

KLM-Alitalia seal 'unprecedented' deal

CHRIS JASPER/LONDON

KLM and Alitalia have agreed details of their alliance, to be launched on 1 November, claiming it "represents a new industrial model for air transport in Europe".

In an Alliance Settlement Agreement signed last week, the pair defined an earnings-sharing formula according to which they will divide earnings (calculated before tax and other deductions) on a 50:50 basis. Until 31 March 2001, however, only profits in excess of 450 million euros (\$470 million) will be shared.

The airlines - partners in the emerging Wings alliance - have also agreed to create a "single, unified management structure" or Network Organiser, for the passenger and cargo joint ventures they agreed to establish last November.

The alliance will see the Dutch and Italian flag carriers fully integrate their global networks. It involves KLM cityhopper, Alitalia Team and Alitalia Express, but no other subsidiaries. A further announcement on the structure and principles of the alliance's governance is due next month. This will define the powers of a new Joint Alliance Board compared to those of the two carriers' boards.

Operational, commercial and economic integration under the Network Organiser will take in activities including network planning, marketing, distribution, sales and revenue management. Each airline will continue to manage its own fleet and flightcrew supply activities, as well as engineering, maintenance, handling and catering. The pair have also agreed to study "further financial, organisational and legal integration" to be implemented before 1 April, 2002.

The Dutch carrier's chief executive Leo van Wijk describes the alliance as "the most complete integration of commercial passenger and freight operations in our industry". His opposite number at Alitalia, Domenico Cempella, says the depth of co-operation involved is "unprecedented".

In a further radical step, the airlines have agreed that with immediate effect all future fleet decisions "will be undertaken jointly". For new orders, they will "share the investment on an equal basis". Cash from aircraft disposals will also be shared 50:50.

The carriers are pitching their alliance as "Europe's largest airline in terms of passengers carried" and regard its multi-hub nature - revolving around Amsterdam

Schiphol, Milan Malpensa and Rome Fiumicino - as a major strength. KLM has surprisingly agreed to pay Alitalia 100 million euros to compensate it for losses incurred in launching Malpensa.

The alliance runs for 10 years from the signing of a Master Cooperation Agreement last November. It will be automatically renewed unless either party gives three years notice of its termination. KLM can pull out and receive L484 billion (\$255.4 million) in compensation should Alitalia fail to privatise before next June.

Italian financial sources say Rome is seeking a stable group of shareholders to form the nucleus of Alitalia's new ownership. The privatisation may see KLM take a 6-7% stake, although the airlines have played down suggestions that a major equity swap is planned. □

Trio pump money into Astrolink venture

TRW, LOCKHEED Martin and Telespazio have agreed to invest \$900 million in Astrolink, a \$3.6 billion venture to provide global broadband satellite communications service. In return, Lockheed Martin has received a contract from Astrolink to build four satellites with TRW-supplied Ka-band payloads.

Astrolink will allow companies to configure global virtual private networks and will provide high bandwidth interactive services such as e-commerce and video-conferencing. Lockheed Martin

Global Telecommunications owns 46% of the joint venture, while TRW and Telespazio, a Telecom Italia company, each hold 27%.

The founding partners finalised their investment agreement after the venture received government approval in Europe and the USA. Negotiations continue with additional strategic equity partners, says Celso Azevedo, president of Bethesda, Maryland-based Astrolink. The company plans to begin services in 2003 and, depending on demand, could increase its constellation to up to nine geostationary

satellites. The satellites will be based on Lockheed Martin Commercial Space Systems' proven A2100 spacecraft bus, which Azevedo says will help Astrolink "lead the race to deploy the first of a new generation of flexible, reliable, high-speed, global wireless data services."

The high-capacity packet-switched communications payload will be supplied by TRW Space & Electronics, which has experience developing the payload for the US Milstar military communications satellite. □

Hushkit makers push for EU court action

PRESSURE IS mounting on the US Government to take legal action against the European Union (EU) unless it repeals legislation banning the addition of Stage 3 hushkitted airliners to the European register after next May.

Lobbyists for US hushkit manufacturers believe the government could file a protest this month with the International Civil Aviation Organisation (ICAO).

The US Senate has called on the government to ask the ICAO Council to rule whether the EU's hushkit ban complies with international standards. The USA has delayed action in the hope that the EU would repeal the ban.

That hope faded with a 20 July letter from the European Commission (EC) saying that, while it is ready to address US concerns, "the environmental objective of the regulation cannot be undermined".

The EC agreed in April to delay implementation of its non-addition rule by a year after the USA undertook to push for the accelerated introduction by ICAO of more stringent Stage 4 noise limits (*Flight International*, 7-11 May). □

GE90 engine variant flies

GENERAL ELECTRIC has begun tests of the GE90-94B turbofan for the Boeing 777-200ER on its 747 testbed. US certification is due next April and service entry with Air France the following November. The tests are expected to validate features of the advanced three-dimensional high-pressure compressor for the 777-200X/300X's GE90-115B. See *Air Transport*, P15.

