

Labor concerns hamper ExpressJet Europe's progress

Mary Kirby, Philadelphia (19May06, 17:53 GMT, 852 words)

Planned regional startup ExpressJet Europe has entered advanced negotiations with several potential European airline customers and is hopeful of signing a letter of intent by summer's end to operate feeder services in 2007 under a capacity purchase agreement (CPA).

But concern from labor groups that ExpressJet Europe's proposed 50- to 120-seat operations might be used to replace current European mainline service is proving problematic, the proposed carrier's managing director Jochen Schnadt tells *ATI*. "That is why we haven't gotten going yet," he notes.

With 49% of its stock owned by US regional ExpressJet, Cork, Ireland-based ExpressJet Europe wants to transplant the CPA concept widely employed by US mainline operators to Europe.

So far, ExpressJet Europe is not encountering difficulty persuading European airline executives of the benefits of CPAs. "The commercial logic is compelling and everybody has agreed with us. And on the cost side, we know we can generate significant savings," says Schnadt.

However, convincing labor groups that ExpressJet Europe will not substitute current services but will be used by mainline operators as a growth vehicle is now crucial.

Unlike US majors, European operators are not hindered by rigid pilot scope clauses. Nonetheless, labor needs to see ExpressJet Europe as "part of the solution rather than being part of the problem" and that the regional will fill "the gap below mainline equipment", says Schnadt.

He notes, however, that "the ball is not in our court".

"We need to find a customer that is willing to table the issue, and rely on the customer to get a palatable solution for the labor groups," he adds.

Notwithstanding these hurdles, ExpressJet Europe is making steady progress. "The company is up and running. We have the team that we need to obtain our licenses, but up and until the moment when we get a commitment from one or more customers, we won't go ahead and spend a whole lot of money," says the managing director.

This means ExpressJet Europe will not acquire aircraft until it has a commitment from a European airline. "We certainly won't do anything on a speculative basis," confirms Schnadt.

He admits the Irish company is in talks with "all the manufacturers", although it is also considering leased aircraft before making a purchase. Talks are ongoing with US lessor GE Commercial Aviation Services (GECAS).

"We have a very good relationship with those guys [GECAS] and there are active discussions with [them] and we have a fairly good idea of what's available in the market," says Schnadt.

ExpressJet Europe has “its own ideas of what” aircraft types will work best in Europe, says Schnadt. While he declines to indicate his preference, Schnadt says: “I would be lying if I wouldn’t admit that the [Embraer] E-Jet is a very attractive aircraft. Definitely from what we’re hearing from other people in the [United] States, it certainly is a product with great appeal for passengers.”

Additionally, he says, the Embraer 170/190 is very interesting since it “gives us a broad range of 70- to 100-seats”. On the other hand if an airline requires “50-seaters and 70-seaters, you can’t rule out the [Bombardier] CRJs”.

If remains to be seen if ExpressJet Europe’s fleet will comprise any of the 25 ERJ-145LRs and 44 ERJ-145XRs being released from its US counterpart’s CPA with Continental Airlines and retained by the regional operator.

Houston-based ExpressJet is studying several business opportunities for the regional jet, including the creation of a new brand to operate service between small US communities, providing feeder services for other major partners, and using the aircraft in off-shore ventures.

Speaking exclusively with *ATI* yesterday in Saltillo, Mexico where ExpressJet has opened a new repair station, ExpressJet president and CEO Jim Ream said ExpressJet Europe is trying to determine if there is a niche market for 50-seat regional jet feeder operations in Europe.

“They could go there if we can find the right application,” says Ream, adding that “long range aircraft give operators a different tool”.

Schnadt notes that it is “even more difficult to operate 50-seaters in Europe” citing landing charges that penalize smaller jets.

At the same time, he says, the European regional is mindful of the “immense infrastructure ExpressJet has built up for that aircraft” and “can clearly see we can provide this capacity for a European customer at a competitive rate” by working with ExpressJet on a number of issues, including training and maintenance.

If a European solution is found, he says: “Obviously we will look at trying to use some of those aircraft”.

Meanwhile, ExpressJet Europe is “talking to airlines all over Europe” including low-cost carriers, and is in advanced negotiations with a number of operators, adds the ExpressJet Europe managing director.

Once an agreement is officially reached, the airline will look to hire employees in its customer’s local markets. However, ExpressJet Europe’s headquarters will remain in Cork.

Schnadt notes that there are advantages to having an Irish base both “on the tax side” and in terms of ExpressJet Europe’s “good relationship with the Irish aviation authority”.

The carrier hopes to be operating under a CPA for a European operator by the summer of 2007.

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