

Willie Walsh Article For British Airways News, October 2, 2008

VIRGIN Atlantic is not very good with numbers.



Almost all the arguments Virgin puts forward in relation to our application for a transatlantic tie-up with American Airlines rely on figures that are irrelevant or mistaken.

Virgin even tries to deny that it has a monopoly on fast trains between London and Manchester. Yet any railway timetable shows that it does. Why should we trust any of Virgin's numbers if it has a problem counting to one?

For all Virgin's exaggerated talk of our venture with American creating a "stranglehold" at Heathrow, the fact is that a deal would increase our existing slot-holding by just three percentage points.

Though Virgin likes to describe American as "the world's biggest airline", Virgin is actually bigger than AA on Heathrow-New York and other prime transatlantic routes.

Richard Branson sounds like a cracked record. He is stuck in the groove of 1996 when – in a completely different regulatory environment – we first applied for a link-up with American.

Three weeks ago, he unveiled the slogan for his latest campaign against us – and guess what? It's exactly the same as the slogan he used in 1996.

All Virgin thinks about is point-to-point traffic between Heathrow and major US cities. Perhaps this is because Virgin (which chooses to have no short-haul network, nor belong to an alliance) is in transatlantic terms overwhelmingly a point-to-point operator between Heathrow and major US cities.

Virgin's business model is its own affair. But it seems to believe that the purpose of aviation regulation between the entire EU and the whole of the US is to give Virgin a cushy life.

Wake up, Branson! The first-stage 'Open Skies' agreement between the EU and US has changed everything.

Flying between Europe and America is now an open market. There are 42 airlines in that market. That represents a huge level of competition.

This liberalisation is the reason we have been able to launch our own OpenSkies subsidiary flying from Paris (and later this month Amsterdam) to New York. And it is why Air France, for example, now flies from Heathrow to Los Angeles.

The biggest players in the EU-US market are the Star alliance (including Lufthansa, United and shortly Continental) and the Skyteam alliance (featuring Air France/KLM and Delta/Northwest).

Both these alliances have already been granted anti-trust immunity (ATI), and Virgin raised no objections to their applications. With our oneworld partners, American and Iberia, we simply want equal treatment with Star and Skyteam.

Under the 'Open Skies' regime, Heathrow is also an open market. The number of airlines flying from the airport to the US has risen immediately from four to nine. Others, including bmi (also a Star alliance member), are waiting off-stage for their moment to join in.

Of course it can be expensive to acquire slots at Heathrow. But that does not stop it happening. That is why we have seen five new operators to the US this summer, making Heathrow by far Europe's most competitive airport in the transatlantic market.

Which brings us back to the numbers. Virgin claims that the figures we use for market shares between the EU and US are “misleading”.

The truth is they are the figures we are required to provide by the EU and US competition authorities.

The regulators want this data (which is industry-wide MIDT data) precisely because it is the most authoritative and reliable. That is why they used it in determining the Star and Skyteam applications for ATI.

This data does not cover all booking channels – but is consistent across all airlines, so the categories excluded for us are excluded for Virgin too.

MIDT data is the recognised currency of aviation regulation. Complaining about it is like complaining that you can't pay for a taxi in New York with pound coins. And about as worthwhile.

It is significant that our exchanges have forced Virgin to concede that it might seek to enter an alliance and pursue ATI itself. Virgin now says that such arrangements would be acceptable, provided they led to “consumer benefit”.

In that case, it is time for them to throw in the towel. Our tie-up with American Airlines will bring clear consumer benefits.

It will allow much smoother connections, greater access to discounted fares, reciprocal frequent flier benefits and – for corporate customers – more flexible and geographically extensive deals.

Perhaps the most fundamental customer benefit is that the partnership would create a stronger business, able to provide quality services and good-value fares on a long-term basis.

Most people in the industry understand the arguments in favour of our application. Of the 42 airlines flying between the EU and the US, only one is voicing outright opposition. Once again, the numbers are not on Virgin's side.