



company, Airlines of Europe, which will manage the shareholding in each individual Air Europe. Airlines of Europe will have its headquarters in Brussels, and will operate a central purchasing and marketing service, with technical assistance being offered if required. But Goodman emphasises that, while the holding company will monitor service standards and provide access to economies of scale, each airline will have its own locally-recruited management, attuned and responsive to their local markets.

The concept was successfully tested in Spain, where Air Europe was set up in June 1986, with ILG holding 25 per cent of the shares, Banco Bilbao 49 per cent, and Banco Vixcaya 26 per cent. Operations began in

November 1986, and five 737-300s are currently operating European charters. "By autumn 1989 we will set up the same operation in three other countries, giving us five in total," says Goodman.

The British and Spanish carriers will be joined by new airlines in Italy, West Germany, and Sweden. Their initial product will be the quality charter service, for which Air Europe has earned a high reputation in the UK market. The carrier has won *Travel Trade Gazette's* "Charter Airline of the Year" award four times, including 1988, and its leisure origins were reflected in the early scheduled developments. Destinations such as Palma and Gibraltar were served with an upgraded "Premier Class" available, but at

no improvement on the standard charter seat pitch. Now Air Europe is adapting its approach to meet the demands of the business-orientated routes it has selected for expansion.

The centrepiece of the new approach is Air Europe's business class, which was introduced on October 24. (The "Premier" name has been dropped, as it cannot be used in French-speaking countries.) One seat row has been removed from Air Europe's 737-300s to give an improved seat pitch of 32in at the front of the aircraft, and scheduled services will offer 54 business-class seats separated from an 88-seat economy section by a full cabin divider.

The bright and cheerful charter look has gone, with new cabin interiors and flight attendant uniforms presenting a more restrained image. At its Gatwick base Air Europe has switched to Servisair for ground handling, and has negotiated an agreement giving it a dedicated check-in area with separate desks for business and economy passengers. It is the first airline to have dedicated gates at Gatwick, operating from two adjacent to the South Terminal's departure lounge, and an airside business-class lounge will open in January. Private lounge facilities are also available at Paris, Brussels, Munich, and Geneva.

This package of service improvements is underpinned by Air Europe's low cost structure and a commitment to lower fares. The carrier aims to cut business-class fares by up to 20 per cent while increasing standard agency commission to 10 per cent, and it is backed by the fares provision of the EEC air transport package. This states that new fares should be approved if they are reasonably related to fully allocated costs. "The support of the UK Department of Trade and the Civil Aviation Authority in putting our case for low fares to the respective foreign authorities has been outstanding," says Goodman. "We now have approval for fare cuts on the Paris and Brussels routes, and expect a West German breakthrough soon."

Goodman explains that Air Europe's tactic is to compromise on a smaller-than-applied-for reduction if it has to, but then to freeze the fare at that level. This tactic has only been made possible by the EEC air transport package, as previously any government-approved fare increases had to be applied by all operators on a route. "We wanted to reduce the business-class single on London-Paris from £105 to £85, and got £92," he says. "But BA, Air France, and new entrant "Dan-Air have already applied to increase their fares to £109, while ours will remain at £92 for the time being."

The majors' reaction could be interpreted as reflecting their protected position at Heathrow. But the fact that Gatwick-based Dan-Air also wants to increase fares indicates

*Air Europe's fleet at present consists of Boeing 737s and 757s, but it will be buying widebodies*