

BUSINESS

United woes have knock-on effects

Aerospace manufacturers took a battering on Wall Street late last week after United Airlines' bid for a \$1.8 billion loan guarantee was rejected. The Air Transport Stabilization Board (ATSB) decision means the airline will almost certainly seek bankruptcy protection this week.

Share prices at Boeing, Honeywell and Pratt & Whitney parent United Technologies all dropped heavily last week following the ATSB's decision that United's revenue predictions were too optimistic. However, prices rose for American Airlines, Continental Airlines and Delta Air Lines, with investors judging that United's demise would improve their prospects. The carriers had lobbied against United's application.

Star Alliance partner Lufthansa had planned to give United a \$800 million bail-out, but this was dependent on the ATSB agreeing to the loan guarantee.

The ATSB's rejection came a day before United's machinists were to vote on revised pay and contract concessions, which union officials had predicted would be in the airline's favour. The union cancelled the ballot after the decision, which it called "unfair and unwarranted".

BUSINESS & GENERAL AVIATION KATE SANSFIELD / LONDON

Embraer revives plan for 170 business jet variant

Aircraft would be pitched against Bombardier Global 5000 and Dassault Falcon 900EX

Embraer is "taking seriously" the launch of a business jet version of its 70-seat 170 regional airliner, and is undertaking a market study to determine the demand for a long-range, large-cabin business jet.

The Brazilian manufacturer promoted such an aircraft, the ECJ-170, more than three years ago, but decided to concentrate on the baseline regional jet.

Embraer is hoping to emulate the success of the Legacy, an ERJ-135 regional jet variant and Embraer's first foray into the business jet market.

Sam Hill, Embraer chief executive for corporate jets, says: "We are undertaking a bottom-up analysis, asking the market what it is looking for in a large cabin business jet and what is not available at the moment."

Hill says there is a "demand for something different. Some existing long-range aircraft manufacturers are either suffering poor sales or having their aircraft returned due to low utilisation." Hill adds that Fairchild Dornier's demise has left a gap in the market previously filled by the Envoy 7, the business aircraft variant of the 728. "A number

of operators, including Flight Options [with a 25-aircraft order] are now scrambling to find a substitute for the Envoy 7," he says.

Embraer is mulling two options – a standard 170 with a corporate interior or a dedicated business jet variant, as is the Legacy. The latter, he admits, will involve costly modifications. "To change the character of the aircraft we will have to alter the water and electrical systems, add fuel tanks to extend the aircraft's range and perform a number of aerodynamic improvements," says Hill.

Key considerations for a corporate 170, Hill adds, are a large

cabin, long range with the ability to fly up to 9h, high reliability and low operating costs. The aircraft would be pitched against super large business jets such as the Dassault Falcon 900EX and the Bombardier Global 5000, he says.

Any decision to proceed could be taken after the 170's certification, scheduled for the second quarter of next year. Development of a dedicated corporate jet is expected to take around two years.

Meanwhile, delivery of the first US registered Legacy to fixed-based operator and charter company Swift Aviation is expected this month.



A dedicated business jet variant would mean costly modifications to the 170

DEFENCE

German savings slim A400M and Meteor plans

Industry is hoping to formally begin development in the next few months of the Airbus Military (AM) A400M airlifter and MBDA Meteor long-range air-to-air missile following Germany's decision to fund both programmes in its latest defence budget released last week.

Procurement numbers for both programmes and many others, however, will be cut as Germany slashes spending, says defence minister Peter Struck. Unconfirmed reports suggest €6 billion (\$6 billion) will be cut to 2006.

As a result A400M numbers fall

from 73 to 60, Meteor will drop from 1,488 to 600 and the BGT IRIS-T short-range air-to-air missile by 562 to 1,250. Numbers for the Eurocopter Tiger and NH Industries NH90 will be reviewed, says Struck. "Eurofighter will be procured as planned," he adds. The number of in-service Panavia Tornado IDS and McDonnell Douglas F-4F Phantoms will be reviewed and the organisational structure will be slimmed.

AM sources believe a final A400M go-ahead will be given around the end of the first quarter next year, assuming the budget pro-

posal clears the remaining parliamentary hurdles. Germany's decision means A400M orders will slip to 180-183, depending on whether Portugal decides to order three.

Industry insiders say the contract, signed by the seven A400M nations, will need modifying as it is based on 196 airlifters, although AM did provide prices for 180 aircraft. The AM source says meetings between the company and the multinational OCCAR procurement agency are expected this year.

MBDA also expects meetings this year between the company

and the UK Defence Procurement Agency, which is managing the Meteor programme on behalf of the six partner nations. A contract could be signed early next year.

It is understood that as a result of Berlin's move workshare will be adjusted, with around 5% of Germany's portion handed to the UK.

One company source says MBDA has already ploughed €110 million into the programme to fund initial development work, which will limit in-service date slippage.