Airline support service shows signs of growth

Airlines looking for signs that the industry is emerging from recession could take heart from Le Bas International, a worldwide airline emergency-support specialist, which is forecasting a 25% growth this year.

The Californian company specialises in flying urgently required spares to airliners stranded in “aircraft on ground” (AOG) situations. This year Le Bas expects to fly “…around 250 AOG missions, that’s 25% up on last year”, says Tracey Deakin, vice-president of the company’s air division, who describes the twice-revised expansion figure as “a barometer of net growth in the business”.

The reasons for growth are two-fold, says Deakin. “It’s becoming crucial to get a quick response to AOG situations. A Boeing 747 AOG can represent $2.5 million per hour loss to an operator and people simply can’t afford that,” he says. Secondly, a rash of new operators is rising from the ashes of dead US airlines. “We quote an average of 120 flights per month to the airline and aerospace industry and that’s going up every month,” says Deakin.

Global coverage is provided through a network of “system operators” throughout North America, Mexico, Europe, the Middle East, the South Pacific and Australia. The charter companies used by Le Bas are based in more than 200 cities and operate around 800 aircraft, ranging from small twin-pistons and turboprops through to Lockheed L-100s and McDonnell Douglas DC-9s.

Le Bas, which also manages crew movements, charter and aircraft purchases, organised the first commercial aircraft arrival at Kuwait after the retreat of Iraqi forces. Le Bas used an Emirates Air Services de Havilland Twin Otter (the only aircraft able to land on Kuwait’s damaged runways) to bring in oil-field damage assessors.

Dassault attacks US orders

IN PARIS

BY GILBERT SEDBON

In an angry attack on the decision by Finland and Switzerland to opt for the US-built McDonnell Douglas F-18 fighter, Serge Dassault has called for European governments to buy European defence equipment.

“European preference must be absolute, not just for countries within the European Community, but also for those who want to join, like Switzerland and Finland, which decide to equip their air forces with American aircraft,” said the Dassault Aviation chairman in an interview with leading French newspaper Le Monde.

Dassault, whose own company has not received a military aircraft export order for four years, and has been badly hit by the squeeze on the French defence budget, attacked the Finnish and Swiss Governments for their choice of the F-18 Hornet, in preference to Saab’s Gripen JAS39 or Dassault’s own Mirage 2000-5 combat aircraft.

“Every time a European country chooses American instead of European equipment, Europe shrinks,” says Dassault, arguing that US technology should only be selected when it cannot be developed in Europe. He sees this as reciprocating the attitude of the US Government, a view shared by other senior figures in the French defence industry.

French defence minister Pierre Joxe, however, has rejected calls to erect barriers to protect the European market, arguing instead for Europe to unite in seeking greater access to lucrative US markets.

Finland’s decision not to award its 67-aircraft order to Dassault has already prompted the announcement of 650 job losses at the group’s defence electronics subsidiary, Dassault Electronique.

The company had stood to gain Fr1.5 billion ($270 million) from work on electronic countermeasures, software and guidance systems, but instead it will have to set aside an estimated Fr200 million to cover the redundancies in its 3,950-strong workforce over the next 18 months. The announcement is likely to drive the company back into the red after its modest Fr43.5 million profit in 1991. Revenues for 1992 are still put at Fr3.9 billion, with year-end orders

Yield growth puts KLM in the black

KLM Royal Dutch Airlines swung back into profit for the year to March 1992, as traffic rose an impressive 7%, while cost-cutting and concentration on high-yield traffic improved margins.

The group reported net profits of Dfl 125 million ($70 million) for the year, marking a strong recovery from 1990-1, which had seen the airline dive to a Dfl 630 million loss. Nearly half of that loss came from provisions for the continuing cost-cutting programme, the benefits of which have led through into this year’s result.

The turnaround came as costs were slashed and services cut on unprofitable routes, says the airline. Concentration on high-yield traffic markets paid dividends, with the average yield rising by 10%. Productivity per employee also increased 9% as the workforce fell by 500, and 14%-lower fuel prices netted a further windfall saving.

Overall, group operating costs increased by only 10%, against a revenue growth of 21%, to reach Dfl 7.9 billion. The group ended the year with an operating profit of Dfl 416 million against a loss of Dfl 285 million in 1990-1.

Underlying the rise in turnover was a strong growth in traffic revenues, which increased 18% at the Dutch flag-carrier (excluding the contribution from Transavia and Air Littoral, consolidated into the group during 1991). Passenger traffic grew 8% to 2.9 billion revenue tonne-kilometres (RTK), while cargo rose 5% to 2.6 billion RTK. Load factors fell only marginally to 70.5% despite the almost universal decline in loads borne by other European carriers.

Key to KLM’s performance is confirmed by figures from the Association of European Airlines (AEA) in its report for the end of the 1991 calendar year. At that stage, KLM again produced the highest overall load factor at 71.1% and was alone among the leading European flag-carriers in showing a growth in load factors for scheduled passenger traffic, which moved up 1.4 points to 71.7%.

Strong operating results at KLM, however, were depressed by costs elsewhere in the group. Financial restructuring at Air Littoral cost Dfl 109 million, while holdings in other non-Dutch carriers, Air UK and the US loss-making carrier Northwest Airlines, also showed “considerable losses”, mounting to Dfl 145 million.