BCal fined for

Libyan Airbus deal
by Alan George
A UK Customs and Excise
investigation into the sale to
Libya of two ex-British
Caledonian Airbus Industrie
A310s ended late last year with
British Caledonian Aircraft
Trading, the airline's trading
arm, quietly paying a £600,000
penalty for its role in the affair.
The fine was paid just a few
weeks before BCal was taken
over by British Airways.

The two Airbuses, plus a
package of spares which
included one engine, were sold
to Libya, via intermediary
brokers, in 1986, at a time when
BCal was in financial trouble.
Libyan Arab Airlines paid £77
million for the aircraft, while
BCal received £15-5 million,
with the balance going to the
middlemen.

The deal violated US sanc-
tions against Colonel Gadaffi's
Libya because the aircraft,
although European-built, had
American-made General Elec-
tric engines. The Americans
were furious, and threatened to
suspend BCal's traffic rights in
the United States. Although
Britain has no embargo on the
supply of aircraft to Libya, the
transaction deeply embarrassed
London, which has proclaimed
its full support for American
sanctions against Tripoli.
The British Customs
investigation centred on the
spare parts and engine for the
Airbuses, since UK regulations
require no export licence for
civil aircraft. The spares were
sent first to France, whence
they were flown to Dubai and
then on to Tripoli. The
£600,000 penalty is understood
to have been for a Customs
regulations offence known as
"misdescription" of the end-
user.

From the start, BCal has
protested its innocence, claim-
ing that it had been duped by a
forged telex into believing that
the end-user would be a French
airline, Europe Aero Service. At
the behest of the British author-
ities, who were no less anxious
than the airline to appease the
Americans, shortly after the sale
BCal began a series of legal
actions against the other parties
to the deal, claiming that they
had violated a clause of the sales
contract stipulating that US
restrictions should be respected.

Writs were issued against the
intermediary brokers, Hong
Kong-based Service Airlines
and UK-registered Cobra
Airways, against their directors,
and against two banks which
financed the deal, Dubai-based
Arab Bank for Investment and
Foreign Trade and London's
UBAF Bank. Both are one-third
owned by the Libyan Arab
Foreign Bank. In the spring of
last year, however, the actions
were quietly suspended "for
lack of evidence", according to
BCal.

In France, meanwhile,
Europe Aero Service sued BCal
after an expert appointed by a
Paris court had said that the
telex naming EAS as the end-
user of the Airbuses might have
been forged by BCal itself. EAS
president Georges Masurel says
that his firm is claiming
damages for all the adverse
publicity it has suffered. The
claim is now outstanding
against British Airways, with
which BCal is now merged. BA
has declined to comment on the
affair.

The £600,000 payment was a
so-called "compounded settle-
ment"—effectively an out-of-
court fine. Such settlements are
subject to strict confidentiality,
and HM Customs refuses to
discuss the BCal payment at all.
Centrally involved in nego-
tiating the settlement was Lean-
ard Bebchick, a Washington
lawyer who specialises in
aviation cases and who was
BCal's joint company secretary.
However, he prefers not to
discuss his role, saying: "I
cannot in any way confirm or
deny that I acted as counsel in
this matter".

The case was closely
monitored by the Transport
Minister Paul Channon and his
senior officials, including
Hanley Stevens, who until
recently headed the Depart-
ment's International Aviation
Division. However, a spokes-
man said that the Department
"has nothing to say on this
matter".

In the event, Libya proved
unable to secure sufficient spare
parts to keep its new Airbuses
flying. After sitting idle on the
tarmac at Tripoli for months,
the two aeroplanes were leased
to Air Algerie late last year, with
whom they are now flying.

MBB already has an agreement with General Electric to power the MPC-7

Allison joins MBB/China propfan project
MBB and Allison have signed a
memorandum of understanding
to pursue the launch of a
version of the MBB/Catic
MPC-75 regional airliner
powered by an Allison
T406-derivative propfan.
The proposed propulsion
system consists of a T406-
derivative engine coupled to an
advanced gearing system and a
counter-rotating propfan pro-

pulsar. Although the MPC-75 is
the primary target of the joint
initiative, alternative propulsion
systems and airframes may be
jointly investigated by the two
companies.
MBB has overall control of
the MPC-75 project, which is
being developed in collabo-
ration with the China Aero-
technology Import and Export
Corporation (Catic).

Hunting expands
civil business
Hunting Associated Industries
has forged a conditional agree-
ment to buy computer display
firm Lynwood Scientific Devel-
opments. It is Hunting's sixth
purchase outside of the defence
sector since early last year, as it
attempts to become less
financially reliant on UK Minis-
try of Defence business.

Geoffrey Dollimore, chair-
man of Hunting Engineering,
the group's defence subsidiary,
says that MoD procurement
officials are increasingly
"unsympathetic" to the idea
that defence suppliers should be
able to rely on the Ministry for a
sound financial base.

Erosion of the distinction
between Hunting Engineer-
ing's main defence product
(bombs) and guided missiles,
arising because of technical
advance, means that Hunting
Engineering, which once held a
monopoly for certain muni-
tions, now faces competition

from British Aerospace for the
Royal Air Force's next anti-
armour weapon, Dillimore says.
Depending on Lynwood's
profitability over the next three
years, Hunting will pay up to
£19-2 million for the company
in an "earn-out" deal. Privately
owned Lynwood recorded a
£1-2 million profit on a turn-
over of £15-3 million last year,
and is destined to operate as part
of the recently reorganised
Hunting Electronics.

Previous Hunting purchases
cost £5 million, making
Lynwood the most significant
diversification step. Other
acquisitions were FTG Air
Service Flugcharter, Somet,
Field Aviation Engineering
(Stansted), and Metair Aircraft
Equipment.
Metair was the most signifi-
cant previous purchase, and will
strengthen Field Aviation's
position in specialist aircraft
completion.

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