

AIRLINES JUSTIN WASTNAGE / LONDON

Lufthansa ponders Spanair stake

SAS is seeking support from its Star Alliance partner to help fund fleet development at the Spanish airline

SAS Scandinavian Airlines is looking to Star Alliance partner Lufthansa to help invest €60 million (\$55 million) in Spanair as the Spanish carrier starts its fleet renewal programme. The board of Spain's second biggest airline approved a capital increase of Ptas2 billion (\$110.5 million) last week, to be funded pro rata by each shareholder.

SAS now holds 49% of the company, with Spanish travel agency Teinver holding the majority stake. SAS is thought to be in talks with Lufthansa about a possible invest-

ment in Spanair in return for equity. SAS refuses to disclose details, but says that it is set to make a statement to the Stockholm stock exchange about a possible divestment within the next month.

The injection is to fund the airline's long-term financial plan and the acquisition of up to 45 Airbus A320s. Lufthansa's interest came to light during the delivery celebrations for the first of these aircraft last November when Teinver president Pascual Arias Gonzalo announced a possible share-swap between the Star Alliance partners this year.

Lufthansa says that talk of acquiring a stake in Spanair is speculation at this stage. The German carrier will wait for SAS to finalise investment details before taking a stake.

The Scandinavian carrier was shaken last month by the European Commission's decision to fine the airline €39 million over its collusion with Danish regional carrier Maersk. SAS was forced to reshuffle its board following commercial vice president Vagn Sorensen's resignation in the wake of the affair. Inside sources say that the airline is now more reticent

about doing deals with other carriers. The carrier also failed in a bid to acquire Norwegian carrier Braathens last month.

SAS investor relations director Sture Stølen says that the need for capital investment in Spanair is fairly urgent and that the SAS board now has to agree to the amount negotiated with the Palma de Mallorca-based airline. "Funds are not a problem for SAS as we have a strong liquidity and healthy equity ratio," says Stølen. Spanair says that the capital increase was approved at the last board meeting.

BANKRUPTCY PROTECTION REBECCA RAYKO / FLORIDA

Wexford meets crisis Midway



Midway's fleet, including its CRJ200s, will continue to fly – for now

A US equity firm known for its penchant for financially troubled airlines has come to the aid of Midway Airlines and is believed to have offered similar assistance to National Airlines.

Wexford Management, which last week provided \$15 million in financing to Midway, has reportedly been eyeing a buyout of Las Vegas-based National Airlines according to *Flight International's* sister online publication *Air Transport Intelligence*.

The financier already owns regional carrier Chautauqua Airlines and owns four of its Embraer ER-J145 regional jets through its leasing subsidiary Solitair.

Raleigh/Durham-based Midway borrowed \$10 million from Wexford earlier this month to keep the airline operational. A federal bank-

ruptcy judge will allow Midway to access another \$5 million from Wexford pending a court hearing on 6 September.

Midway chief executive Robert Ferguson said the \$10 million will give the airline enough cash to continue operating until the hearing.

In return for the cash, Midway has agreed to allow Wexford a say in future negotiations possibly to sell the troubled airline, said executive vice president Steven Westburg. Midway must consider selling the airline as part of the loan deal. If a company other than Wexford buys the airline, Midway has to pay Wexford \$500,000, according to the loan papers.

Midway lists total assets of \$318 million and debts of \$232 million, according to documents filed in the US Bankruptcy Court last week.

The carrier operates a fleet of Boeing 737-700s, Bombardier CRJ200s and Fokker 100s.

Wexford has not publicly commented on its plans for Midway, although analysts have expressed concern about the carrier's future.

"Midway is in a tight spot in its present location. Not only has American Eagle moved back into the Raleigh/Durham market with an increased regional jet presence, low-fare carrier Southwest Airlines is adding to the competitive pressure in the region," says George Hamlin of AvStat Associates in Washington DC.

Meanwhile, National Airlines chief executive Michael Conway says he plans to announce a restructuring plan for the bankrupt carrier by mid-October. Sources quoted by *ATTI* say Wexford has been in talks with National for several months.

National had been negotiating with International Lease Finance and financier Carl Icahn for a possible buyout. In the interim, National says it has maintained support from all its aircraft lessors and major creditors in its restructuring efforts. National has operated its full schedule without interruption but it has lost more than \$23 million since entering bankruptcy proceedings last December.

MAINTENANCE

Elbit threat to IAI fails

Relations between Israel's two major defence contractors, Israel Aircraft Industries (IAI) and Elbit Systems, have sunk to a new low after the latter tried to snatch a key contract to maintain Israeli air force transport aircraft from its rival.

IAI's Bedek division has been maintaining the air force Boeing 707s, Lockheed Martin C-130s, and IAI Aravas and Westwinds for many years. The two companies have been at loggerheads for years over military upgrade programmes and the move to secure the maintenance deal has further damaged relations.

Elbit teamed up with national airline El Al to mount the bid, a move which resulted in IAI threatening to remove several contracts with the carrier if the tie-up went ahead.

The fierce reaction from IAI surprised the ministry of defence which had issued a Request for Information, and so Elbit was asked not to bid. Elbit has tried to downplay the issue saying there was no tender "so we did not compete".

After the cancellation of the Elbit tender, IAI secured the \$120 million five-year contract.