

Virgin tries block move on BA link-up

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Sir Richard Branson, the president of Virgin Atlantic, went on the attack yesterday against his old adversary British Airways to try to block plans by the UK flag-carrier to join forces with American Airlines and Iberia across the North Atlantic.

The three carriers, all members of the Oneworld global airline alliance, said they had signed a "joint business agreement" covering flights between North America and Europe.

The deal would see the three carriers co-operate commercially on flights between the US, Mexico and Canada, and the European Union, Switzerland and Norway while continuing to operate as separate legal entities. They would share revenues but not profits.

Sir Richard, said a BA tie-up with American would "create a monster monopoly that would push up ticket prices and substantially reduce competition on the busiest air corridor in the world". He said BA/AA and Iberia would be "unacceptably dominant, with nearly half of all of the slots at Heathrow, leaving competitors powerless to take them on". The current economic slowdown was "no justification for agreeing to this alliance".

The Virgin group and BA have a long history of hostility ever since Sir Richard started Virgin Atlantic as a rival long-haul carrier in the London market 20 years ago.

American Airlines, British Airways and Spain's Iberia said they were applying along with other Oneworld airlines Finnair and Royal Jordanian - for antitrust immunity from the US and European competition authorities to form a transatlantic joint venture.

Eventual approval by Washington and Brussels would allow the carriers to form a revenue-sharing joint venture for their transatlantic routes in which they could jointly arrange capacity, networks, pricing and sales, to corporate customers in particular. They could combine frequent flyer programmes.

In parallel, BA and Iberia have recently begun negotiations to merge.

This is the third attempt in 11 years by BA and American to gain antitrust immunity for their alliance after failed efforts in 1997 and 2001.

Mr Walsh said yesterday the airline industry and the competitive environment had "changed radically" since the last applications.

Most importantly, Heathrow airport, BA's global hub and the key gateway in Europe for travellers from the US, had been opened to full competition for all EU and US carriers since the end of March, when the "open skies" treaty between the EU and the US came into force.

The three carriers said the deal would allow Oneworld to compete better with Sky-Team and Star, the rival alliances in which the core carriers already had transatlantic antitrust immunity.

Gerard Arpey, chairman and chief executive of AMR, the parent of American Airlines, said the deal would help the carriers "manage through the challenges of record fuel prices and growing economic concerns."

Mr Walsh said that it would strengthen competition by "providing consumers with easier journeys to more destinations with better aligned schedules and frequencies."

It would also enable the three airlines to cut costs and increase revenues, helping to mitigate pressure on fares from record fuel costs.

Fonte: Financial Times, London, August 15 2008. Companies & Markets. p.16.