

Alitalia considers KLM merger

ANDY NATIVI/GENOVA

ALITALIA IS to carry out a study into a possible merger with KLM in a move apparently aimed at assuaging Dutch concerns over delays to the privatisation of the Italian flag carrier. KLM is also angry about the curtailed expansion of the new Milan Malpensa Airport, which it says threatens the future of its alliance with Alitalia.

The KLM/Alitalia pact, the closest partnership yet between two major airlines, was founded on the assumption that Malpensa – the pair's third major hub – would become Milan's sole international airport. Italy now plans to develop Milan Linate as a city airport, however, threatening the alliance's dominance of the city's market.

Its Malpensa plans in tatters, KLM is reportedly seeking to renegotiate a 50:50 profit and cost-

sharing scheme in its favour, and demanding part repayment of a €100 million (\$96 million) "contribution" to Alitalia's Malpensa launch costs.

Both carriers are expected to take a big loss this year and Alitalia is set to follow KLM's lead by rewriting its industrial strategy.

Given these developments, plans to sell 53% of state-owned Alitalia by the end of June are unlikely to be realised, and with holding company IRI due to be scrapped, Rome may be forced to place the airline's shares under the direct control of the Treasury.

By approving an internal study into a full merger with KLM, Alitalia's board may have placated its ally. The chances, however, of a merger in the short term – although this is apparently backed by Alitalia's chief executive Domenico Cempella – are poor, and "further

integration" is not due until 2002.

Meanwhile, KLM has extended its deadline for the proposal of a new valuation and timescale for Alitalia's privatisation – and for an eventual merger – to 15 April from 31 March, and with it the date by which either airline can walk away from the alliance without penalty.

It remains unlikely that KLM will quit the partnership, expected to form the basis for the new "Wings" global grouping, given the lack of alternative allies.

Both airlines are awaiting the outcome of a complaint to the European Commission by a group of 12 European carriers seeking to block new rules, effective 20 April, imposing further limits on their operations at Linate. The rules allow for up to three domestic and international flights a day per carrier, according to route density, with single-aisle operation only.

Carriers including Air Europe and Volare are expected to transfer flights from Malpensa, and to Alitalia's chagrin are negotiating codeshares with other European airlines. Further relaxation of the limits could damage the KLM alliance further.

■ A new Dutch-Italian tie-up is being targeted by the owners of Amsterdam Schiphol Airport, part of a 13-strong consortium bidding for ADR, the company running Rome's airport system. The ENEA group, which also includes Frankfurt Airport, is competing for IRI's 51% stake. Schiphol and Frankfurt each have a 1% share in the bid, due to a ceiling on future public ownership of ADR.

ENEA is expected to join forces with consortia led by either Benetton or Gemina in its ADR bid, with a teaming of CIR/BAA regarded as its main rival. □

Sibir takes over Siberian carriers

PAUL DUFFY/MOSCOW

SIBIR, RUSSIA'S fastest-growing airline, is expanding again through the effective takeover of more Siberian carriers. It aims to formalise an alliance with a major European airline by the middle of this year.

Vladislav Filiov, Sibir's general director, is continuing his strategy of linking airlines into a partnership under the Sibir name, usually in return for taking on their debts.

Novokuznetsk's local carrier joined the group in December, with Siani, a joint venture between Chita Avia and Baikal, being taken over last month, adding the cities of Chita, Irkutsk and Bratsk. Earlier deals mean Sibir already operates from Barnaul, Tomsk and Kemerovo, as well as from its Novosibirsk base, serving more than 30 destinations.

A hub is also being established at Moscow's Vnukovo Airport (where Sibir once contemplated a deal with the carrier of the same name), while an alliance with a major for-



Sibir has begun fleet modernisation with a 200-seat Tupolev Tu-204

eign carrier is its next target, due to be announced during the second quarter. Sibir's strongest international links are to Germany, where it serves Frankfurt and Düsseldorf. It also flies to China and the UAE.

The airline has begun fleet modernisation with a 200-seat Tupolev Tu-204, and has agreed to acquire three higher weight Tu-214s, certificated last month, from Kazan Aircraft Production. New cabins are being installed in its Tu-154s (it

will have 19 after the takeovers) and Ilyushin Il-86 widebodies, while a smaller Tupolev Tu-134 has been leased for thinner routes.

Sibir was Russia's fourth-largest carrier in terms of passengers last year, increasing by 20%, and is targeting second spot behind Aeroflot. Revenues increased by 4% in dollar terms, to \$106 million, and the carrier was profitable.

The carrier already sells tickets online. □

Swiss firm scraps plans to sell Pilatus

SWITZERLAND'S Oerlikon-Buhrle has shelved plans to sell turboprop aircraft manufacturer Pilatus Aircraft. The Zurich-based company is also changing its name to Unaxis after refocusing on the high-technology sector.

The former industrial conglomerate has divested Oerlikon-Buhrle Immobilien, shoemaker Bally and Oerlikon Contraves Defence, a specialist in land-based systems, while establishing Contraves Space as a separate division.

Stans-based Pilatus, which had record sales of SFr435 million (\$262 million) in 1999, up 13%, and operating profits of SFr12 million, is still regarded as non-core. Group chairman Willy Kissling says, however, that divestiture will be postponed until "an optimal solution" can be found. In the long term, Pilatus requires "a broader operational basis", he adds.

Operations in core areas produced group sales of SFr1.89 billion last year, with operating profit up 10% to SFr111 million and net profit up 13% to SFr54 million. □