# Brexit adds to airline virus woes in Britain

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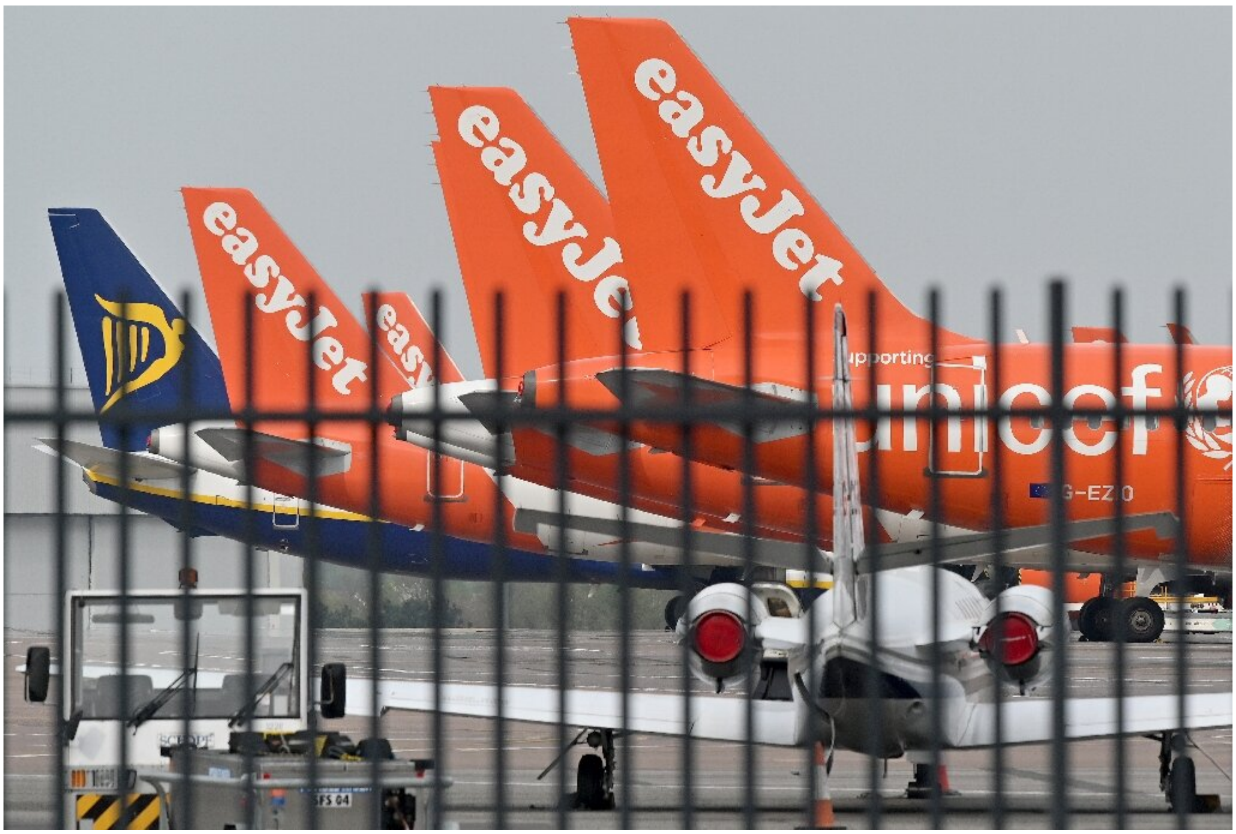


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Already grounded by the coronavirus pandemic, airlines operating in the UK are facing post-Brexit obstacles to flying across the European Union, and their shareholders are paying the price.

The trade agreement reached ahead of Britain's recent formal divorce from the EU allows flights between the two to continue as before.

But for airlines with fewer than 50 percent EU-based shareholders, flights within the European Union require a new agreement by the end of 2021.

"To continue being able to access these intra-European traffic rights, airlines need to demonstrate they are majority-owned and controlled by European persons," noted Bernstein analyst Daniel Roeska.

No-frills airlines, such as Ryanair and EasyJet, are notably affected, with their business model based heavily on flying customers across the European Union, such as French and German tourists to holiday destinations in Spain and Greece.

## 'Added costs'

"There has been sufficient time to prepare" for the changes, said independent aviation analyst John Strickland, with Britain voting in favour of exiting the EU 4.5 years ago.

However the required changes in shareholder ownership "adds additional cost and complexity", he said, at at time when the global aviation sector is suffering huge losses on COVID fallout.

"Such (ownership) constraints do not exist in most other industries," Strickland told AFP.

"Ensuring safety and strong competition should be the primary areas of focus, not ownership limitations," he stressed.

Alongside limiting non-EU ownership to less than 50 percent, British

Airways-parent IAG has decided that the majority of its independent executives must be from within the bloc.

Spelling out the extent of the restrictions, Ryanair has stated that its non-EU shareholders "shall not be entitled to attend, speak or vote at any general meeting of the company".

EasyJet meanwhile states that "if non-EU ownership continues to exceed the permitted maximum over a sustained period", the airline "retains the right to activate the existing provisions of its articles that permit it to compel non-EU shareholders to sell their... shares to EU nationals".

While EU stakeholders currently own a combined 47.5 percent of EasyJet, just short of the threshold, the airline has yet to force sales of its shares.

"Some airlines have indicated they may require shares to be sold but it is not an objective," said Strickland.

"Anything that adds cost and administrative burden is unwelcome but it will not have a noticeable impact on competitiveness."

Airlines have already incurred costs over the need for new operating licences to continue flying in Britain and the European Union in the wake of Brexit.

"Like the many 'i's to be dotted and 't's to be crossed as the Brexit implications are unravelled, there is speculation the new ownership rules could be relaxed," noted Susannah Streeter, analyst at stockbrokers Hargreaves Lansdown.

"In the meantime this is another lingering headache airlines are having to deal with amid the continuing coronavirus crisis."