

BRITISH AIRWAYS SEEKS CLOSER TIES WITH LATAM TO BOOST TRANSATLANTIC BUSINESS

News / Airlines



British Airways owner IAG SA said a joint venture with leading South American carrier **Latam** Airlines Group SA complementing a lucrative partnership with American Airlines Group Inc. would be a “sensible next step” in its **trans-Atlantic** strategy.

“It’s a group that we would like to have closer ties to,” IAG Chief Executive Officer Willie Walsh said. “There is certainly scope for us to look at developing a closer relationship, potentially a joint venture. Whether that leads to anything in terms of M&A is a big question that I think is unanswerable at this stage.”

IAG, formed from a merger of BA and Spain’s Iberia in 2011, has been one of the airline industry’s most acquisitive players, purchasing local rival British Midland, discount carrier Vueling and Ireland’s Aer Lingus Group Plc in recent years. Most deals beyond the European Union would be limited to minority stakes under current rules, making joint ventures especially attractive.

With antitrust immunity, such pacts allow airlines to coordinate timetables and pricing, and to share revenue and some costs. The so-called BA-AA alliance took more than a decade to secure, but is regarded as the most profitable partnership in the industry, tapping into the biggest market for business travel.

Brazil Slump

South America “is very important to us and a market that we are focused on,” Walsh said Thursday at the Aviation Club in London. The CEO said last month that a deal there would be useful in reducing IAG’s reliance on people vacationing in the northern summer.

Brazil’s recession has put some strain on Latam, which was formed from a takeover of Sao Paulo-based TAM SA by Lan Airlines SA of Chile in 2012, pushing some of the benefits of the deal further into the future, Walsh said. A deal would build on a joint business that Iberia already operates to Peru and Colombia, the CEO said.

“I still think there is going to be fantastic opportunity there in the long term, and therefore it’s a market that we would definitely want to have a stronger presence in going forward,” he said.

Walsh said that the European Commission has “considerably overstepped the mark” in announcing Monday that it plans to take over the negotiation of air services accords with the United Arab Emirates and Qatar from nation states to ensure a level playing field with Gulf carriers.

The real issue is not one of illegal state aid but the inability of “legacy airlines” to “stand up to new competition,” he said. While IAG is 10 percent owned by Qatar Airways, Walsh said he was an advocate of deregulation and liberalization long before the tie-up.

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