

FINANCIAL CRISIS HERMAN DE WULF / BRUSSELS AND SIMON WARBURTON / PARIS

Swissair faces battle with government over Sabena

Ailing Belgian airline's future hangs in balance while lawsuits over compensation loom

The Belgian Government is preparing to launch a series of lawsuits against the Swissair Group if negotiations fail over Sabena's future. The threat follows the government's rejection, last week, of Swissair's bid to extricate itself from a deal to increase its stake in the Belgian flag-carrier from 49.5% to 85% by paying for a portion of a recovery plan.

The two shareholders are continuing talks to seek agreement on how to save Sabena from possible collapse. Government estimates are said to put the cost of saving the airline at €1billion (\$850 million) and it is looking to the cash-strapped Swissair Group to provide around 50%. A Sabena recovery plan is on hold until new funding can be found.

While declining to confirm that it wants to back out of the deal,

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Trouble for Air Littoral

The Swissair Group is experiencing a deteriorating situation in France where Air Littoral is facing imminent bankruptcy proceedings ahead of last-minute meetings intended to thrash out a rescue strategy.

Montpellier-based Air Littoral, in which Swissair has a 49.5% stake, is holding a series of workers council meetings involving unions and management at which potential take-over contenders are presenting their plans.

Ex-chairman Marc Dufour is the only declared bidder, although there are believed to be others. His preferred method of salvaging the company involves the loss of 20-30% of the workforce and various other conditions.

Swissair says: "The airline has not yet filed for bankruptcy and they are still in a sort of observation period – there is no court involvement as yet."

Meanwhile, just days before the massive French summer holiday rush, Swissair's other French airline, AOM-Air Liberte, has still to announce a rescue package that will save it from almost certain liquidation.

The Tribunal de Commerce de Creteil, which is handling the carrier's bankruptcy affairs, has only permitted the airline until 2 July to come up with new investment plans before it is potentially wound up with the loss of 5,100 jobs.

Passengers booked onto AOM-Air Liberte flights are besieging travel agents – and the airline – with requests for reimbursement or re-booking onto alternative carriers.

Yet another rescue hat has been tossed into the takeover ring, however, with the addition of Toulouse-based wet-lease operator Aeris (formerly Air Toulouse) expressing its interest in taking part of the AOM-Air Liberte.

Meanwhile, Aeris says that it may acquire "three Boeing MD-83s and two McDonnell Douglas DC-10s" from AOM-Air Liberte as part of plans to serve long-haul destinations such as the Dominican Republic and Cuba.



Sabena's Airbus acquisition could result in a law suit

Mario Corti, chief executive of the Swissair Group, spelt out the problem. He says: "Sabena is running operating losses. We cannot continually pour in new capital only to have it spent."

Talking in the context of the Swissair Group's wider problems,

Corti says: "We are going to organise an ordered withdrawal from all loss-making foreign airline participation. Our role is, unfortunately, not to finance the operating losses of companies of which we are a shareholder."

Belgian prime minister Guy Verhofstadt has already warned that the government would sue Swissair if a settlement is not found. Lawyers for the government believe that they could bring two cases against Swissair in addition to one for breach of contract were Swissair to refuse the further acquisition of shares.

Lawyers argue that Swissair seriously damaged Sabena in forcing it to acquire 37 Airbus aircraft in 1997. They allege that, in a desire for fleet commonality across the group, Swissair stepped outside the original terms of their contract and breached common law. The government also hopes to prove that Swissair has not met its obligation to ensure profitability of Sabena as part of its €350 million Blue Sky cost-cutting programme.

The unions, fearing the loss of up to 13,000 jobs across the airline and Brussels international airport, have called for further state intervention to support Sabena. Under European Commission rules, the Belgian Government can only bail out Sabena if it can find a commercial partner to match its offer.

Buyer-seller aerospace marketplace **Cordiem**, which was formed by the merger of Honeywell/UTC-led MyAircraft and airline marketplace AirNewco, launched its maintenance, engineering and general procurement services last month. Cordiem's launch catalogues and inventory listings include products from Avborne, Honeywell, Pratt & Whitney, Hamilton Sundstrand, Goodrich, Avio-Diepen and Turbo Resources. The marketplace also has an agreement with the US Air Transport Association (ATA) to provide users with access to the ATA's catalogue, serviceable parts and repair capabilities databases. The Cordiem Connect integration platform will be added this month to simplify and speed-up the integration of customers' internal systems to the trading platform. ■ SITA's **Aerospan** marketplace has added Aero-search to help locate scarce parts; Aeroplan, which allows improved planning and control of the supply, demand and deployment of aircraft components; and AeroMROtracker, to track spare parts through the MRO cycle. Additional services being developed include the Aerobank clearing house and an Aeroskills recruitment module.

■ **TRW Aeronautical Systems** (Lucas Aerospace), in conjunction with technology partner **Izodia**, launched its **AeroVantix** portal last month. AeroVantix, which is available to all TRW customers and suppliers, offers buying and selling transactions, engineering collaboration and supply chain management.

■ **The French Procurement Agency and Thales** are developing an e-support solution to maintain French air force communication equipment. The €55 million (\$46 million) project, which involves more than 10,000 maintenance operations each year, guarantees real-time control of the services to users. ■ **ATR and Embraer** are partnering on **AEROChain** to provide internet-based support services for training, spares, technical publications and maintenance planning. The first services will be online by the end of the year.