



Leaving Virgin Blue

Brett Godfrey, who co-founded Australia's Virgin Blue airline, says he will leave at end-2010.

We are surprised he did not choose end-2009. That might make more sense as VB (which has now become a group, with Pacific Blue, Polynesian Blue, V Australia (sic), and a domestic New Zealand operation) has strayed far from its original businessplan and now has a threatening 'dysfunctional businessplan' – if there is such a thing.

The VB group (of which only the Australian domestic operation has a Virgin franchise, although that is hardly clear from the group's promotional output) is a mix of longhaul regular airline, regional regular, domestic LFAs, and regional hybrid.

By end-2010 that dysfunction seems likely to bear even more on profitability. However, that may suit the Virgin Group, whose shareholding in VB reduced after new shares were issued. This time around, though, Virgin expects to invest in a new fund-raising issue of shares to get back some control.

As a result, will those other airlines – such as V Australia and Pacific Blue also become Virgin franchises? And what will happen to Singapore Airlines, which owns 49% of Virgin Atlantic (the Virgin Group has 51%), but which seems to have zero influence on the Virgin Group's commercial activity. For instance, VB and SIA's Tiger Airways compete on domestic Australia, and Virgin Atlantic competes with SIA on UK-Australia routes.

One day, someone is going to have to sort out that mess.

BA/IB; bad together

Antonio Vazquez is now chairman and CEO of Iberia (IB), replacing Fernando Conte, who resigned – apparently for personal reasons. "I've come to Iberia with the objective of closing a deal with British Airways," Vazquez declared.

It all seems too pat. Vazquez was chairman of tobacco company Altadis and negotiated its acquisition by Britain's Imperial Tobacco. Hint – so he must be the right man to negotiate a merger of IB with BA.

Merger talks have been underway for a year, and various link-up talks for long before that. But the now-departed Conte was making statements that might have been true but which were not politic. He pointed out that now BA was weaker than when talks started, so the IB share of the combined operation should be higher.

Both airlines are weaker than they were. When Conte first started talking, IB was growing fast and BA was falling. Now IB is falling fast and BA is still falling but not by much. But is Vazquez going too far the other way?

Both managements have made big managerial mistakes. Although Vazquez cannot be blamed for IB's, BA CEO Willie Walsh can be blamed for BA's.

BA created what is now its third failed subsidiary (Open Skies, sic), and IB created Clickair. Few could decide whether Clickair was a low-fare-airline, a charter airline, a cheaper operation than Iberia – or perhaps all three? In any case, it has now been merged into Vueling, a failing LFA that has now added the dysfunction of Clickair. Vueling may not survive another year, but it will not be seen as IB's fault.

Maybe BA and IB deserve one another? We would split a joint-operation at 65/70:30/35, based on fleets, routes, traffic etc, or 50:50 based on management competence.

Briefs

• **Li Peiyang**, former head of Capital Airports Holdings in China, has been executed. He had been convicted for corruption, including misusing US\$12mn for personal use over 2000-03 and taking US\$4mn in bribes over 1995-2003.

CAH, a government-owned operation, runs 30 mainly small air-

ports in China, including Beijing and Tianjin.

• **Michael Issenberg**, head of Singapore-based Accor Asia Pacific, says the industry must still consider climate change in its activities.

"Our guests do not reward us for our environmental efforts – such as by guest preference, or higher room rates. However, since we started carbon offset at Mercure, that has helped with preference for meetings business."

• Aer Lingus names **Christoph Mueller** as its new CEO, due to start this month, and taking over from Dermot Mannion, who left in April. Mueller was aviation director at Germany's travel group TUI, and he has also worked at Daimler Benz (its aerospace division), Lufthansa, Sabena, and DHL.

This seems a surprising appointment for the troubled airline, as his German nationality will be used against him – whether fair or not. Aer Lingus is in deep financial trouble, and partly for that reason it is almost constantly fighting off takeover bids from Ireland's main airline, Ryanair.

• **Joakim Johansson**, of American Express says the downward pressure on air fares is more pronounced in economy class. However, he contradicts this by adding that "business travellers [are still] changing their habits and choosing economy travel where possible rather than business class."

We believe a new pattern will start to emerge by year-end. This could be reducing perks in business-class to help reduce costs, or adding an up-market economy-class.

That would be the continuation of a circle – making the current BC the equivalent of old first-class – particularly as the increased level of perks and service made the best BC much better than the old FC. The upgraded EC will become like BC was when it started – not much more than bigger seats and pitch.

An annual subscription to People-in-Travel, costing €100, is delivered only via email in PDF format. A small extract from PinT is normally included in the Asia Pacific and Europe editions of Travel Business Analyst. ISSN-1998-6882.

For more information, contact Raymonde Perpignani at Travel Business Analyst, TBAoffice@gmail.com

Editors: Murray Bailey, Steve Shellum. Design: Context Design & Publishing. Copyright © Travel Business Analyst Ltd, 2009. www.travelbusinessanalyst.com