

Economic world

Objektyp: **Group**

Zeitschrift: **The Swiss observer : the journal of the Federation of Swiss Societies in the UK**

Band (Jahr): - **(1980)**

Heft 1772

PDF erstellt am: **22.06.2024**

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SWISSAIR is at present at the beginning of the largest fleet modernisation and re-equipment programme in its history.

It involves the purchase of advanced version DC-9-81s, Boeing 747Bs with a stretched upper deck, extended range DC-10-30s and Airbus A310s. In parallel with the arrival of the new DC-9-81s the company is disposing in the course of this year and next of 15 DC-9-32s.

Other aircraft sales in the current disposal programme cover all five DC-8s as well as the two Boeing 747s and two of the oldest DC-10s in the fleet.

How does Swissair go about selling second hand aircraft? The first considerations in this intricate operation are clearly the prevailing market conditions. As with any other commodity there can be a buyers' or a sellers' market.

The process of selling second-hand aircraft begins with the preparation of detailed specifications for the information of prospective customers.

This is followed by personal letters to airlines and executive aircraft operators who might be interested. Depending on the response at this stage an advertising campaign may be launched in international aviation magazines.

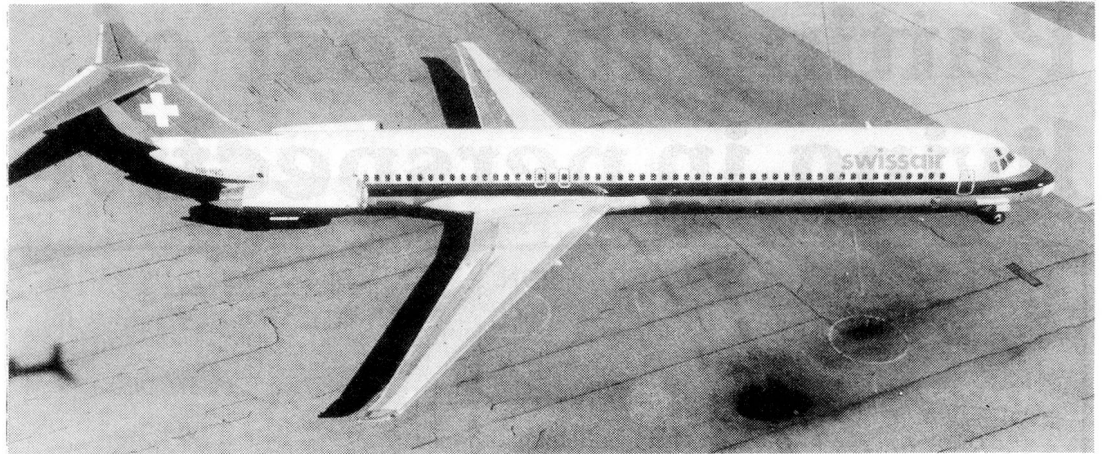
These steps usually lead to the start of negotiations, with potential customers being invited to Swissair's Zurich base to inspect the aircraft. The company does not normally call on the services of aircraft brokers to find buyers.

Among the most likely customers for the aircraft Swissair has for sale are airlines, such as Texas International, who already operate the same equipment and are intending to expand their activities.

Other potential clients include carriers planning to upgrade to larger aircraft, but lacking the financial background for purchasing new equipment, and airlines in need of more capacity but unwilling to accept the long lead time involved in new aircraft orders.

Charter operators, at one time a good market for used aircraft, now tend to buy new.

Negotiations over the sale of



A new Boeing . . . but where do the old ones go?

Old airliners don't just fly away

— They're sold for \$6,000,000

second-hand aircraft would normally cover the following elements:

- Price.
- Condition — the customer may wish to accept the aircraft in its present condition or have it modified to his requirements. In the case of the DC-9-32s sold to Texas International, Swissair and UTA of France are jointly carrying out modifications costing \$400,000 per aircraft.
- Method of payment.
- Supplementary services required, such as training of pilots, ground personnel and engineers.
- Spare parts requirements.
- After sales support.

Success in this field depends on determining the right price for the aircraft and obtaining it in negotiations. Pricing starts

with the study of relevant publications and market guides. Swissair has a fine reputation for maintaining its aircraft to a high standard and in consequence they command above average prices on the second hand market.

The current market price for a used DC-9-32 is between \$5.5 million and \$6 million, compared with a new purchase price of about \$3.8 million in 1967.

Although the company conducts all its aircraft sales in US dollars, it also has to consider the exchange rate applying at the time: a DC-9-32 cost the equivalent of 17 million Swiss francs in 1967, while the present re-sale price amounts to only about 10 million Swiss francs.

Swissair is at present offering for sale a DC-8-62 with a market price of around \$5.5 million to

\$6 million and is optimistic of obtaining it, despite much less favourable market conditions.

A campaign to sell two Boeing 747Bs and two DC-10-30s will start in 1981, about two years before the intended disposal. This is somewhat earlier than usual, but considered necessary in the light of the competitive situation.

The question about the potential safe life of an aircraft is hard to answer. After a few years of intensive service very few parts are still those of the original. All components have to be within the maximum life specified by the manufacturer and are periodically tested in a sampling programme.

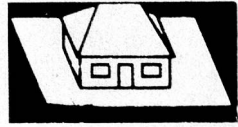
In fact an aircraft does not as such wear out, it just becomes uneconomic to operate in present conditions. This can be because of high fuel consumption — fuel economy is at present a factor of paramount importance — or because of obsolete navigational equipment or on account of environmental considerations.

Swissair normally disposes of aircraft after 10 to 15 years' service, and its fleet renewal rate is well above the world average. By 1985 the company will have one of the youngest fleets in the air transport industry.



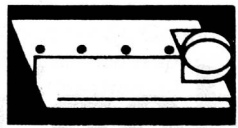
**By Walter Fuchs,
manager, aircraft and
material sales, Swissair**

Putting the cost of living in perspective



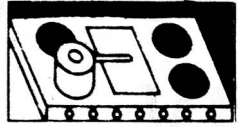
ACCOMMODATION
Detached houses

Purchase price 3/4 bedrooms, all mod cons, including central heating, good area £138,792 £75,000



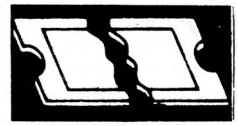
Hotels

Cost of single hotel bedroom including bath and breakfast for 1 night (luxury) £39 £42.10



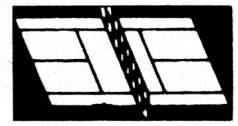
CLOTHES

Man's two-piece off-the-peg lounge suit (good quality) £117 £60.70
Woman's shampoo and set £9.62 £3.50-£6



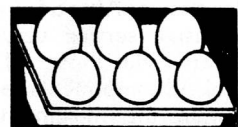
CONSUMER GOODS

Refrigerator (medium price well-known make for a family of 4) ... £111 £110-£130
Gas cooker (medium price well-known make for a family of 4) ... £125 £200
Television set 22" screen, black and white £139 £100



ENTERTAINMENT

1 bottle Scotch whisky (well-known brand) £9.16 £4.39
1 litre cheap wine £1.11 £1.65
Average cost for an evening meal for four people in a fashionable restaurant including 2 aperitifs each, a three-course meal, 2 bottles of good vintage wine, coffee, including tax and service charge £83 £65



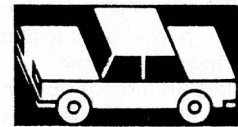
SPORTS FACILITIES

Golf

Annual subscription £278 £150
Cost of one round £8.33 £7

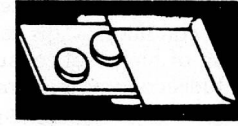
Tennis

Annual subscription £69-£83 £55.20
Entrance fee £139 £51.75



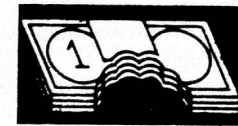
FOOD

1 kg best steak £9.99-£11.10 £5.34
10 fresh eggs £1.11 £0.62
1 litre olive oil £1.94 £2.68
2kg potatoes £0.56 £0.35



TRANSPORT

Fiat 127 2-door £2,498 £2,849
BMW 520 £6,107 £7,772
1 litre of petrol (top grade) £0.33 £0.27



GROSS SALARIES

Monthly salary, medium-sized firm
Managing Director £2,776-5,552 £997-1,368
General Manager £2,220 £757-1,074
Average gross weekly wage
Skilled worker £203 £110
Unskilled worker £143 £88

INCOME TAXATION

Effective rate of income tax, expressed as a percentage, that would be paid on the following annual incomes assuming a wife (not working) and one child ...
£6,000 8-15% 26%
£12,000 10-20% 29%
£20,000 14-23% 34%

THE Swiss may in many cases earn more than the British but they are not necessarily any better off.

This emerges from an exhaustive survey of living costs in Western Europe carried out by the Confederation of British Industry.

The survey – a guide to firms contemplating setting up industrial or sales operations in Europe – shows that high pay abroad often buys a standard of living no higher than someone doing the same job in Britain for less money.

For instance a top sales executive in Switzerland may earn around £21,000 a year while his UK counterpart may earn only £11,000. But in Switzerland a bottle of Scotch costs £9 and a four-bedroomed house around £139,000, whereas in the UK they cost only £4.40 and £75,000.

Airline is voted a winner

SWISSAIR, recently voted the British businessman's favourite airline, has won three more accolades.

According to a survey carried out by the British magazine Business Traveller, Swissair is the best overall, the best intercontinental and the best regional airline.

Says the magazine: "Swissair's resounding success in the 'Best Airline Overall' indicates the standing the airline has with regular travellers."

This the magazine puts down to the airline's pursuit of quality rather than quantity.

Here are the placings.

Best Airline Overall: 1 Swissair; 2 Singapore Airlines; 3 British Airways.

Best Intercontinental Airline: 1 Swissair; 2 Singapore Airlines; 3 British Airways.

Best Regional Airline: 1 Swissair; 2 Lufthansa; 3 British Airways.

Office range

THE Swiss company Hermes Precisa International is introducing through its UK subsidiary a range of three electronic typewriters and a word processor that cover a wide spectrum of office typing needs.

Off to Geneva - by road

LONDON to Geneva return for £43 - that is the fare charged by a London company for their shuttle coach service between the two cities.

Mr Nicholas Rogovsky, director of Hemisphere Holidays of Richmond said:

"We are confident that an inexpensive service like this will benefit many thousands of future travellers. We operate up to four services a week in both directions, and use modern, heavyweight luxury long-distance coaches which offer the best possible comfort.

"To the best of our knowledge there is no cheaper form of transport between London and Geneva."

The coach starts from outside the Cunard International Hotel in London at 11am, crosses the Channel at 2pm, makes a halt in Paris at 10pm and arrives in Geneva at 7.30am the following day.

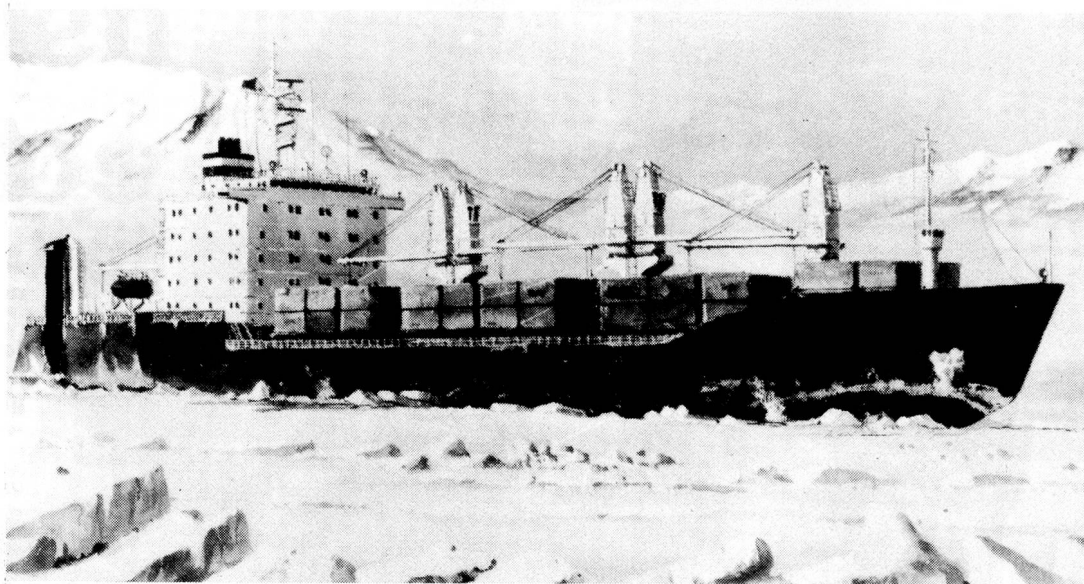
The return journey starts at 9.30pm and arrives in London at 3.30pm the next day. Return tickets are valid for one year.

Tell the time by the sun

A NEW, virtually maintenance-free exterior clock has been developed in Switzerland. Known as the Teleclock it is solar-powered and radio controlled.

Only a few hours of sunlight are needed to keep its cells fully charged and it needs no conventional wiring.

The beauty of the Teleclock is that it incorporates a 2,000 mile radio synchronisation facility to ensure it keeps accurate observatory time through a permanent radio link with either one of two transmission control centres in Switzerland and Germany.



BREAKING the ice . . . with help from the Swiss. This Finnish-built Arctic cargo ship is powered by Swiss-developed Sulzer engines.

Designers Wartsila of Finland, the

world's leading designers of icebreakers, have contracted orders or built a total of 96 of these two stroke engines to date.

A warming thought for the Swiss in an icy business.

Incentives offered to attract investors

A DRIVE to attract more foreign investment is currently under way in Switzerland.

In recent months the Government has been offering attractive land, finance and tax incentives to foreign industrial investment. They apply to declining sectors such as steel, watches and textiles, and to other activities that can provide jobs for the growing workforce in Switzerland.

Some of the cantons were already offering incentives to manufacturing concerns, including rent-free or low-cost land and tax concessions. Industrial zones have been set up in some cantons to attract new enterprises.

Of the various forms of business enterprise recognised by Swiss law in the Code of Obligations, the most suitable for most British concerns establishing a subsidiary in Switzerland is the joint stock company

Aktiengesellschaft (AG) or Société Anonyme (SA).

The authorised capital of an AG or SA must be not less than Sfr 50,000 and of this at least Sfr. 20,000 must be subscribed on incorporation.

At least three founder shareholders are required, two of whom must be Swiss. Each director must be a shareholder, and unless exemption is granted, a majority of the board members must also be of Swiss nationality and residence.

At present each share must have a par value of at least Sfr 100, although revisions of Swiss company law have been proposed, for implementation possibly in the early 1980s, which would allow par value shares of Sfr. 1.

As an alternative or as a preliminary to setting up a local subsidiary, a foreign company may open a branch office in Switzerland. A branch may pursue all forms of business activity as if it were a Swiss-registered company.

However the parent company is by law liable for the obligations of the branch, and because of this and of the tax-disadvantages which bear on branches, a locally-incorporated subsidiary is usually preferred.

All business enterprises must normally be entered in the commercial register kept by the cantonal authorities and details of new entries are published in the official gazette.

The taxation position of business enterprises varies according to their location.

Taxes on corporate income are levied at municipal, cantonal and federal levels. Dividends are subject to a withholding tax but there is a double taxation agreement between the UK and Switzerland.

Capital may be repatriated freely and no restrictions are imposed on the transfer of royalties, fees, interest, profits and dividends. However there is a requirement that before dividends may be distributed, companies must place five per cent of net profits in a legal reserve until it amounts to 20 per cent of the paid-up capital.

Property deal

THE Swiss-Italian property fund group Interprogramme has completed its purchase of a controlling stake in the luxury hotels group Ciga, from the Rome-based property group Societa Generale Immobiliare.

Switzerland's trade balance

(in million Sw. francs)

Period	Imports	Exports	Balance
1979 August	3,863.4	3,182.1	-681.3
1980 July	5,299.0	4,306.5	-992.5
1980 August	4,206.2	3,175.8	-1,030.4
1979 Jan.-Aug.	31,000.0	28,158.2	-2,841.8
1980 Jan.-Aug.	40,165.3	32,211.1	-7,954.2