

Virgin Atlantic's Sir Richard Branson Warns U.S. Presidential Candidates of Anti-Competitive Link-Up Between British Airways and American Airlines

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Sir Richard Branson, the President of Virgin Atlantic Airways, today wrote to both US Presidential candidates warning that a proposed alliance between British Airways and American Airlines would severely damage competition on major transatlantic routes and leave consumers worse off.

In his letter to Senators Barack Obama and John McCain, Sir Richard says that "airlines everywhere are struggling with the current price of oil, but the solution to their problems should not lie in an anti-competitive agreement, which will inevitably lead to less competition and higher fares."

BA and American Airlines, who together with Iberia would have nearly half of all takeoff and landing slots at London's Heathrow airport, are expected to file an application this week for permission to fix prices and timetables, and share revenues and frequent flyer details, on their route networks.

The two airlines have tried twice before to gain permission to bring together their operations and, on both occasions, every regulator that examined the alliance raised serious concerns about the anti-competitive nature of the proposal.

Senator Obama represents Illinois, a state where many workers are employed by American Airlines at Chicago O'Hare airport. The possible alliance will place thousands of jobs under threat as BA and AA operations are brought together.

Sir Richard writes in the letter: "BA and AA will argue that their alliance is now acceptable because the competitive environment has changed with the Open Skies accord on UK-US routes. This is a complete red herring. Open Skies (which is only a temporary accord as it may be unwound in 2010) has not significantly increased competition on UK/London-US routes." Open Skies hasn't reduced ticket prices, either.

Against the background of high oil prices, Sir Richard writes: "Neither is the current economic slowdown a justification for waiving through any application. The job of the regulators is to assess the long-term impact of the alliance on competition, not to provide special protection from the immediate challenges of the economic cycle, with which every other airline has to deal with."

The key issue for the competition authorities is the market dominance that a combined BA/AA will have in individual markets. There are six Heathrow routes on which BA and AA overlap and where competition would be reduced. (The figures mostly refer to Summer 2008.)

BA/AA would have dominant market shares on the following routes to and from Heathrow in terms of capacity:

JFK - 63%, Chicago - 66%, Boston - 82%, Miami - 72%, Los Angeles - 49%, Dallas Fort Worth - 100%

In the letter Sir Richard explained that "BA/AA would have a combination of high frequencies and a transatlantic network that could not be replicated by any other airline/alliance, and which would make it impossible for other carriers to compete for time-sensitive corporate or business travelers."

Sir Richard also highlighted the fact that as well as Heathrow being full, another major airport is limiting access: "We now have a similar situation at New York airports, with government imposed restrictions. The Heathrow-New York JFK route is by far the most important transatlantic market, accounting for over 25% of the total Heathrow/US market."

Virgin Atlantic will be launching a major lobbying and advertising campaign in due course to ensure regulators and consumers are fully aware of the dangerous nature of a BA/AA and Iberia alliance, and why it should be blocked.

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