

RESULTS PINO MODOLA / GENOA

Alitalia plots course to breakeven

Italian flag carrier plans further cuts, but could face union opposition if it decides to transfer some routes to Volare

Italian carrier Alitalia has cut its losses for the first half of 2002 and says it will achieve breakeven for the full year. The improved results come as the airline plans to cut costs further, which could see it

transfer some routes to Volare Group – a move that would meet union resistance.

Alitalia's after-tax losses were €49 million (\$48 million), compared with a €260 million deficit

for the same period in 2001. The net results were boosted by a one-off payment of €117 million from the sale of the Sigma information technology department to the Cendant group. In the first six

months of this year, Alitalia's consolidated sales dropped by 12% to €2.39 billion, less than the fall in capacity (-22%). Managing director Francesco Mengozzi says the results are better than expected.

Alitalia is considering two options for implementing a low-cost policy, by reducing its own operating costs by about 50% – which is seen as unlikely – or transferring several routes to Volare, which signed a commercial agreement with Alitalia last July. Volare already has its own plans to launch a low-cost operation, a move aided by its low personnel costs.

But any attempt to give up Alitalia routes to Volare would face strong opposition from the national carrier's pilots.



Alitalia has reduced its first-half after-tax losses from €260 million last year to €49 million this year

INDUSTRIAL RELATIONS

Vote saves Boeing from second strike

Boeing has narrowly escaped a potentially disastrous strike at its north-west USA plants after only 61% of machinists' union members voted for a walkout, falling short of the required 66%. A strike by 1,400 staff has hit its Philadelphia site, however.

The company and members of the United Auto Workers union have been talking to federal mediators since the action began on 14 September, but late last week there were no plans for further negotiations.

"We have 3,500 other employees who are non-union, so some work is being done," says Boeing. "However, we are obviously not at full production."

Boeing manufactures fuselages for the Bell Boeing V-22 at the site as well as remanufacturing the CH-47.

In the north-west, the union was voting on Boeing's latest contract offer. After it failed to obtain a strike vote, the contract was automatically accepted.

ADMINISTRATION

HeavyLift closes down after restructuring fails

Freight carrier HeavyLift Cargo Airlines has ceased operations after its attempt to restructure failed last week. The company put its engineering unit, HeavyLift Aircraft Engineering, into administration and closed its passenger arm, Prime Airlines, earlier this month, but insisted then that its core business would continue as normal.

HeavyLift Aircraft Engineering has now been shut down, and all employees of Prime, HeavyLift Cargo and the engineering arm have been laid off.

Parent company managing director Michael Hayles is negotiating with the company's backers, led by Barclays Bank, to refinance the company. Only the group's Air Foyle HeavyLift joint venture and the technical services division are still operating.

HeavyLift Cargo and Prime Airlines, which together constitute HC Airlines, were placed in receivership by chief creditor Barclays on 18 September. Rod Weston of Deloitte & Touche,

administrator for HeavyLift Aircraft Engineering and receiver for HC Airlines, says: "The assets [including a single Shorts Belfast freighter and one Airbus A300F4-200] will be sold off piecemeal, probably pretty quickly."

The engineering arm's move into administration followed the collapse of sales talks with overhaul specialist ATC Latham. Closing the business reduces the chances of finding a buyer. "We were talking to a lot of people 10 days ago," says Weston. "We are still talking to a couple of them." If a sale cannot be achieved by the end of the month, the engineering branch will probably also be liquidated and sold.

Meanwhile, Prime Airlines is understood to have returned its only aircraft, an Airbus A300B4-200, to lessor GE Capital Aviation Services. Founded in August 2001, the ad hoc charter service was intended to serve airlines needing short-notice extra capacity – a market that largely disappeared after 11 September last year.

PROPOSALS

Ship owner in new bid for Olympic

A new bidder has emerged for ailing Greek flag carrier Olympic Airways. Luxembourg-based Golden Aviation has submitted a letter of interest for Olympic's flight operations to government sale consultant Eteba Bank.

The Greek government, the airline's sole shareholder, is selling it piecemeal, split into divisions such as catering, flight operations and flight simulators/training. Olympic Catering was sold earlier this month to supermarket chain Everest and in-flight caterer LSG SkyChefs for €16.1 million (\$15.8 million).

Golden Aviation, owned by ship owner Stamatis Restis, is interested in Olympic's domestic and international routes. Its letter was accompanied by a letter of guarantee from Morgan Stanley in Zurich for €100 million.

The price for Olympic's flight operations and its two subsidiaries, Olympic Aviation and Macedonian Airlines, is thought to be about €150 million.