



## Oldest rocker Branson should change his tune;

**From:** Willie Walsh  
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JUST look at the casualty list if you want to know how tough life is in the airline business at present.

Zoom Airlines collapsed a few days ago - hard on the heels of fellow longhaul operators, Silverjet, Eos and Maxjet.

In the wider world, more than 30 carriers have gone bust this year. There will be more to come. IATA, the airline trade association, has just forecast that losses for global aviation this year and next will total £5.2bn.

The reasons are not hard to fathom. Despite a recent and perhaps temporary fall, oil prices stand at excruciatingly high levels and look likely to stay there. Meanwhile, demand for travel has weakened due to the general economic downturn.

This is a devastating combination.

So it is not surprising that airlines are reviewing their futures. If your business model is broken, it makes sense to look at alternatives.

One obvious way forward is consolidation. The industry has been crippled by fragmentation for decades.

Now airlines are looking to join together to provide continuity of services and give themselves greater financial stability and focus resources to face up to the new industrial realities.

Consolidation is happening.

Air France took a lead with KLM. Lufthansa followed with Swiss and now is pursuing controlling stakes in Brussels Airlines, Austrian Airlines and the UK's own BMI.

Ryanair wants to take over Aer Lingus while even Alitalia, the longest-running horror show in aviation, is seeking foreign partners for its restructured future.

In the US, Delta are joining with Northwest, with United pursuing close links with Continental. And we at British Airways are conducting our merger talks with Iberia.

The same imperative to create a stronger business for the long-term lies behind our planned partnership with American Airlines as part of our oneworld airline alliance.

This partnership would bring real customer benefits through greater access to discounted fares, more convenient schedules and smoother connections. We are applying with American to operate trans-Atlantic services jointly on the same basis as Air France/KLM and Delta/Northwest (members of the Skyteam alliance) and Lufthansa and Delta (in Star) are already permitted to do.

Star has 35pc of the Europe-US market. Skyteam has 28pc. These are our true competitors - oneworld has only 21pc of this market.

Star and Skyteam have much larger shares of the trans-Atlantic trade passing through their European hubs than oneworld would have at Heathrow.

Star has 80pc at Frankfurt, while Skyteam has 85 per cent at Amsterdam and 73 per cent at Paris Charles de Gaulle. A combined BA/AA operation would have a 51 per cent share at Heathrow.

SINCE March this year, we have been in an era of 'open skies' between Europe and the US - and the competitive game has changed out of all recognition.

There are 42 airlines operating between the EU and the US. That shows how much competition there is.

And the only one that has expressed outright opposition to our partnership is Virgin Atlantic.

Richard Branson is the oldest rocker in town. He's still singing the songs from the 1990s when competition regulation was a UK-US matter, not EU-US. His records are cracked and his arguments off-key.

The old protectionist regime is gone. We have moved on. Virgin would like you to believe that your interest as consumers is the same as Virgin's. I think you are more intelligent than that.

You know that you cannot have value-for-money fares and quality service in the long-run unless you have strong, efficient operators that can invest and compete.

I am determined that British Airways will be one of those operators. That is how we will come through the current aviation crisis, and remain one of this country's great global businesses in the decades ahead..