

Handouts to airlines are out of order, says easyJet boss

By Oliver Gill

THE boss of easyJet has demanded clarity over the rescue of Flybe and warned that ministers must not hand out favours to individual airlines.

Johan Lundgren said his firm is talking with the Government on a planned overhaul of the controversial air passenger duty (APD) regime, which costs it tens of millions of pounds a year.

Flybe was last week given a lifeline by the state, which let it delay payment of a £10m APD bill amid fears the regional airline might go bust. The tax regime, which costs up to £26 per passenger, is now being reviewed.

Rivals such as British Airways owner IAG and Ryanair cried foul, saying the deal was an unfair market intervention and pointing out Flybe is part-owned by billionaire Sir Richard Branson.

Mr Lundgren said: "We want to get absolute clarity about what is being suggested. We will not accept any favours being handed to a single company." He reiterated support for APD changes. Analysis shows that easyJet would be the biggest beneficiary of a cut in the levy. In 2019, its domestic seat capacity was 9.8m, ahead of second-placed Flybe with 8.3m seats.

APD was introduced in 1994, to put money back into the aviation industry via infrastructure upgrades. In the past decade, increases in the tax were justified by environmental concerns.

EasyJet said late last year it would offset all its fuel, claiming to be Europe's first carbon-neutral airline.

Mr Lundgren made the comments as easyJet impressed the City by saying traditional winter losses would be lower than expected, helped by reduced competition after the collapse of Thomas Cook last autumn. This drove revenue per seat – a key industry metric – higher by 8.8pc at easyJet.

Revenue rose 10pc to £1.4bn. The airline was helped by raising prices for add-ons at times of high demand.

Mr Lundgren said: "We are doing more [pricing] dynamics on the pricing of allocated seats and also the bag pricing. Whereas previously this has been fixed." He added that the firm's fledgling easyJet Holidays business is expected to at least break even for 2020.

Shares rose 4.6pc to close at £15.17 yesterday.

9.8m

Domestic seating capacity of easyJet flights last year, the largest; troubled Flybe was next-largest, with 8.3m seats

