TURBULENT TIMES FOR ERA

By Sandra Arnoult
In Salzburg

Regionals fight off low-cost competitors, high costs of security and insurance

It isn't enough that European Regional airlines have to operate in an environment where some officials perceive the smaller carriers as a nuisance creating unnecessary noise and crowding at already overcrowded airports. Now they have to worry about staggering insurance and security costs that have hit the industry over the past year as well as perceived discrimination from the European Commission. Oh yes, and they must face up to the competitive threat posed by aggressive budget airlines.

At the annual meeting and general assembly of the European Regions Airline Assn. here last month, these were the topics that dominated most discussions. The gathering also provided an opportunity to vent disappointment over the way in which the EC has responded to the Regional industry's problems. More than 500 attended the conference and exhibition.

"Probably the greatest noise in air transport this year has been the sound of government feet running away from their responsibilities with respect to costs for security and insurance," said ERA DG Mike Ambrose. He took the EU to task for failing to provide meaningful help in resolving the crisis in insurance costs. "It's wholly understandable that an insurance underwriter is not going to insure against a terrorist attack that could involve hijacking an aircraft and flying it into a nuclear power station. Why should air transport have to bear the costs of security when governments would normally have to underwrite them?"

The industry must work collectively to make the case for Regional airlines to the Commission, Ambrose told *ATW*. "There are some [members] with a strong sense of realism. Others are not as sympathetic. We are just inundated with one regulation after another. We are having to fight so many battles on so many fronts."

Aegean Airlines COO Antonis Simigdalas said the regulatory actions from Brussels "are not good for any of us." In particular, he pointed to new rules regarding passenger compensation that are "heavy handed" and overly generous. "I think there is a general view in the EU that airplanes are not friendly environmentally," he said. "Studies have shown they are not more unfriendly than any other mode of transportation."

Simigdalas also stressed the need for the EU to help airlines with new security costs. "The Israelis know how to do it. They screen everything on the ground. But half of the job is intelligence before they fly. That is police work. The airlines are not equipped to do that."

Over the next two years, slot allocation at congested airports and passenger rights will continue to be major policy topics for ERA, said Andrew Clarke, director-air transport policy. He referred to the EC's "White Paper on European Transport Policy" that he said discriminates against regional air service. "It displays a significant bias against air transport in favor of rail transport. The underlying fact that leads to slot allocation is, of course, insufficient capacity at major airports."

At this year's assembly, the field of regional jet manufacturers was whittled from four to two with BAE Systems and Fairchild Dornier out of the picture. That leaves Bombardier and Embraer, yet neither brought aircraft to Salzburg. The only airplane on display was a 717, which Boeing hopes will be an alternative for European Regional operators. "It's perfect for larger top-end Regionals as well as carriers who operate 100-seat aircraft," said Boeing VP and GM-717 Programs Jim Phillips. There are currently 104 flying and 162 firm orders, he said. The largest single operator is AirTran, a low-fare carrier that recently announced a partnership with Air Wisconsin.

Michael Mangusson, Saab Aircraft Leasing President and CEO, said interest in turboprops remains strong in European markets. "RJ flying has not taken as big a bite as it has in the US. Most of the RJs have gone to US markets. Europeans have been careful about disposing of turboprop fleets."