

■ The administrators of former Ansett regional airlines **Hazelton Airlines** and **Kendell Airlines** have named the **Australalawide** consortium, which comprises former Ansett staff, as the preferred bidder for the subsidiaries and have received a A\$500,000 (\$269,000) deposit.

■ **Manugistics**, a Maryland-based developer of cost-saving software for aerospace and defence companies, has acquired **Western Data Systems (WDS)** to provide what it claims will be the industry's first "end-to-end" predictive service package for the maintenance, repair and overhaul business. WDS, which had revenues of \$28 million in 2001, provides application software to 135 aerospace and defence companies worldwide and has 33,000 concurrent users. ■ **General Dynamics** is to take over **Advanced Technical Products**, a composite specialist based in Roswell, Georgia, for \$250 million in cash. The company will become part of General Dynamics' Armament Systems division. ■ **GKN** has acquired **ASTECH**, a US-based high-performance aerostructures manufacturer, for \$32 million.

## SIMULATION

## CAE earnings rise by 40%

Simulator manufacturer CAE's net earnings rose 40% for the fiscal year ending 31 March, with organic growth accounting for 70% of the increase. The balance came from the Canadian company's four acquisitions during the year, including commercial aviation training providers Schreiner and SimuFlite.

The company has posted C\$150.6 million (\$92 million) net earnings on revenues of C\$1.1 billion, compared to the previous year's C\$108 million profit on C\$891 million in revenues.

Revenues from civil simulation and training increased to C\$545 million from C\$482 million last year, while those from civil training were C\$100 million for the year.

RESULTS ANDY NATIVI / GENOA &amp; TOM GILL / LONDON

# Italian regionals seek to make the most of upturn

Carriers look to cut costs and build alliances to exploit market improvement

A string of poor financial results shows Italy's regional airlines have not escaped the turbulence in the aviation industry, but the operators hope that by lowering costs and building on alliances with major airlines they can capitalise on a market upturn this year.

The country's largest privately-owned carrier, Meridiana, closed 2001 with a net loss of €10.2 million (\$9.3 million). Operating losses hit €12.2 million and turnover stood at almost €369 million as passenger traffic fell by 7.4% to 3.27 million and load factors fell to 54.5%. This year the Olbia, Sardinia-based airline hopes to break even through cuts in operating costs and new labour contracts.

Meridiana is discussing with SkyTeam members Alitalia and Air France a wide-ranging commercial alliance – a deal strongly favoured by Alitalia pilots who are opposing a possible alliance with charter operator Volare Group involving domestic and European services. Handing over flights to the more efficient, lower-cost Volare would have clear advantages for Alitalia, whose high operating costs have forced it to cut its fleet and routes. However, Alitalia unions favour an alliance with Meridiana.

Meanwhile, Air Dolomiti suffered a €2.32 million net loss from a turnover of €132.5 million, down from break-even in 2000. Despite the losses, at an operating level it made a profit of €5.46 million and Air Dolomiti is adding to its fleet faster than originally planned. It will have 21 aircraft by the end of this year and will expand the fleet to 24 in 2003 and 27 in 2004. Last year Air Dolomiti took its second and third Bombardier CRJ200 and has recently taken delivery of two more. While these additions will be used for the company's point-to-point network, a new ATR 72 due for delivery next month will boost

feeder services into Star Alliance hubs in Europe. The carrier has signed a codesharing agreement with Star Alliance member United Airlines following an earlier codesharing deal with Star member and minority shareholder Lufthansa.

The fortunes of Bergamo-based Gandalf also hinge in part on its codeshares with Air France. The regional made a net loss of €27.9 million, a 25% improvement on the previous year, as turnover increased 65% to €50.62 million. This year Gandalf aims to increase turnover by 15-20% and carry 350,000 passengers, or 18% more than 2001, with 11 aircraft.



Meridiana is vying with Volare for an Alitalia alliance

## RESEARCH

## Rotorcraft R&D essential, says DoD

Studies of the US rotorcraft industry commissioned by the US Department of Defense (DoD) have concluded there is little or no competition between helicopter manufacturers and there is little prospect of changing this without injecting fresh funding for new research and development (R&D) programmes.

"The studies concluded that we don't have as much competition in the helicopter industry as we would like and because of that we're not innovating enough," says

Pete Aldridge, DoD undersecretary acquisitions, logistics and technology. "We're beginning to think about what we can do in this industry that is essentially defined as three – Bell, Boeing and Sikorsky," he adds.

Of the new military rotary-wing programmes now in development, both are collaborative efforts that have been under way since the 1980s. Competitiveness has been further undermined by the growing number of helicopters that are

returning to their original manufacturers for modernisation.

Aldridge was briefed on the studies ahead of having to decide on the fate of a number of these programmes that were in breach of the Nunn-McCurdy Act on cost overruns. One of the criteria for exemption from the Act is the absence of any cheaper alternatives. While none currently exist, the investigations did highlight the need for more R&D money for new programmes.