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The statistics available point to the carrier's improving health. Average turnover per employee has risen from 270,000 kroon (\$18,000) in 1993 to 1.5 million kroon last year, while turnover overall rose from 365 million kroon at the time of privatisation to 558 million kroon last year.

Last year alone, the number of seats sold rose by 21% to 340,781 compared with the previous year. Scheduled flights were up by nearly 12% for the same period, cargo rose by 12% and mail by 71%. A new 737 joined the fleet and routes were started to Frankfurt, in Germany, Riga, in Latvia, and Oslo, in Norway.

Yet the most important change last year was not on the balance sheet but commercially, where Thornbech and his Estonian colleagues followed Maersk Air into an alliance with SAS, the region's largest carrier and a member of the Star Alliance.

Thornbech describes the long-term co-operation agreement with SAS as "the most important decision since privatisation for Estonian Air. We have to be realistic about running a small airline – the only way to run it profitably is through co-operation with a larger partner".

The deal, which got under way in May, covers Estonian joining the SAS frequent flier programme and codesharing on flights linking Tallinn with the Scandinavian capitals of Copenhagen, Oslo and Stockholm. At the same time the carrier is preparing to codeshare with SAS Star Alliance partner Lufthansa on its route to Frankfurt, probably in time for this year's winter schedule.

Over the longer term, Thornbech expects SAS to use the Estonian tie-up to improve its links in Eastern Europe. Estonian Air already flies to Moscow, Kiev, Minsk, Riga and Vilnius and is probably only awaiting an economic recovery before pushing further into the former Soviet Union.

Passenger data from Tallinn Airport show Erevan, Krasnodar, St Petersburg and Warsaw are among the destinations where there is unfulfilled demand. Elsewhere, Thornbech sees development of long, thin regional routes from Tallinn to destinations in Western Europe as a logical step. Brussels, Milan, Paris and Zurich are the airline's likely targets.

Key to the new development plan is a major revision of the fleet. Starting in 2001, the carrier is to acquire four Bombardier Canadair Regional CRJ-200 regional jets as part of a scheme in which the Fokker 50s, plus a 737 leased from Maersk, will be phased out (*Flight International*, 19-25 May). The 50-seat regional jets, being supplied via an existing order from Maersk, are destined for route development and use on more established services where loads are light. Moscow and Kiev are examples

of routes from which the 737 could be dropped in favour of the smaller aircraft, while the CRJ-200 could be introduced at London Gatwick on mid-week flights when loads are thin. Introduction of the 70-seat CRJ-700 may also be a longer-term prospect.

The remaining two 737s, leased from International Lease Finance, are to be returned in 2000 and 2001, although discussions are under way to extend the deal for at least another two years. The aircraft will primarily be used to build feeder traffic to SAS hubs at Copenhagen, Oslo and Stockholm.

Tallinn Airport figures show that transfer traffic accounts for 65% of the 98,342 passenger flying to Copenhagen from Tallinn last year, while the Stockholm figure was 35% of 87,027 passengers. Figures are not available for Oslo services, which started last year, although they are unlikely to achieve the transfer traffic figures seen at the other two SAS hubs.

#### BATTLE WITH FINNAIR

The deal with SAS led to the immediate cessation of a codesharing deal with Finnair on the Tallinn/Helsinki route in which the Finnish carrier, part of the American Airlines/British Airways-led oneworld alliance, block booked around 96,000 passengers on Estonian in 1997 alone. Tallinn Airport says passenger traffic numbers between the two cities rose 16% last year to 191,000, of which 50% was transfer traffic feeding into the Finnair network to places like New York. Thornbech thinks the transfer figures are even higher – standing at between 60% and 70%.

The deal with SAS also opens up prospects of greater co-operation with Air Baltic, the Latvian carrier in which the Scandinavian airline has a 36.5% holding. Estonian signed a

codeshare with its neighbour on the Tallinn-Riga route 12 months ago, and Thornbech is enthusiastic over the potential of increasing links between the two airlines.

Thornbech says Estonian Air will work hard to switch transfer traffic from Helsinki to its partners' hubs in Scandinavia, a battle in which Estonian received a timely boost earlier this year, thanks to a prolonged strike by Finnish air traffic control which severely affected services. The Estonian Air president says some passengers who normally transferred to flights through Helsinki switched to Copenhagen and Stockholm and he plans to do all he can to keep them in the SAS system, although a delay in the implementation of the codeshare from March to May was not the best start possible.

Nevertheless, the 25min hop between Tallinn and Helsinki, which has nine daily Finnair ATR 72/McDonnell Douglas DC-9 and Estonian Fokker 50 services, is likely to become a Baltic battleground for Star and oneworld as they compete for the increasing numbers of Baltic high-yield passengers passing through Tallinn Airport.

With the opening of its new passenger terminal at the end of the year, Tallinn is setting out its stall to become the major hub in the region. The refurbishment and expansion of the terminal, just 4km (2.5 miles) from the capital city's centre, will allow it to handle 1.5 million passengers rather than the 615,000 expected this year, making it the largest and most modern airport in the Baltic nations.

A new cargo terminal opened last year and, although business has been hit by a downturn in the economy, the facility is the first in the Baltic with scheduled cargo services. Around 20 a week are operated on behalf of parcel carriers such as DHL and UPS by local airlines. □

*Estonian's revitalisation will help fuel Tallinn Airport's aim of becoming a Baltic hub*

