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

Belgium's airlines face bleak future

Sabena troubles end up in court as government seeks more money from Swissair, while CityBird battles for survival

Belgium's major civil aviation players are entering a critical phase as lack of funds and arguments threaten to tear apart the country's financially fragile airlines.

Flag carrier Sabena and CityBird are fighting for their existence, with the former going to court with partner Swissair and the latter filing for bankruptcy protection. Only low-cost carrier Virgin Express seems likely to end up in good health following a severe cost-cutting programme.

The latest twist in the Swissair Group/Sabena troubles has seen the Belgian Government take the Swiss carrier to court in an effort to force it to continue funding Sabena.

Swissair – 49.5% owner of Sabena with the Belgian state owning the rest – offered to plough €275 million ($233 million) into its struggling partner, along with a €30 million loan, in return for backing out of its earlier agreement to up its stake to 85%.

The Belgian Government immediately rejected the offer, however, saying that Swissair owes it €529 million over the 1997 purchase of 34 Airbus aircraft. The government says that, if this is not paid, it will seek €384 million compensation.

Sources in Brussels say that the deal's rejection by the state was a "logical evolution" and that "the [Swissair] proposals are unrealistic".

But Swissair Group says it is "surprised and dismayed" by the government's decision "to focus on litigation and not the negotiating table". Chairman Mario Corti says: "Swissair Group is not willing to finance loss-making airlines indefinitely." He adds that if its proposals are not accepted, Sabena's future "looks increasingly in doubt".

To save the airline, the government wants to sell profitable Sabena subsidiaries Sabena Technics, Sabena Catering, Sabena Ground Handling and Sabena Hotels.

Meanwhile, Sabena's board has appointed Mark Dunkerley chief as operating officer. Dunkerley was formerly British Airways senior vice-president Latin America & Caribbean, and president and chief operating officer of handling company Worldwide Flight Services (formerly AMR Services). He will be responsible for Sabena Flight Operations, commuter subsidiary DAT, Sabena Ground Handling and, until an investor is found, Sabena Catering and Cargo Handling.

Sabena is embroiled in arguments on a second front as fellow Belgian airline CityBird blames part of its woes on the Belgian flag carrier's decision to end a long-term wet lease of two Boeing MD-11s. The deal, ended in April, forced CityBird to return its three MD-11s to Boeing Capital at a cost of $42 million and a loss of Bfr2.5 billion ($52.5 million) a year, according to CityBird.

CityBird filed for legal protection from its creditors on 4 July, which will protect it until 26 September. The move followed "unequal competitive conditions in the long-haul market". The airline continues to fly, focusing on short and medium-haul sectors.

Sabena says: "At the time they [CityBird] seemed very happy with the MD-11 agreement and were paid a lot for the contract. Blaming us is incorrect."

FINANCIAL CRISIS

AOM-Air Liberte deadline looms

Administrators of French carriers AOM-Air Liberte have received 15 bids for the partial or full take-over of the struggling airlines, which filed for bankruptcy in mid-June when owners the Swissair Group and Marine-Wendel failed to attract new investment. UK holding company AITI, low-cost airline EasyJet and French tour operator Nouvelles Frontieres, which had originally expressed interest in AOM-Air Liberte, did not submit bids.

Bidders include French finance house Fidei, backed by Air France pilot Jean-Charles Corbet; Toulouse-based Aeris, which wants to hive off the charter business; and a group of Air Liberte flight crew known as Fokker 100.

The administrators at the Tribunal de Commerce in Paris have until mid-July to decide on the bids, but with AOM-Air Liberte believed to be losing up to Fr5 million ($425,000) a day there is doubt as to whether it can survive until then. Swissair declines to say whether the Fr2 billion it originally offered to fund a restructuring plan is still available.

Swissair, meanwhile, is selling its 49% share of Air Littoral, the third French airline under its control, to ex-chairman Marc Dufour. The Swiss carrier declines to give details. Dufour's plans for the Montpellier-based airline are likely to include a 20-30% cut in employees. The move has not been universally welcomed by the unions, although the French CFDT/SNTA transport union concedes there is little option.

ALLIANCES

EADS paves way for Russian move into Europe

The Russian aerospace industry expects to gain a bigger foothold in the Western European market as a result of a strategic partnership signed by EADS and the Russian aerospace agency Rosaviacosmos.

The 10-year official framework agreement was signed by EADS chief executive Philippe Camus and Rosaviacosmos general director Yuri Koptev and builds on the memorandum of understanding signed last December (*Flight International*, 19 December, 2000).

The agreement, covering over 50 aerospace programmes, is worth €2.1 billion ($1.8 billion) to Russian industry over the next 10 years. Camus says the partnership offers Russia the chance to become an equal partner in global projects.

Engineers at Rosaviacosmos will make sections for Airbus

Under a newly-created Airbus Moscow design centre, 150 Russian engineers will produce sections for Airbus models, including design and production work for the A320, A330, A340 and A380. Russian engineers will also develop elements of the A400M landing gear and engine attachment points.

EADS is also supporting a plan to launch Soyuz rockets from Kourou in French Guiana, which could lead to a $250 million European Space Agency investment in a new launch site for Russian rockets.