

## Merger mania

While the airline industry sees Air France and KLM join forces, mergers continue in other business sectors. What are the advantages of companies joining forces?

1 How many of the following companies have you heard of? Which industry sectors are they in and what are their countries of origin?

BBC	KLM	British Airways	Lufthansa	ExxonMobil
Carlton	Granada	Yukos	Sibneft	Sky Digital

2 Read the article and check your answers.

## Mergers worldwide

Air France has confirmed it is to join forces with Dutch airline KLM. The deal will create the world's third largest airline in terms of traffic after US carriers American Airlines and United Airlines, overtaking British Airways and Germany's Lufthansa. However, passengers are unlikely to notice much difference as KLM and Air France will continue to use their own brand identities and network of flights. Not all analysts are convinced that the deal is the solution to the industry's falling profits. It is hoped that costs will be cut by combining sales teams and converging computer systems. Neither side, however, has mentioned the possibility of job cuts, leading to concerns about how the new management structure will actually work.

In Russia, oil giants Yukos and Sibneft have just completed a \$45 billion merger. Russia is the world's second biggest oil exporter behind Saudi Arabia. The new YukosSibneft group will become one of the world's top energy companies and will be Russia's largest publicly listed company. It is thought that the

world's number one oil company, the US firm ExxonMobil, is interested in buying a stake in the new company.

In the UK, the two biggest independent television companies, Granada and Carlton, have just been given the go-ahead to combine their operations in the face of an advertising slump. In the battle for TV ratings against the BBC and satellite broadcaster Sky, a merger would enable a single commercial channel to save up to £50 million a year, though some fear such a large channel would control too much commercial airtime. It is likely that the new company will attract overseas interest.

A new report has just announced that the market for mergers and acquisitions in Japan grew by almost 50% in the first nine months of 2003. Many business commentators say that mergers are the only way for companies to compete in a global market, while others argue that corporate giants stifle competition and create less choice for consumers.

3 Find words in the article which mean:

- coming to the same place from different directions (paragraph 1)
- a share or interest in a company (paragraph 2)
- the number of people who watch a TV show (paragraph 3)
- stop something from happening or developing (paragraph 4)

4 Discuss the following questions in small groups and report your ideas to the class.

- Which recent mergers have occurred in your country or business sector?
- What are the advantages and disadvantages of mergers for 1) investors? 2) employees? 3) consumers?
- Do you think that the number of mergers will continue to rise in the future?