

Airbus offers sweeteners as it woos Varig in A330 deal

PAUL LEWIS/WASHINGTON DC
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AIRBUS HAS made Varig an attractive offer on up to 24 A330s in an effort to break Boeing's control of the carrier's fleet. The proposal comes at a critical time for the Brazilian airline as it renegotiates deliveries and payments with the US manufacturer for up to 39 737, 767 and 777 aircraft.

Varig is expected to decide shortly on an Airbus sales proposal for 12 A330s and a similar number of options to replace its Boeing 767-200/300s.

The A330s would be used on Varig's shorter international routes to North America that employ 767s, rather than to Europe. Lease contracts on some of the older 767s

are due to expire and Varig wants to renegotiate lower leases on the remaining widebody jets, which one source describes as "murderous" on account of the continued weakness of the Brazilian real against the US dollar.

"We're in the market and our staff have paid a very useful visit to Airbus," Varig chief executive Ozires Silva recently confirmed to *Flight International*. "Airbus is a serious player and it's our responsibility to check what kind of aircraft this is and understand whether or not it fits our network," he adds.

Airbus, in addition to offering attractive financing, is understood to be discussing a local maintenance venture with Varig as an extra inducement. Boeing has much at stake with Varig, not least

the future of its aircraft ordered by Varig in 1998 but as yet undelivered in the wake of recent economic difficulties. These include six more 767-300s, eight 777-200s, 10 737-800s and 15 more 737-700s.

A fresh foothold at Varig would be important for Airbus, as, after success at the carrier with the sale of two A300B4s in 1981/82, it has had a barren spell. Since the disposal of the two twinjets 10 years ago, Varig has operated a Boeing and McDonnell Douglas fleet.

The deal may also open up Varig to Rolls-Royce and Pratt & Whitney powerplant alternatives to General Electric which dominates the carrier. Varig plans to use 777s to Europe starting with two International Lease Finance aircraft due for October delivery. □

Doubts grow over United-US deal as DoJ hesitates

US AIRWAYS is reviewing its future options in the face of mounting scepticism, underscored by Moody's Investor Service downgrading its rating of both airlines, that the long-awaited proposed merger with United Airlines will secure US Department of Justice (DoJ) approval.

More than a year on from when United first proposed its \$12.3 billion take-over plan, the deal appears no closer to regulatory approval. US Airways has since slipped further into the red, losing \$171 million in the first quarter, while its share price has slumped to \$24 per share compared to the \$60 originally tabled by United.

Moody's downgrading is due to US Airways' worsening operating performance and the financial stress a debt-financed take-over would impose on United. Moody's believes the merger would not be approved "under current terms".

Despite US Airways' public claims to the contrary, it is understood from airline sources that a fall-back plan is being formulated to restructure the carrier if the deal dies.

This includes continued rationalisation of the airline's varied fleet of narrowbodies around Airbus A320/A321s, forging relationships with new partners in Europe and Asia, and opening services to new international markets, such as Latin America.

The carrier is retiring its final seven McDonnell Douglas DC-9s by year-end and accelerating the disposal of 31 Boeing MD-80s to next year. This leaves 40 Fokker 100s and 34 Boeing 757s, which are earmarked for sale to American Airlines if the merger is approved, with 43 737-200s and 139 -300/400s left to dispose of.

Cost-cutting options include the sale of one of US Airways' three US hubs, with Charlotte regarded as the most attractive, and continuing with the sale of its three wholly-owned regional subsidiaries, Allegheny, Piedmont and PSA, and to Atlantic Coast Airlines, suggest sources. □

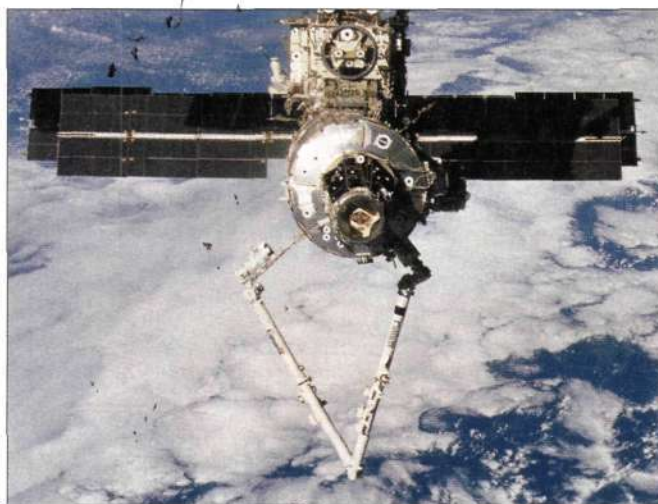
ISS robot arm faults put jinx on Shuttle missions

CONTINUED PROBLEMS with the \$600 million Canadarm 2 Space Station Remote Manipulator System (SSRMS) have delayed two Space Shuttle missions by at least a month and may result in a switch of these missions.

STS 104/*Atlantis*, carrying the \$164 million US airlock module, has been put back to early July, while STS 105/*Discovery*, a logistics and crew exchange mission, is now scheduled for August. The STS 105 may fly first and STS 104 will be pushed further back.

The seven-joint, twin-arm Canadarm 2 will be needed to install the Q airlock module (which allows access from the space station for EVA spacewalks) to the ISS, a job that cannot be done by the Shuttle's remote manipulator system arm.

An attempt to fix a back-up computer or arm controller unit on the 17m- (56ft) long Canadarm will be made by two ISS crew on 8 June. The arm controller routes commands from inside the



The ISS Canadarm 2 has control problems and a failed shoulder joint

US Destiny laboratory module.

The unit has two prime data pathways and a back-up over which the commands travel, but the back-up failed, stopping the movement of some arm joints. The other arm's shoulder has a failed pitch joint.

If the 8 June EVA goes well,

Atlantis will be launched, followed by *Discovery*, which will repair the shoulder joint. If the EVA fails, *Discovery* will fix the Canadarm, *Atlantis*, following with the airlock module.

To allow for more EVA training, STS 105 would fly in August, *Atlantis* in September. □