



DOT KEEPS NORWEGIAN AIR IN LIMBO

News / Airlines



Ultra-low-cost carrier Norwegian Air is already making its imprint on transatlantic air travel. Beginning in May, the carrier will offer 29 nonstop routes from nine destinations in the U.S. and U.S. territories to London, Oslo, Stockholm, Copenhagen and Bergen, Norway, often at prices that can't be matched by the three major airline alliances' member carriers.

But even as Norwegian prepares to launch service to Paris from New York, Fort Lauderdale and Los Angeles this summer, the carrier remains mired in a regulatory holding pattern that the DOT has kept it in for more than 27 months. And there's no indication when that limbo will end.

"The DOT must struggle for ways to sound credible to Norwegian when they explain why there has not been progress," said travel industry analyst Henry Harteveltdt of Atmosphere Research Group.

At issue is a foreign-carrier permit application submitted in December 2013 by Norwegian Air International, an Ireland-based Norwegian subsidiary, for permission to begin operating flights between the U.S. and Europe. That entity would operate under a different DOT approval than the Norway-based Norwegian Air Shuttle, which currently operates Norwegian's flights to and from the U.S.

Legacy U.S. carriers American, Delta and United opposed the application as did the Air Line Pilots Association International (ALPA).

In an interview, Norwegian Chief Legal Officer Frode Berg said the carrier needs the Ireland-based entity to more easily expand its route network beyond the U.S. and Europe to South America, Asia and Africa.

The reason, Berg said, is that Norway is not a member of the European Union (EU), so while Norwegian Air Shuttle, due to terms that Norway has negotiated with the EU, does benefit from the EU-U.S. Open Skies agreement, it is much trickier for the Norway-based entity to develop routes into other non-EU countries.

Ultimately, Berg said, Norwegian wants to use Norwegian Air International on flights from the U.S. to Europe because Ireland is an EU member, which means travelers would be able to seamlessly connect on the carrier to other parts of the world as Norwegian builds its global route network.

But while Berg said that the DOT takes an average of 52 days to rule on applications, and other observers say that they can't recall an application that sat in limbo for as long as the Norwegian Air International application has, the DOT isn't offering any hint about when it will make a decision.

"The application involves novel and complex issues, and we are taking the necessary time to evaluate the long-term application appropriately," the agency said in a statement on Feb. 29. "There is no statutory deadline or current estimate as to when the analysis will be complete."

In particular, the DOT is reviewing charges by ALPA and echoed by American, Delta and United that Norwegian formed the Irish-based entity in order to take advantage of labor laws that are less stringent than those in Norway. In written comments to the DOT, ALPA alleged that Norwegian uses pilots based in Thailand rather than Norway.

Norwegian, in turn, said that it hires pilots in each market where it has a base. At its U.S. bases in Fort Lauderdale and New York, the company said, the cabin crew is composed of U.S. employees.

In the immediate sense, the DOT's holdup of the Norwegian International application likely isn't taking a bite out of potential low-cost, transatlantic competition. The major alliances One World, SkyTeam and Star account for upward of 85% of flights over the North Atlantic. Berg said that with Norwegian's expansion plans in Africa, Asia and South America effectively on hold due to the DOT delay, the company has been focusing mainly on expanding the U.S.-Europe service of its Norwegian Long Haul subsidiary.

Potential new U.S. markets included Denver and Chicago, Norwegian Chief Commercial Officer Thomas Ramdahl said. Baltimore, from where Norwegian already flies to the Caribbean, is also in the mix.

Still, founding Virgin America CEO Fred Reid, who faced his own opposition from the legacy U.S. carriers before the DOT eventually approved Virgin's application for launch in 2007, said the objections to Norwegian are all about thwarting competition.

"These guys are making more money than they ever have in their history, and at the same time they are getting more protective every week," he said.

Atmosphere's Hartevelt said he could not recall an instance in which the DOT took so long to rule on an application.

"If they're not going to approve, they shouldn't approve," he said. "If they are going to approve it, they should approve it. It's absurd."

Berg asserted that the delay is intentional, and he argued that under the EU-U.S. Open Skies agreement, denying his company's application for the Irish entity isn't an option for the DOT.

"All they can do is delay," he said. "I think that it is clearly politically motivated."

14 MARCH 2016

SOURCE: TRAVELWEEKLY

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