

COST SAVINGS MAX KINGSLEY-JONES / PARIS

# Airbus jobs to stay despite slump

Aircraft manufacturer outlines a series of changes in work practices to avoid large-scale staff reductions

Airbus is planning to negotiate the current slump in airliner demand partly by changing working practices rather than laying off staff.

Unlike Boeing, which revealed plans to lay off 30,000 employees within days of the 11 September attacks, Airbus chief executive Noel Forgeard says he aims to avoid redundancies, but new working practices "will equate to a reduction in employee capacity by the equivalent of 6,000 jobs this year".

The moves are the European manufacturer's response to an expected build rate of around 300 aircraft this year, down from the 325 delivered in 2001 and 25% less than the 380-400 aircraft it had originally planned to produce in 2002, before the attacks.

Forgeard says the new practices include reducing overtime, introducing voluntary early retirement, terminating interim contracts, not



Flight testing of the A318 began earlier this month

replacing leavers, and reducing trainee numbers. Natural wastage is set to see Airbus's head count fall by roughly 1,000 this year to 44,500. Labour laws in Germany, France and Spain, where Airbus has the bulk of its plants, make it difficult to lay off employees. In the UK, where Airbus builds wings, regulations are more flexible.

Airbus's 80% shareholder EADS says staff working lower hours will

not be paid less, but will instead claim time off in lieu of unpaid overtime accrued last year when production was ramping up.

Late last year unions at the Airbus UK plant at Broughton in north Wales agreed to new working practices, including a shorter working week, in an attempt to limit job cuts. Despite that, some 500 job losses were announced. The UK arm is now operating a 35h work-

ing week, in line with its continental European partners.

Forgeard says that Airbus met its annual target of increasing productivity by 3.5% and reducing costs by 1.5% in 2001 and plans to do the same again this year. "We are targeting cost savings of €600 million (\$525 million) in 2002," he says. This will be split three ways – €200 million from improved production efficiency, €200 million in research and development spending (excluding the A380 ultra-large airliner) and €200 million in general management costs. With the A318 twinjet having recently begun flight testing, the only major projects that Airbus still has on the drawing board are the A380 and the A400M military transport.

Forgeard warns that job cuts may be inevitable if the crisis deepens or the cost saving plan fails to achieve the anticipated reductions.

AIRLINE SALE PAUL PHELAN / CAIRNS

## Key posts remain unfilled just days before Ansett take-over

A key executive has left Australian regional carrier Ansett only a week before its expected new owner, Tesna Holdings, was scheduled to take over from its administrators, Andersen.

Trevor Jensen, named on 22 January as executive general manager operations, resigned with immediate effect two days later to rejoin Qantas as group general manager business performance – operations and infrastructure.

The move puts further pressure on Ansett executives preparing for transition to Tesna's ownership. Tesna has yet to announce several key management appointments and sign off some of its terminal leases, and has not even identified all the aircraft that will make up its new fleet. Meanwhile, the sale plan faces growing hostility from former Ansett employees who, as creditors, may still attempt to block the sale and force a liquidation of all Ansett assets.

The airline went bankrupt last year but has since returned to operation with a limited service while negotiations for a sale to Tesna Holdings have proceeded.

Jensen was one of 16 executives named just nine days before they were due to take up their new roles. Major appointments still unannounced only a week before the expected start-up were heads of commercial, sales and marketing and cabin services, and the key role of airport manager at Sydney.

The Civil Aviation Safety Authority (CASA) said on 24 January that Tesna's air operator certificate application had yet to be finalised: "It's on track at the moment, although it's very tight... it is entirely up to the operator to satisfy the safety authority that the arrangements are in place to keep it all going."

OWNERSHIP NICHOLAS IONIDES / SINGAPORE

## Sri Lanka threatens to scrap Emirates deal

Nearly four years after Emirates took a 40% stake in Air Lanka, a new Sri Lankan government is threatening to rework the deal, claiming it provides unfair protection for the flag carrier, now known as SriLankan Airlines. The 1998 deal came with a 10-year management agreement and promises of competitive protection for SriLankan.

The new transport minister, Tilak Marapana, says the contract provided "monopoly" privileges to SriLankan Airlines under bilateral air services accords, and may have to be renegotiated.

The new government of the United National Party (UNP) also announced on 21 January that it will move towards an open-skies policy governing air services, but this was greeted with confusion by SriLankan chief financial officer Neeraj Kumar, who said he would seek "clarification". Lack of compe-

tion is not preventing industry growth, said Kumar, who added "I think literally every airline that wants to fly to Sri Lanka is already welcome to fly into Sri Lanka."

The UNP has long been a critic of the deal, threatening to scrap the deal with Emirates if it came to power. It has already appointed a new chairman at SriLankan: Daya Pelpola, an attorney and former member of parliament, has replaced S K Wickremesinghe, who resigned soon after the elections.

Since taking operational control, Emirates-appointed managers have successfully overhauled the fleet, revamped the route network, changed the corporate identity and made other operational changes. SriLankan was badly hit in 2001 from the industry downturn and the loss in July of four of its 12 Airbus aircraft in an attack by Tamil separatists at Colombo's airport.