels that should create antitrust concerns".

Northrop Grumman is to take a pre-tax charge of \$180 million in the first quarter because of the costs related to the contested merger.

Even without the latest merger, however, Lockheed Martin has again emerged at the top of the DoD's latest list of US defence contractors. The group received prime contracts worth \$11.6 billion during fiscal year 1997 and the acquisition of Northrop Grumman would have stretched its lead further, adding \$3.5 billion.

Boeing leaped to second place in the wake of its McDonnell Douglas acquisition, but was still just below \$10 billion. □

**EasyJet eases into second home in Switzerland**

**N**O-FRILLS UK carrier EasyJet has secured a 40% stake in charter operator TEA Switzerland from owner Airfinance. The London Luton-based airline intends to relaunch TEA as easyJet Switzerland as soon as it can exercise an option for a controlling stake.

The move follows easyJet's failed attempt to acquire Air Holland and the need to reduce dependence on its Luton base.

EasyJet says that it will only be able to take a 90% stake if the Swiss foreign ownership limit is lifted from 40%, which will happen if the country decides to join the European Union-driven plan for "open skies" on 1 October, ending Swissair's monopoly on scheduled services.

The carrier will also wait to see if cost reductions at TEA can be achieved through "lease restructuring and combined marketing".

The airline will start operating



EasyJet is exporting the low cost formula to Switzerland

TEA aircraft on its existing route from Geneva to Luton on 1 May, while TEA will continue for the time being with its charter operations. By 1 October, easyJet hopes to move TEA's operations from Basle to Geneva and fly to destinations including Amsterdam,

Barcelona and Nice - routes already served from Luton. EasyJet says that it also hopes to operate some services from Zurich.

TEA operates five Boeing 737-300s, leased from International Lease Finance of Los Angeles, and has two 737-700s on order. □