BRITISH AIRLINES BAND TOGETHER TO FIGHT FOR CONTINUED ACCESS TO EUROPEAN SKIES

News / Airlines



The UK’s open access to European skies is easy to take for granted. Back and forth for the past 20 years, flights between the UK and the Continent have helped knit together the EU’s business and tourism industries.

Since 1994, any EU airline has been free to fly between any two points in Europe, spurring the rise of budget airlines and slashing airfares to half of what they were.

Today, the UK has the third-largest aviation network in the world, following the USA and China, carrying 144m passengers and 1m tonnes of cargo in 2015 alone.

But as the Government seeks to disentangle itself from the EU and its law, Brexit threatens to trow the industry's intricate arrangement of routes and ownership structures into disarray.

Airlines including British Airways and easyJet are preparing to fight to operate in Europe without any limitations through the “Open Skies” scheme.

And this morning , the battle will begin in earnest. As part of a planned series of meetings with the UK’s major industries, the Department for Exiting the European Union will sit down with senior

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figures from the aviation industry to address the looming changes it can expect in the coming two years.

A spokesman for the department says the Government is interested in understanding the challenges and opportunities Brexit will deliver – but the discussions will no doubt be dominated by the former, industry sources say.

The outspoken boss of Ireland's Ryanair, Michael O'Leary, says that losing access to the single aviation market will raise airfares and slash profits as airlines back out of the UK market.

His airline is doing just that after taking a €75m (£65m) hit in this financial year due to the plunge in the value of sterling.

But it's the UK-based poster child for low-cost air travel which arguably has the most to lose. EasyJet holds an operating licence in the UK but relies on intra-European flights for 40pc of its revenues, and continues to aggressively grow its network of routes connecting European cities.

Ryanair CEO, Michael O'Leary

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The no-frills carrier is already bracing for a £90m profit hit this year after the plunge in sterling. To avoid losing almost half of its revenue after the UK's departure from the EU, easyJet, along with other airlines expected at today's meeting, will be calling on the Government to ensure that the single aviation market remains intact.

Industry sources agree that that succeeding in these negotiations would be the prize goal – but the legal, commercial and political hurdles make it unlikely.

The best chance for UK airlines to continue to enjoy access to the EU's Open Skies, say lawyers at Norton Rose Fulbright, is for the UK to sign up to the European Common Aviation Area (ECAA).

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The UK already operates within the ECAA via its EU membership, but re-entering the single market on its own would require the UK to accept EU aviation laws and potentially those around the free movement of people, an unpalatable compromise which many argue is counter to the wishes of those who backed Brexit.

It would also depend on the agreement of existing members, which is far from certain given the considerable competitive might of easyJet and the existential battle faced by many of the EU's struggling carriers.

Air Berlin, Germany's second largest carrier, is expected to slash 1,200 jobs and halve its fleet of 144 aircraft after reporting its eighth consecutive annual operating loss last year.

Without the benefit of low fuel prices the Franco-Dutch carrier Air France-KLM, Europe's largest airline group by traffic, reported a 14pc profit slump to €521m from €612m in the same period a year ago.

Ryanair's O'Leary warns that it is "highly unlikely" that the UK will be allowed to remain in the so-called Open Skies agreement. Last week he slammed the UK's leave negotiations as being in an "utter mess" and accused Brexit Secretary David Davis and Boris Johnson of "sitting on their hands with no cards to play".

Even before the referendum, easyJet began investigating the possibility of setting up a separate operating certificate in the EU to enable the airline to continue its intra-Europe routes without interruption. The catch? The majority of the airline would need to be owned by EU investors due to the bloc's stringent ownership rules.

These rules are a key concern for British Airways owner IAG, which has carefully constructed a squadron of pan-European airlines including British Airways, Iberia, Vueling and Aer Lingus under its ownership

Willie Walsh, the boss of IAG, was in Washington DC last week where he told the Aviation Club that he plans to "press strongly" to maintain full access to international markets and maintain the existing regulatory arrangements.

"Aviation is a global industry and anything short of Open Skies would be a massive retrograde step. "Limiting flying is protectionism and we need a liberal regime to facilitate trade and connectivity between our nations," he said.

The airline's case to Government will no doubt be made in a single voice, but whether the Government and Brussels are willing to hear it is far less clear.

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