

AIR TRANSPORT...

On November 8 the airline was put into voluntary liquidation in the interests of the creditors and Mr F. S. McWhirter, a partner in Peat Marwick Mitchell & Co, was appointed as liquidator. On the same day the Board of Trade exempted Cambrian Airways from limitations in their licences so that they could (as explained in last week's issue, page 767) provide, for the time being, the services through Liverpool; and British United Airways were permitted an extra Gatwick London-Glasgow service. These exemptions were designed to fill the capacity gaps until the situation became clearer and pending any later applications to the ATLB for permanent licences.

BEA has applied to the ATLB for licences on three routes operated by Eagle—London to Stuttgart, Pisa and Tunis/Djerba. BEA's application for the last is linked with an optional stop at Malta. The corporation is also asking the Board of Trade for an exemption from the need for licences in order to get the services re-started quickly. The operation of the Tunis/Djerba route may resolve the problem of ensuring the continuation of inclusive tours which used space booked on this service.

In the reallocation of the British Eagle inclusive-tour programme, Travel Trust companies have apparently been able to move swiftly enough to counteract the loss of confidence among travel agents following the British Eagle shut-down. The danger was that in the delay while charter rates were negotiated with other airlines, a large slice of the remaining winter bookings and next summer's bookings would have drifted elsewhere. But Lunn-Poly, one of the Travel Trust companies, said last week that bookings had remained steady, and that flight-for-flight replacements had been arranged, with (except for one case) jet aircraft where specified in the original tour programme. The airlines operating these services were Britannia, Autair, BEA, BUA and Transglobe. Arrangements over the operation of the summer programme were still being negotiated as *Flight* went to press; BEA was understood to be a main contender, with its retiring Comet fleet. The possibility remains that the tour operators will have to absorb higher seat costs in the package prices.

Last straw

It appears that Hambros Bank was, until a week before the dissolution, prepared to provide financial support to keep Eagle going—but only on the condition that there were fundamental changes in the top management. The crisis came with the loss of the Caribbean licence (see also *Flight* for November 7, page 733), which came as a bolt out of the blue to Hambros. Support was withdrawn—not because of the loss of revenue (Hambros has certainly demonstrated little timidity in their successful backing of near-failing enterprises), nor, one would imagine with an adult organisation, out of pique; but because of a final loss of confidence in the prospects for Eagle without major management changes.

Suggestions that the Government should have intervened to save the airline do not, in the circumstances, make much sense. The Board of Trade has, in itself, no power to put money into businesses. The Industrial Reorganisation Corporation is not in existence to prop up failing enterprises, but rather to help those which are prospectively successful. The complicated negotiations for the take-over of the Travel Trust group are also irrelevant. Sale to the nationalised Transport Holding Company or other travel-trade groups would not have produced enough money to save Eagle for more than a few months—even if this money (maybe £600,000) had been so applied. Suggestions that the BoT should have intervened over the revocation of the Caribbean licence are also irrelevant. The Board has no power to overrule an ATLB decision. Eagle did not defend the case and did not appeal; had they done so the BoT could have acted if it had been expedient to do so.

What has been the extent of the British Eagle operations, and what is the gap left by the close-down? The airline's contribution to exempt services and sub-charters—exempt services being single-entity and Government charters, and therefore including trooping—amounted to 98,433,000 available capacity ton-miles in 1967, and 113,507,000 the year before. This repre-

sented about 52 per cent of the airline's total output in 1967, and 55 per cent the previous year.

The beginnings of the effect of the loss of trooping and immigrant-charter contracts earlier this year is reflected in the capacity offered in April-June 1968 (the most recent period for which figures are available)—15,128,000 ton-miles, compared with 23,823,000 ton-miles in the same period last year. The figures represent about 35 per cent and 50 per cent of the British Eagle capacity respectively.

British Eagle's share of the exempt-service and sub-charter market in 1967 was the largest of any British airline (getting on for double that of the next competitor, BUA) and was 33 per cent of the total for the country. In the second quarter of this year it had fallen almost to 21 per cent, but was still the largest single share.

The inclusive-tour side of the airline's activity was as follows (thousands of available ton-miles; passenger load factors in brackets):—

	1966	1967	April-June 1968
British Eagle ..	33,982 (82.3)	30,890 (77.4)	13,430 (73.3)
UK total	173,280 (84.7)	205,446 (82.0)	82,104 (79.1)
British Eagle share	19.75%	16%	16.25%

The impression given by the statistics available to date is that although British Eagle was making a bid to replace its lost charter business, its IT passenger load-factors since 1965 had fallen short of the industry average.

A combination of below-average load factors and keen hourly rates—reportedly as low as £215 per hour for One-Elevens—have not enhanced the contribution of IT operations to the overall British Eagle effort.

On the scheduled-service front, the British Eagle figures have been as follows (thousands of available seat-miles; passenger load factors in brackets):—

	1966	1967	First half of 1968
British Eagle ..	137,683 (46.8)	165,614 (46.3)	83,403 (42.2)
British Eagle (Liverpool) ..	64,002 (49.0)	58,005 (53.0)	28,231 (43.4)
Total	201,685	223,619	111,634

The British Eagle (Liverpool) figures are concerned almost entirely (in 1968 entirely) with domestic traffic. In the second quarter of this year the two companies held five per cent of the UK domestic traffic, and 12½ per cent of the UK domestic traffic operated by the independent airlines.

Fleet value

Various intelligent or informed guesses have been published about the debts and liabilities of Eagle. Until the liquidator has done his work no hard figures can be given. In terms of asset value the airline's fleet can, however, be estimated. The Viscounts are believed to be fully owned and are probably worth more than £200,000. The 14 (mostly BOAC) Britannias (of which the three cargo-carrying conversions are the most valuable) may now be more than 90 per cent owned and worth about £2 million to Eagle. Three of the five BAC One-Elevens were originally ordered by Kuwait Airways, which did not take them up, and are on lease-purchase from the Kuwait Finance Agency. These were the first three for Eagle, which may well have a right to, say, £900,000 of their sales value of £3 million. The other two were on lease-purchase from the British Aircraft Corporation. They are comparatively new aircraft and are probably worth nearly £2.5 million; Eagle may by now have paid about £250,000 of this value. The Boeing 707-320C, now on wet lease (crewed) to Middle East Airlines, and the two ex-Qantas 707-120Bs are owned by Kleinwort Benson, the London merchant bankers, and are on lease-purchase to Eagle. They have been used by Eagle for about ten months. As assets for Eagle they are possibly worth about £300,000 in payments made. The total outstanding fleet value may thus be more than £3 million.

Creditors, apart from those to whom payment is outstanding for aircraft, include Esso and Shell for fuel (probably in excess of £350,000), the British Airports Authority (£150,000), the Board of Trade for navigation service charges (£70,000), the Liverpool Corporation and the German Federal authorities for airport charges (£17,000).

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