

INSURANCE

Asian carriers in fund study

The Association of Asia Pacific Airlines (AAPA) is to study the feasibility of a billion-dollar mutual insurance fund in case of war or terrorist attack. The decision was taken at its recent annual chief executives' summit in Bali.

Director-general Richard Stirling says establishing the fund will pose difficulties, but that it must be considered, perhaps globally. "There's no reason why airlines in this part of the world should not be pioneers," he adds.

The association believes mutualisation could be cheaper than commercial insurance, provided enough airlines participate. Following the 11 September attacks in the USA, insurers withdrew third-party war-risk cover for airlines, forcing more than 60 governments to step in to provide temporary indemnities.

Although coverage has been returning to the market, premiums have soared. IATA predicts its members will have to pay \$9-10 billion for insurance next year – without 11 September the bill would have been only \$1.5 billion. IATA's vice president member relations and communications, Kevin Dobby, says all-risk insurance renewal charges are estimated at \$3 billion for next year alone.

TAKE-OVER

Ansett move remains on course despite loan snag

Consortium fails to secure tax breaks as Virgin Blue threaten to make counter offer

Australian businessmen Lindsay Fox and Solomon Lew are pressing on with plans to take over Ansett operations by 31 January despite the government ruling out the conversion of a A\$195 million (\$102 million) loan for workers' entitlements to a one-off grant, and a possible looming counter-bid by Virgin Blue.

The consortium is negotiating a deal with Ansett's administrators to restart the airline, which was placed into voluntary administration in September, with plans based on increasing its fleet to 40 Airbus A320s within three months from start-up. A slimmed down

version of Ansett was recently restarted by the administrators with the aim of operating 11 aircraft on prime routes. Planning is already in place for further aircraft acquisition, training and air operator certificate transfer.

Lew and Fox had also sought tax breaks, subsidies for development routes and tougher anti-competition rules as a condition of their bid. But transport minister John Anderson has reaffirmed the government's requirement that the Ansett administrators repay the \$195 million advance. He says: "In broad terms in relation to the taxation arrangements that apply to

aviation, you do it for all or you do it for none. You can't do one-off special taxation depreciation allowances for one sector of the aviation industry. It is not really a wise thing to start talking about handing vast amounts of taxpayers' money to commercial operations."

Nevertheless, Fox and Lew may get part of what they requested as, the country's competition and consumer watchdog has announced it is investigating allegations of anti-competitive behaviour in the domestic market with a view to developing new regulations.

Meanwhile, David Huttner, head of commercial activities at low-cost rival Virgin Blue, raised the prospect of a counter-bid for Ansett assets. "The minister's saying the Lew-Fox bid can go ahead if there are no hand-outs. There aren't any, so if they want to go ahead and we don't put in a better offer, good luck to them," he says.

Huttner played down reports that owner Richard Branson wants to sell 51% of Virgin Blue, and says there are around 12 interested parties with whom discussions have been held since they announced two months ago they were looking for an investor, ideally to take up to 49%.

ACQUISITION

Qantas makes Impulse buy

Qantas has strengthened its grip on Australian regional services, taking full ownership of Impulse Airlines. Qantas had agreed in May to provide Impulse with working capital and provide cash for its main shareholders Gerry and Sue McGowan to buy out institutional investors for an estimated A\$50 million (\$25.8 million).

The shareholders have exercised an option to sell the airline as a going concern to Qantas. The Australian carrier has leased Impulse's fleet of eight Boeing 717s and 13 Beechcraft 1900Ds, operating them under the QantasLink brand serving primarily secondary and leisure destinations. Qantas assumed full ownership from 19 November.

Impulse joins four other Qantas branded regional airlines – Qantas Airlink which wet-leases 13 BAe 146s from National Jet Systems; Eastern Australia Airlines; Southern Australia Airlines; and Sunstate Airlines.

RESULTS

Aeroflot is bowed but not beaten as downturn continues to bite

Russian flag carrier Aeroflot's performance has been dented by the downturn since 11 September, though the airline is forecasting around 15% growth for the year.

In the two months after 11 September, losses are running at \$18 million, and passenger numbers are 100,000 below forecast, says general director Valery Okulov. The airline carried 5.1 million passengers in the 10 months to 2 November, 17.7% up on 2000. In October, passenger traffic went up only 0.3%, while cargo traffic was

down by up to 9%. The carrier may well miss its target of six million passengers this year despite offering return deals to any European city for \$99. Though further losses are expected, Aeroflot should make a small profit of 133 million roubles (\$4.5 million) for the year.

The carrier has grounded its Ilyushin Il-62s, limited Il-86 use to charter services – shifting workload to smaller Tupolev Tu-154M and Boeing 737 – and delayed plans to replace two Il-76TD freighters with McDonnell Douglas DC-10-30Fs.



Aeroflot is set to retire its ageing Il-62 fleet