

Britain strikes last-minute deal to keep Flybe flying

14 January 2020, by Dmitry Zaks



Based in Exeter in southwest England, Flybe employs about 2,000 people, carries around eight million passengers annually and flies to 170 destinations around Europe

The UK government announced a last-minute rescue deal Tuesday for the troubled no-frills airline Flybe aimed at keeping Europe's largest regional carrier flying and preserving around 2,000 jobs.

Neither the government nor the British company disclosed financial details of the agreement.

But both sides signalled that the package would include a review of air passenger duties paid by Flybe's clients and additional investments by its shareholders.

The Treasury will "be reviewing (the) air passenger duty to ensure regional connectivity is strengthened," it said in a statement.

"In light of these discussions, Flybe have confirmed they will continue to operate as normal, preserving flights to airports such as Southampton, Belfast and Birmingham."

A decision to lower the duties paid by the carrier's passengers threatens to anger UK environmental lobbies that want the government to reduce air travel dependence.

The British government is currently considering a major new commitment in high-speed rail for the country's under-developed north.

But the Airlines UK trade organisation argued on Tuesday that the best way to improve regional connectivity was by either cutting or eliminating the flat £26 (30-euro, \$34) tax passengers pay for roundtrip domestic tickets.

Flybe's average one-way fare of £52 means the tax makes up about a quarter of its total ticket price. Larger carriers only offer limited service to smaller cities covered by Flybe.

This model "is not sustainable when so many other costs on airlines are increasing," Airlines UK chief Tim Alder said.

The Treasury statement said its duty review would be conducted within the frameworks of Britain's legally-binding commitment to reduce carbon emissions to a net level of zero by 2050.

But the main opposition Labour party said the government was making a mistake.

"Slashing airport passenger duty across the board would make a mockery of the government's supposed commitment to climate emissions," Labour's transport spokesman Andy McDonald said.

And Greenpeace UK called the air ticket tax cut a "poorly thought-out policy that should be grounded".

"Cutting the cost of domestic flights while allowing train fares to rise is the exact opposite of what we

need," the environmental campaign group said. © 2020 AFP

'Positive for UK'

The Connect Airways consortium that took over the loss-making carrier a year ago said the rescue package includes pledges of additional investments from Flybe's main operators.

"The shareholder consortium has committed to keep Flybe flying with additional funding alongside government initiatives," Connect Airways chief executive Lucien Farrell said.

"This is a positive outcome for the UK," Flybe CEO Mark Anderson said in a statement released to AFP.

Britain's domestic Press Association said the cash injection was "understood to be in the region of tens of millions of pounds".

Flybe carries around eight million passengers annually and flies to 170 destinations around Europe from its British hubs.

Its consortium is led by Virgin Atlantic and includes the investment firm Cyrus and infrastructure specialist Stobart.

Flybe has floundered in the face of fierce competition and consumer demand that has been weakened by uncertainties over Britain's delayed withdrawal from the EU.

Smaller airlines are also more exposed to volatile fuel costs and a struggling pound than their larger rivals.

Flybe was in danger of becoming the second British airline to halt operations in the last four months.

The holiday giant Thomas Cook's grounding in September forced the British government to launch its largest repatriation of stranded passengers in peacetime history.

British regional airline flybmi also went bankrupt last February. It blamed high costs and Brexit turmoil.

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