FT LEX COLUMN 22 Jan 20

“Competition is a sin!” railed oil tycoon John D Rockefeller. He thought business was best conducted without pesky rivals. One fewer for low-cost European airline easyJet is certainly proving beneficial. Revenue per seat rose almost 9 per cent in the three months to December, helped by the collapse of rival Thomas Cook in September. EasyJet shares on Tuesday lifted as much as 5 per cent.

EasyJet, which favours Airbuses, is also benefiting from the misery of competitors who own grounded Boeing 737 Max aircraft. This is putting a cap on capacity growth expectations including those of Ryanair. That could mean an opportunity to grab market share if demand is as “robust” as easyJet claims.

EasyJet thinks its capacity will rise 3 per cent this year, faster than the industry. Ryanair hopes to achieve similar growth. That depends on it receiving 10 new 737 Max jets in the summer. The odds of this are lengthening as more problems with the Max emerge.

Easing back on the throttle and cruising might be a better option for EasyJet. The Brexit uncertainty that hit last year’s trading may have passed. The event itself could still involve nasty turbulence

Peter Bellew, who recently joined from Ryanair as chief operating officer, should focus his attention on costs. At easyJet, expenses excluding fuel have been rising twice as fast as those at its thriftier rival.

No opportunity to boost operating margins should be overlooked. They were 7 per cent at easyJet last year, compared with Ryanair’s 12 per cent. Each percentage point of improvement would have added £63m to last year’s bottom line.

EasyJet could be forgiven for privately rejoicing in the downfall or discomfort of its foes. In business, no one gets a prize for being a good sportsman. But the advantage tends to be temporary, as illustrated by the fillip Dixons Carphone received from the collapse of Comet. Any expansion at easyJet needs to be sustainable when the 737 Max is back in the air and Thomas Cook is long forgotten.