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NEARLY 200 journalists from 35 countries recently attended Swissair's annual international media conference in Berne. Among them was the Swiss Observer's COLIN FARMER, who reports here on another successful year for Switzerland's national airline, warnings of tough times ahead – and an outspoken attack by the Swissair management on the business practices of Sir Freddie Laker.

Half-century is marked by good profits, but there's a warning...

SWISSAIR celebrated its 50th anniversary last year with a net profit of Sfr 54.3 million (about £16 million) – an increase of 23 per cent over the previous year.

But, warns the annual report, the international airline industry faces a bleak and turbulent future. It states: "Throughout the industry, revenue erosion and mounting debts have become increasingly commonplace, with the result that some carriers are now in deep financial difficulty. Traffic is in a rut and the struggle for a piece of the cake is growing fiercer."

Business during the opening months of

1982 have been below budget forecasts and shows no sign of an improvement, adds the report.

Swissair last year carried a record 7.3 million passengers – more than the entire population of Switzerland – and achieved increased revenue on all traffic sectors. Income on the highly competitive North Atlantic routes increased by nearly 25 per cent, to Africa by 22 per cent, to the Far East by 21 per cent, within Europe by 10 per cent and on the South Atlantic routes by nine per cent.

Swissair expenditure last year rose by 16 per cent. Fuel costs alone rose by 23 per cent

– "almost modest" compared with the 62 per cent increase the previous year. "However", warns the annual report, "there is practically no prospect of long-term stability in the price of fuel". There is likely to be an additional rise in fuel costs from 1983 in line with continuing worldwide inflation.

Swissair management's aim is "to navigate the company successfully through the turbulence currently affecting the international airline industry.

"As in previous years, we shall keep a tight grip on costs. Secondly, we shall devote our full energies to maintaining the quality of our product at its present high level. And we are counting on the continued commitment of Swissair staff at all levels. Industrial peace, good staff morale and the awareness of belonging to a successful team are important factors in mastering more difficult trade conditions."

The report welcomed "the enthusiastic response by the staff in signing shares made available to them on the occasion of the company's 50th anniversary; over 76 per cent of personnel in Switzerland and abroad took this opportunity to purchase Swissair stock at nominal values, thus giving tangible expression to their identification with the airline."

The management also expressed its thanks "for the loyalty and support Swissair continues to receive from the travelling community". Satisfied clients and dedicated personnel, adds the report, reinforce confidence in the company's future.

"Traffic is in a rut and the struggle for a piece of the cake is growing fiercer"



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swissair 

Change in results (mill Sfr.)

| | | 1981 | changes 80/81 | |
|---------------------|---------------------|------|---------------|-------|
| Revenue | total | 3390 | + 490 | + 17% |
| Expenditure | Fuel | 721 | + 133 | + 23% |
| | Personnel costs | 1055 | + 87 | + 9% |
| | Flight ops. charges | 306 | + 52 | + 21% |
| | Other costs | 1046 | + 158 | + 18% |
| | Total expenditure | 3128 | + 430 | + 16% |
| Gross profit | | 262 | + 60 | + 30% |
| Depreciations: | ordinary | 183 | + 25 | + 16% |
| | extraordinary | 25 | + 25 | — |
| Net profit | | 54 | + 10 | + 23% |

Laker's finances ludicrously inadequate



1981 was a difficult year for the IATA carriers, a year in which their combined losses reached a total of approximately 1.6 billion dollars. According to current estimates, this shortfall is likely to double to around three billion dollars in 1982 and only a modest improvement from this staggering figure is forecast for 1983.

With business conditions moving into lower gear all over the world, there is little probability of any notable pick-up in demand for air transport before 1983. Despite the tariff increases decided upon a short while ago, revenues are not developing in accordance with expectations.

Traffic is stagnating and inflation continues unabated in many countries, with the result that airline costs are soaring out of control despite intensive rationalisation programmes. The situation is of course not exactly helped by the irrational behaviour of some airlines. Too many are still under the illusion that they can buy their way into the market by cutting fares right down to the bone.

Just like the egg-woman who bought her eggs for 40 centimes each and sold them for 35 centimes under the motto "never mind the profit, I need the business!"

There are still too many operators in our industry who share the egg-woman's novel theory of economics, and persist in disposing of their product at less than the costs of production. The meteoric rise and fall of Freddie Laker is a grim reminder of where all this can lead.

The eighteenth century moral philosopher

and economist, Adam Smith, is often cited in support of Freddie Laker's cavalier brand of capitalism. And it is true that Smith argued that competition unfettered from governmental restraints would automatically result in social and economic harmony.

But Adam Smith lived in the era of horse-drawn transport. And while oats may have been a renewable source of fuel in his day, oil certainly is not in ours. To see how far the harmony Smith predicted has actually materialised, one need only take a look at the current predicament of the US airlines. Freed from governmental regulation, they are winging their way towards the greatest deficits in their history.

Laker Airways collapsed with enormous debts totalling over 800 million francs. These were run up in a relatively short space of time on an equity base which, in comparison, was ludicrously inadequate. Despite this, Sir Freddie is already talking about launching another airline. How his numerous creditors get their money back is obviously of very little concern to him. To top it all, he is hailed by many as a hero.

Armin Baltensweiler,
President of Swissair



Sir Freddie-failure and fiasco

WITH the collapse of Laker Airways still fresh in our minds, it might be worthwhile to reflect on the reasons for Sir Freddie's failure and the lessons to be learned from it. In the first place, it showed once again – and hardly surprisingly – that

no enterprise can afford to sell its product for very long at less than the costs of production.

Secondly, it illustrates the fate that lays in store for any entrepreneur who decides to take on all comers in a cut-throat price war without having resources greater than those of all his opponents put together. With an equity/debt ratio of one to seven, Laker Airways was headed for the receiver's office from the start.

At the risk of sounding self-righteous, these facts, or rather platitudes, of economic life finally proved to be Sir Freddie's undoing. What is new about the Laker fiasco is the way it was received by the UK media and by a large cross-section of the British public. Praise for Sir Freddie's pioneering spirit, indefatigable optimism and courageous attempts to bust the nasty IATA cartel filled columns of newsprint in a display of affection, sympathy and dismay that, to our knowledge, is entirely without parallel in the history of civil aviation.

Understanding of this response is liable to vary depending on the standpoint of each individual observer. But when Sir Freddie is congratulated on bringing flying within reach of less well-off sections of the public, and – presumably – for letting his creditors pick up the pieces afterwards, I must admit I find it difficult to see this as an example of free enterprise at its best. The price-cutter and mass benefactor of popular legend not only lacked good luck but also the necessary sense of responsibility.

I'm afraid that Swissair's past business year and the everyday struggles and realities it faces in the international marketplace are a lot duller than the Laker saga. Sound financial management, adherence to proven philosophies, avoidance of prestige-thinking, and untiring efforts to offer a high-quality product are not the stuff of which sensational headlines are made.

Hellmuth Scherrer
Marketing Director

Five share 130 years service

FIVE Swissair executives with service totalling 130 years received commendations and long service certificates in London from Louis Nart, the airline's general manager for UK and Ireland. Iain McPhail, manager for Scotland, has 30 years to his credit, the others 25 years.

Seen here in front of the Swiss Centre are, left to right, Max Landolt, manager for Ireland; Adrian Head, senior sales representative; Louis Nart; Carl Grey, senior duty manager, Heathrow; John Walker, sales development executive; and Iain McPhail.





'Our Dr Rast' dies, aged 90

LAST year, Dr Hugo Rast celebrated his 90th birthday in Kaufdorf, Berne (see Swiss Observer, August 1981). Though he still enjoyed excellent health, he did feel that the light of his life had begun to flicker.

When his wife, Ruth, had to attend to some urgent business in London towards the end of March, she did not feel happy to leave his side. She told him that she would prefer him to go with her. He loved the idea, and they hired an ambulance plane from Belp and together they flew back to their real home in London.

The weather was fine and the flight in the small aeroplane was a delight, like a going home. Together they visited old friends and old places and enjoyed past memories of a life filled to the brim with creative work, joys and sorrows.

But he knew, and even wrote it down, that he was like a candle, collecting with an effort the rest of the remaining wax, radiating light and warmth for the last time before going out. On March 28 he suffered a stroke and died in the Middlesex Hospital on April 6 with a last look of grateful farewell to his wife and the personnel of the ward who had cared for him so well for the last 10 days.

It was holy week. Easter was approaching, and the symbolic meaning of that liturgical event summed up his whole life: He lived and worked with Christ for the well being of the people; he died with Him, and rose with Him to eternal life.

Dr Rast was quiet, but a great character of the Swiss colony in London, and his name spelt healing. He was from Hochdorf (LU), being born in Berne on August 6, 1891, and was a lover of life, of music, of art, of mountain sports, but above all of people.

In spite of his strict upbringing in Catholic discipline, God let him see the humour, the love, the kindness and the beauty in his religion and in life. That is why he studied to become a medical doctor.

His main interest was surgery, but he felt that there was more in a suffering patient than a defective organ, and he tried to understand all possible aspects of his profession, including the new science of psychotherapy. He graduated as an MD in Berne in 1915 but his studies brought him to Lausanne, Paris and finally to

London in 1919.

In the First World War he was medical officer supervising the trains which carried prisoners of war to be repatriated under the Geneva Convention. It was as if he had prepared himself for his much greater responsibility during the Second World War.

In London he began work at the German Hospital. He took postgraduate courses to bring his qualifications up to English standards, and qualified in 1922 as FRCS (Engl) and LRCP (Lon). Then London took hold of him. He became a surgeon in 1925, senior surgeon in 1938 and medical superintendent of the German Hospital in 1939.

His high qualities as a medical doctor, his command of languages and his deep concern for the patients won him the respect and confidence of the Home Office, of the War Office and finally of the United States War Department. He was appointed chairman of the Mixed Medical Commission for civilian internees, for prisoners of war and then for the European theatre of war.

He became the medical adviser for 14 embassies and legations in London: Belgium, Brazil, China, Czechoslovakia, Denmark, Finland, Italy, Peru, Poland, Portugal, Spain, Sweden, Switzerland and Turkey. Several publications in scientific research not only helped to combat

disease but also won him the respect of his colleagues.

A secret of his great capacity for work was the love of mountains. As a member of the British Alpine Club he was a frequent guest, and was well known in Zermatt. He knew the Matterhorn, which he climbed for the last time when he was 70.

Hugo Rast remained an active member of the Swiss colony, and several societies enjoyed his regular presence and co-operation in office. He was simply "our Doctor Rast" who could listen, go to the heart of a problem and give advice until, a few years ago, he built his second home in Kirchdorf (Berne).

To the delight of his friends he married Ruth Berthe Aeberhardt in May 1970. She became his devoted wife, friend and companion. With her we all share not only the sadness that he is no longer among us but also the joy of having known him and the deep confidence that his spirit will remain an inspiration to us and that we shall meet again once we have reached the cross of the mountain peak and, like him, gone beyond.

Fr. Paul Bossard.

WE regret to announce the death of Mrs Theresa-Maria Furrer, of 29 Grandison Road, London SW11. She died on April 16 at the age of 91. We extend our sympathy to her family.

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