Solo flight for Shannon may provide a brighter future

By VINCENT WALL

MARY O'Rourke's timely little letter to Aer Rianta requesting the company to consider all its options does not necessarily presage either the sale or flotation of the airport authority. But it sure increases the likelihood of such a move.

On the face of it, a stockmarket flotation would nicely cover the two challenges of raising capital for investment in the State's principal airports and of ensuring continued cost reduction most notably in the form of job numbers.

There should be no lack of appetite on the part of investors to stump up a significant tranche of cash for a majority holding in one of the State's prime assets. The subsequent requirement to maximise profits and dividend payments will also force 'the disciplines of the market' on Aer Rianta.

But what about one of the key underlying reasons for the forthcoming flotation of Telecom Eireann. Namely the desire to promote increased competition for the benefit of the general economy and individual consumers.

The sale or flotation of Aer Rianta will do little to promote competition. In fact as the experience of the privatised utility companies in the UK shows, a public sector monopoly can often prove a more benign corporate entity than its private sector equivalent.

Executive pay and shareholder dividends are likely to be the main beneficiaries of cost reduction programmes rather than airline customers and the travelling public.

One way around this is either to allow the construction of competing facilities in tandem with a flotation, or hive off one of the existing state-owned airports to a different owner.

The latter has the advantage of simplicity and avoids the possibility of duplicating resources such as might happen with an alternative terminal at Dublin. But would an 'independent' Cork or Shannon airport work, either at a political or economic level?

The question does not really arise for Cork, dependent as it is on European duty free revenues, which now look certain to be abolished by next summer.

But Shannon with its long-established transatlantic links (ensuring continued high duty free revenue) and a well-developed industrial and tourism hinterland, might prove a different story.

Shannon must also be mindful that the current bi-lateral agreement between the US and Ireland requiring a stopover at the airport for each equivalent service to Dublin, is likely to be replaced in the not too distant future, by an 'open skies' policy between the US and Europe.

This means that in exchange for 'turning a blind eye' to the potential monopoly issues arising from strategic alliances between airlines, these airline groupings will be permitted to fly any routes they like between the US and the EU.

In such an environment, Shannon could find itself losing out on north Atlantic traffic to destinations not only within the State such as Dublin, but further eastwards as well.

To counteract such a development and to provide a greater competitive market for airline customers, a Shannon airport owned perhaps by a combination of local authorities in the region and business interests, could begin to differentiate itself from Dublin in terms of airport charges, retail facilities and packaged tourism products.

An airport such as Shannon could begin proactively to attract airlines to use it as a relatively uncluttered gateway. (In contrast Virgin Express's likely move to Shannon is motivated by high costs in Brussels). In this way it could become a hub for passengers from UK and European provincial airports to the US, using Aer Lingus, Continental or other transatlantic carriers.

A wider range of services to the UK and Europe, particularly early morning schedules, would serve to stimulate higher economic activity in the Mid-West region, particularly for multinational companies with executives on the move.

The idea of an independently-owned Shannon is beginning to find some favour in the region. Recently, Limerick businessman, Tadhh Kearney has promoted its merits in the *Limerick Leader* while an editorial in this week's *Clare Champion* seemed to identify as many positives as negatives attaching to the initiative.

It is understood, local TD and Minister Síle de Valera opposes the idea vehemently and may still reflect majority opinion in the region. But it is well worth debating, in light of the now certain changes in Aer Rianta's status and the comprehensive paper on aviation, which public enterprise minister, Mary O' Rourke plans to present to Cabinet next month.

● Dublin-based publican Tom Moran has bought one of North London's best-known 'watering holes', the Crown, in Cricklewood, in the first stage of a planned £16m hotel and leisure development.

Moran set to crown his pub empire

A DUBLIN-BASED publican has purchased one of North London's best-known 'watering holes', the Crown, in Cricklewood, in the first stage of a planned £16m hotel and leisure development.

Tom Moran, owner of the Red Cow Inn and hotel complex on the Naas Road, recently purchased the Victorian pub and an adjoining vacant site, situated in one of London's traditional Irish suburbs.

While Mr Moran was unavailable for comment this weekend, the property deal is understood to have cost about £4m. He now plans to build a 155-bedroom four-star hotel on the site beside the Crown at a cost of a further £12m.

The Crown is a listed architectural building, but Mr Moran and his advisers have won approval from the British Heritage Council for their development project.

Preliminary planning discussions are understood to have taken place with the relevant local authority, Barnet Borough Council, with a view to securing permission for the hotel project.

The Crown is well known to generations of Irish people in North London and features in the song made famous by the Dubliners - 'The craic was good in Cricklewood.'

But it is believed Mr Moran plans to upgrade its image in tandem with his development of the hotel. It will be marketed to business users during the week and tourists to London at weekends.

Originally from west Limerick, Tom Moran has built a substantial empire in the Dublin licensed trade business.

Apart from the Red Cow pub and the adjoining 130-bedroom Red Cow Moran's Hotel, he also owns a pub in Clondalkin village and the Playwright and Mad Hatter's establishments in Blackrock.

In his late forties, he worked for some years in England and previously owned properties there.

The Crown development is now his only interest in the UK, though by far his most ambitious project to date.

Ahern to sign e-commerce deal during Clinton visit

By VINCENT WALL

PRESIDENT Clinton's visit to Ireland next month will be the focus of ambitious plans to promote Ireland as a major global centre for e-commerce or international trade on the internet, the *Irish Independent* has learned.

Preparations are at an advanced stage for Taoiseach Bertie Aherne and the US President to sign a comprehensive e-commerce treaty during the visit.

One of its key elements will be an agreement by both countries to develop a mutually acceptable and standardised encryption code for internet transactions.

This is essential to encourage high volume trading on the internet using credit cards as a method of payment.

Individuals and companies will only be persuaded to offer their credit card numbers as a payment mechanism, if they are guaranteed security from future theft by a network of highly complex electronic codes.

It is understood that strenuous efforts are being made to facilitate the signing of a high profile treaty at Ennis, location of Telecom Eireann's information age town.

But while the President is due to visit the University of Limerick on September 5, the second day of his visit to the Republic, it is not clear yet whether his schedule can be extended to include a visit to the Co Clare town.

Failing this, the treaty will be signed at the Gateway 2000 facility near Dublin Airport.

President Clinton is scheduled to visit the plant, currently Ireland's largest telephone call centre on September 4, the first day of his visit to the State.

E-commerce is seen by the IDA and others as the key to a further wave of information technology-related new jobs in Ireland, following the country's success in establishing itself as the leading European location for call centres.

Subject to agreement on encryption codes and most likely to ongoing reductions in access charges to the internet, it is hoped Ireland would become home to a growing number of US companies e-commerce web sites.

These sites, which could be accessed across the internet from any global location, would be serviced and updated by the country's young workforce.

A further attraction to American corporates would be the low rates of corporation tax here and our relatively sophisticated telecommunications infrastructure.

The potential growth rates for for e-commerce are exponential. Worldwide sales of goods and services over the internet are expected to rise to about $430bn within the next four years.

The Government has been anxious to establish Ireland quickly as a major global centre for the location of e-commerce web sites.

This has been one of the primary goals of the special telecommunications advisory committee established by Public Enterprise Minister Mary O'Rourke.

A member of the committee is Ira Magaziner, President Clinton's special adviser on the internet.

He has been liaising closely with the Minister and her assistant secretary Brendan Tuohy in recent weeks to ensure the signing of the treaty.

Low rate sees half year sales of prize bonds soar to record £18m

SALES of prize bonds continued to soar during the first six months of the year, as investors sought opportunities to maximise returns in an environment of low interest rates on deposits.

According to figures published by the prize bonds office yesterday, a record £17.9m was spent on bonds during the six month period to June. This represents a 39pc increase on last year's first half.

In the period under review, over 15,000 winners shared a prize fund of £2.7m or an average winning of £1800 each.

The trend in larger scale investment in prize bonds was further consolidated. The average purchase unit has risen to £170 - equivalent to 34 separate bond units.

There is no maximum limit to the number of bonds which an investor can acquire. The minimum transaction is £10 or two £5 units.

May was the single busiest month for prize bond sales, with £4m invested that month alone. According to the statement, the upward swing in sales has continued into July and August.

The prize bond company is a joint venture between an Post and FEXCO, the financial services company based in Killorglin, Co Kerry.

The total invested in the prize bond fund now stands at £161m. It is managed by the National Treasury Management Agency.

"In the current low interest rate environment, the smart money is moving to prize bonds and the chance to win anything up to £100,000," said chairman Michael O'Keeffe.

"The chance to win tax-free cash prizes, without losing the original investment, has made prize bonds a popular alternative to ordinary savings accounts.

"A £1,000 holding in prize bonds currently gives the owner better than a one-in-six chance of winning a cash price every year," he said.

The identity of prize bond winners is confidential and the bonds can be cashed in at full face value, which is part of their popularity, the prize bonds office contends.

Unilever chief in warning on 2000 bug crux

THE Irish chief executive of the Anglo/Dutch consumer products giant Unilever has given his direst warning to date of the possible consequences of the so-called millennium computer bug, including the potential of public disturbances on the streets.

In an interview in the *Sunday Telegraph*, Niall Fitzgerald stressed there was a "small but unquantifiable risk" that many of the systems we rely on for everyday life could fail, triggering a wave of public protest and disorder.

"The greatest risk is that there will be a breakdown of community services and that would bring people out on the streets.

"Already the US social welfare services have said they are not confident they will be able to make their payments through 2000. What effect will that have?"

Unilever shocked the markets last month when it revealed that it plans to spend stg£300m on correcting the millennium bug in its own information technology systems across 90 different countries.

But Fitzgerald already believes it is too late for many to ensure a smooth transition into the next century.

"The best we can hope for is that the computers of all mission critical and life-critical systems will remain operational.

"There will be systems which fail and there will be a huge cost and an awful lot of 'I told you so.'"

He also revealed that Unilever had turned down several acquisition opportunities because it did not want to inherit another company's millennium problems.

Glaxo SmithKline merger 'is back on'

REPORTS in the British media yesterday indicated that the proposed merger of pharmaceutical giants, Glaxo Wellcome and with SmithKline Beecham is back on in a £105bn deal to create the world's third largest company.

Sources within the industry claimed the pharmaceutical groups would come together and that it was only a question of time.

The move is expected to delight the City after SmithKline Beecham called off talks earlier this year when the proposed union with Glaxo Wellcome turned into a takeover.

However, sources said the pact would lead to a cut in the workforce believed among trade unions to be up to 10,000 jobs.

And the tie-up was likely to be kept on hold until SmithKline's chief executive Jan Leschly left his post.

Sir Richard Sykes, chief executive at Glaxo Wellcome, has long been interested in joining forces with SmithKline Beecham but has ruled out a hostile takeover.

While he has denied that Glaxo Wellcome had demanded the resignation of Mr Leschly as a condition of the merger, analysts said he would now have to play a waiting game. A link-up seems more likely after Glaxo Wellcome recently unveiled a slump in sales and SmithKline Beecham announced in July lower-than-expected profits after being hit by a range of factors including the Asian crisis.

The termination of talks in February cost investors £13bn as the combined values of the two companies fell to a wave of selling that caused a collapse on the stock market.

City fund managers believe that a change in management at the groups would be the only way to push through a deal.

Aer Rianta backs Virgin service

AER Rianta has been unable to confirm weekend reports that Virgin Express, the Brussels-based low cost airline, has decided to locate its European headquarters at Shannon rather than Dublin airport.

"We would particularly welcome them to Shannon, but we are unaware whether that decision has yet been made," a spokesman said yesterday.

A report in *Ireland on Sunday* claimed that Virgin Express, which is majority owned by Richard Branson's Virgin Atlantic, had decided to move some of its operations to Shannon, following discussions with Public Enterprise Minister Mary O'Rourke during the week.

It is expected that up to 200 jobs will be created at the company's new Irish facility, including an administrative and reservations centre for Virgin's 14 scheduled flights to European cities.

"We would welcome the establishment of an early morning flight from Shannon to one of London's transfer airports, Heathrow or Gatwick," the Aer Rianta spokesman added.

"Virgin would also bring a much-needed early morning service from Shannon to a major European hub, such as Brussels or Paris."

Any airline initiating flights into Shannon or Cork is offered three years of free landing charges by Aer Rianta.

The inducement to fly into Dublin is not as great, but still involves 90pc rebate on charges in the first year, declining to 70pc in year three.

Taxing times in bid to set up investment clubs

By JIM AUGHNEY

THE promoters of Ireland's first investment clubs are still unsure of the tax treatment which would apply here.

An investment club is where a group of people get together to pool their funds before investing in international stock exchanges with the view to making money.

UK-based Babu Shah and Belfast-based Denis Noble, who run The Investment Club Network, are holding a series of meetings with potential investment club members around Ireland over the next few days.

They say they have 12 clubs in operation in the UK, including a club called the Millennium Millionaires which claims 60pc growth on its first investments over eight months.

An Irish affiliate investment club is almost ready to go and should make its first plunge into the stock markets in October, according to Mr Shah.

However, it is still not clear whether The Investment Club Network should charge VAT on the fees it charges for its meetings and seminars which cost up to £499 per participant.

Nor is it clear whether income tax and Capital Gains Tax will apply to those who take responsibility for setting up an investment club in Ireland.

● *Babu Shah: unsure on tax status*

After a three-hour meeting with interested parties in Dublin this weekend, Mr Shah was still unsure about the tax status which would apply to those setting up investment clubs in the Republic.

Denis Noble, who was also involved in organising the meeting in Dublin's Doyle Montrose Hotel, said the issue of tax liability was "being looked into."

However, he would not identify the tax consultants who were looking into this matter.

According to Mr Noble, investment clubs are partnerships under the 1890 Partnership Act.

However, the Revenue Commissioners take the view that the tax liability for an investment club falls on the secretary, treasurer or chairman.

The Investment Club Network charges £20 for its 'Money Talks' introductory meetings and £499 for a weekend session. In Northern Ireland it charges VAT, but the VAT position in the Republic has still to be clarified.

Mr Shah says that investment clubs get special tax treatment in the US, where there are "over 31,000 clubs."

The Investment Club Network is holding a weekend seminar in the UK within the next few weeks, and is hoping Irish participants can attend.

But as yet it will not say where the UK seminar will take place. It also intends to hold a one-day seminar or possible a weekend seminar in Galway before the end of October.

Participants at the weekend seminars can expect lots of team-building exercises as well as speeches on how to achieve "security, independence and wealth" through investment.

Investing in Dow Jones stocks and trading options on the FTSE 100 are topics which are covered in the meetings.

The aim of the weekend seminars is to establish groups of people who will then set up investment clubs in which Mr Noble, Mr Shah and Mrs Taz Shah may participate.

The promoters of the Investment Club Network intend to visit University College Cork today, the Limerick Inn on Tuesday and UCG on Wednesday.

*See also background to Mr Shah and investment clubs on opposite page.

Nomura eyes up Thistle

THISTLE Hotels, the UK's second largest operator, is expected to be sold to Japanese finance group Nomura for an estimated £1.5bn, it emerged yesterday.

The Japanese bank is thought to have been singled out after beating off five other rivals, according to reports.

Nomura is believed to have fended off bids such as French hotel group Accor and Blackstone of the United States.

The UK group, made up of 91 hotels, was recently put up for sale by controlling investors Brierley Investments.