

## EU approves trans-Atlantic 'open skies'

### U.S. airlines anticipate increased trans-Atlantic traffic, increased competition and lower prices following the European Union'

by: D.R. STEWART World Staff Writer  
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U.S. airlines anticipate increased trans-Atlantic traffic, increased competition and lower prices following the European Union's approval of a tentative U.S.-EU "Open Skies" agreement, officials say.

The agreement, which was approved Thursday by the EU Council of Transport Ministers, is expected to broaden U.S. carriers' access to London's Heathrow Airport, which is Europe's largest and a gateway to the Middle East and Africa. U.S. and EU officials tentatively approved the agreement March 2.

Although U.S. carriers such as Continental Airlines, Delta Air Lines, Northwest Airlines and US Airways are expected to benefit the most from deregulating the U.S.-EU market, which they are only able to serve now from London's Gatwick Airport, even incumbent carriers American Airlines and United Airlines favor liberalizing travel in the \$22 billion market between the continents.

A spokesman for American, which has 16 daily flights and 7,000 employees at Tulsa International Airport, said the airline would benefit in the long run.

"In the near term, we expect London Heathrow will become more competitive and we are prepared to fully compete in that environment," said American spokesman Tim Wagner in a written statement. "In the longer term, today's agreement may provide the opportunity for a more level playing field than we currently have, and that would give us the opportunity to cooperate more fully with our partners at the other airlines. We fully expect to see more liberalized aviation regimes throughout the world in the coming years."

American, the world's largest carrier, is a member of the Oneworld alliance, which includes British Airways and Australia's Qantas. American and British Airways have sought antitrust immunity twice from regulators so they could align fares and schedules at Heathrow, and their applications have been rejected by regulators.

Some industry observers said opening world aviation markets is "inevitable."

"How can you have global commerce and traffic with restrictions on who can own whom or where they can fly or what they can transport or how many can land and take off," said Fred Russell, CEO of Fredric E. Russell Investment Management Co. in Tulsa.

Russell said he expects that opening trans-Atlantic air travel would clear the way for airline consolidation, which industry analysts say is needed because of overcapacity.

"The bigger you are in the market, the easier it will be to negotiate with (aircraft manufacturers) Boeing and Airbus," Russell said.

United Vice President and CFO Jake Brace told a JP Morgan Aviation and Transportation Conference on Wednesday that his airline favors open skies even though competition at Heathrow could hurt it in the short term. The conference is available via Webcast.



**A British Airways aircraft takes off from Heathrow Airport in London. EU governments Thursday backed a deal with the United States that should boost the number of people flying across the Atlantic by opening up restricted routes to new rivals — but delayed when the agreement will take effect. Britain effectively won its demand for extra time before opening up Heathrow, the EU's busiest airport, to more carriers.**

"Heathrow is not a huge driver of our cash flow," Brace said. "We may suffer in the short term, but over the long term open skies is the right way to go."

The Air Transport Association, the U.S. trade group representing the major airlines, issued a statement saying the agreement paves the way for expanded air service between North America and Europe.


"It has the potential for enormous benefits to our respective customers and economies," said ATA President and CEO James C. May in a prepared statement.

The U.S.-EU market is the world's largest for air travel.

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