# British Airways owner files EU complaint over Flybe rescue

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Competitors are not happy about the UK government rescue of Flybe

British Airways-parent IAG on Wednesday filed a formal complaint to Brussels over the British government's last-minute financial rescue of struggling no-frills carrier Flybe.

"IAG has submitted a complaint to the EU Competition directorate this morning about the state aid that the UK government has granted to Flybe," it said in a statement, sparking a rebuttal from Downing Street.

The European Commission confirmed receipt of IAG's submission, having said earlier that it "stood ready" to discuss with London the compatability of the proposed Flybe measures with EU state aid rules.

British Conservative Prime Minister Boris Johnson's government agreed late Tuesday to review air passenger duty (APD) paid by the Flybe's customers, while its shareholders pledged extra investment.

Neither the government nor Flybe disclosed financial details of the plan—but Downing Street denied that its review constituted state aid.

## 'Fully compliant'

"Any changes implemented as a result of our reviews of APD and regional connectivity will apply to all airlines in the competitive aviation market," said Johnson's spokesman.

"The government is fully compliant with state aid rules. There has been no state aid to Flybe."

Nevertheless, IAG chief executive Willie Walsh reacted with fury to the Flybe news, labelling it a "misuse of public funds".

Employing some 2,000 people, Flybe has failed to turn around its fortunes since it was purchased a year ago by a consortium led by Virgin Atlantic.

The Connect Airways consortium—which also comprises investment firm Cyrus and infrastructure specialist Stobart—has seen Flybe struggle

owing to weak demand and fierce competition.

Virgin and its largest shareholder, US airline Delta, "want the taxpayer to pick up the tab for their mismanagement of the airline", Walsh added.

"This is a blatant misuse of public funds," said Walsh, who is soon to step down as head of IAG.

British low-cost airline Easyjet voiced its concern at the lack of detail.

"We do not support state funding of carriers but without the detail of what is exactly proposed, it is hard to comment further," said Easyjet chief executive Johan Lundgren.

"What is clear is that taxpayers should not be used to bail out individual companies especially when they are backed by well-funded businesses."

Ireland's Ryanair argued that airlines should be stress-tested—and repeated its desire for the UK government to scrap APD entirely.

"We have ... repeatedly called on the UK government to abolish Air Passenger Duty to allow tourism and jobs to grow and ensure airports can compete and attract more business. Reducing APD doesn't go far enough," a Ryanair spokesperson said.

Flybe, which claims it has been weakened also by uncertainties related to Brexit, carries around eight million passengers annually and flies from 43 airports across Europe and 28 in Britain.

It is the biggest operator of UK domestic flights but small UK airlines like Flybe have suffered recently from volatile fuel costs and a weak pound.

The rescue stands in stark contrast to the fate of British holiday giant Thomas Cook, which collapsed without government assistance last September.

That caused the loss of 22,000 jobs worldwide and stranded 600,000 holidaymakers abroad.

## 'Other airlines incensed'

Independent air transport consultant John Strickland said Johnson was keen to boost his image in areas largely outside of London that are served by Flybe.

"We have a new government keen to establish its credentials in the UK regions and Flybe is a key regional player," Strickland told AFP.

"That said, the airline has struggled financially under a number of managements for several years."

He added: "Other airlines are incensed at government intervention."

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