

BUSINESS PAUL LEWIS / WASHINGTON DC

United/US Airways seek pay cuts

Beleaguered carriers press for more employee concessions in latest attempt to win US government loan guarantees

Financially troubled United Airlines and US Airways are pressing their employees for hundreds of millions of dollars' worth of wage concessions in their latest effort to win government loan guarantees. The move comes as Wall Street projects mounting US airline losses this year with no sign of a turnaround in the industry's fortunes 12 months on from the terrorist attacks on New York and Washington DC.

US Airways' plans for restructuring suffered a setback on 28 August with the rejection by its 6,800 mechanics of a proposal that would have cut wages by 8%. The

sixth-largest US carrier is seeking to slash costs by up to \$1.3 billion, and has already secured salary cuts from its pilots, flight attendants, baggage handlers and other ground staff.

"We're extremely disappointed by our mechanics vote," says US Airways president David Siegel, adding: "We regrettably must pursue changes to the mechanics' contract through the bankruptcy court if we are unable to quickly reach a new agreement." The cuts are required for approval of a \$900 million government loan guarantee.

United Airlines, which many observers say could soon follow US

Airways into Chapter 11 bankruptcy protection, is similarly pressing its employees for a 10% cut in salaries. This comes ahead of the second-largest US carrier's submission of a revised application to the Air Transportation Stabilization Board (ATSB) for a \$1.8 billion loan guarantee.

Meanwhile, Goldman Sachs says US airline losses by the end of the year could exceed last year's record \$6 billion, with the company lowering earning expectations for all carriers. "We cannot determine whether the weak bookings reflect a downturn in leisure demand or caution ahead of the 11 September

anniversary," says Glenn Engel, Goldman Sachs analyst.

Another financially stricken US carrier, National Airlines, said during its bankruptcy hearing last week that it is close to securing a \$30 million private loan subject to a new guarantor being found. This follows the ATSB's refusal to provide a \$50.5 million guarantee to the Las Vegas-based airline, which has been in Chapter 11 since late 2000.

But local aviation officials have questioned whether the carrier will be able to survive, pointing to its \$6 million of arrears in airport rental charges.

DEFENCE

Bat an option as USAF eyes Predator revamp

The US Air Force is studying enhancements to the General Atomics RQ-1 Predator unmanned air vehicle (UAV), including equipping it with a more sophisticated radar as well as the Northrop Grumman Bat (Brilliant anti-tank) submunition.

The concept of operations (conops) proposal is being considered by the USAF's UAV Battlelab after tests on a Predator equipped with a tactical synthetic aperture radar featuring a moving target indicator mode. The Bat UAV ejection tube was tested using a Bell UH-1N helicopter as a Predator surrogate.

The tests proved the "Bat submunition can be integrated rapidly into UAV systems", says the company. It adds the system could improve response times against "fleet-ing" targets such as Scud missile launchers and mobile air defence systems. The baseline Bat, midway through its 1,300 unit production run, is an autonomous submunition equipped with passive acoustic and infrared sensors.

Industry sources say a decision adopting the enhanced Predator conops may depend on planned trials by the US Army and TRW of a

Bat-equipped Hunter UAV. Unlike the USAF test, the army trial will "involve a real Hunter and a real Bat against moving targets".

The success of either test is likely to bolster Department of Defense support for the Bat P/I improvement programme, a planned block upgrade providing a capability to seek stationary and moving targets.

The upgrade is threatened, however, by apparent questions being raised over funding for the Block 2 variant of the US Army's ATACMS tactical missile system, a key Bat platform. Northrop Grumman is keen to widen Bat applications to offset criticisms it is limited to out-dated, cold-war scenarios involving operations against large-scale armoured formations.

Predator has also been used to launch a mini-UAV in-flight. General Atomics says the deployment of the 26kg (60lb) Flight Inserted Detector Expendable for Reconnaissance vehicle was made at 10,000ft (3,050m) over Edwards AFB, California, and was the first time "an operational UAV has shown the capability to carry and launch another UAV".



BUSINESS NICHOLAS IONIDES / SINGAPORE

Sichuan becomes latest prize as Chinese airlines consolidate

China Southern Airlines, Shandong Airlines and Shanghai Airlines are taking over Sichuan Airlines in a move that is in line with government calls for consolidation (*Flight International*, 23-29 July).

Guangzhou-based China Southern, the country's largest carrier, will pay 136.5 million yuan (\$16.5 million) for a 39% stake. Shanghai Airlines and Shandong Airlines will each take 10% stakes, while catering company Chengdu Gingko Restaurant will take 1%.

A new company, NewCo, will take over the airline's assets. Sichuan Airlines will take a 40% stake in NewCo by transferring its assets to it. Sichuan will provide an office building at Sichuan Chengdu International Airport, plus its five Airbus A320s, two Airbus A321s, five Embraer ERJ-145s and a Chinese-built Xian MA-60.

The Chinese government has been calling for mergers among the country's more than 30 airlines for some time. Two years ago, the Civil Aviation Administration of China said the 10 airlines it controlled would merge into three groups headed by Air China, China Eastern Airlines and China Southern. China Southern says the Sichuan buy-in will allow it to grow in the developing southwest China market.

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