

Cooperative agreements between regional and mainline carriers takes several forms. The most basic is simple codesharing. This can be expanded through franchising to full ownership. This survey analyses how the USA's and Europe's major and regional airlines are aligned.

Regional airline cooperation survey

Cooperation between mainline and regional airlines can take several forms. These vary from codesharing, through franchising to various levels of ownership.

At the basic level 'codesharing' can mean allowing the mainline operator to use its code when it sells tickets on the regional operator's aircraft. At a comprehensive level it may involve the complete integration of the regional's marketing and revenue accounting functions into the mainline operator. The distribution of revenue under such arrangements can be a complex subject with the 'pro-rate' of revenue crucial to the regional's survival.

Beyond codesharing, regional operators can provide regional services in the colours. This is in addition to using the mainline carrier's flight codes. This is popularly known as franchising. In this scenario the regional operator does not use its own flight codes (as it does with codesharing). In the US examples of franchising are Delta Connection, United Express and US Airways Express. In Europe there are British Airways and Lufthansa Team. The distribution of revenue can again be through pro-rate. In many cases the mainline operator simply pays a fixed fee per departure.

The next step beyond franchising is ownership, and this varies between minority stake holding to full ownership.

This article examines cooperative agreements between major and regional airlines in the principal regional airline markets of the USA and Europe.

USA

Mainline carriers in the US are acquiring an increasing number of their regional partners.

Of the top 10 US regional airlines (based on the number of passengers

carried in 1999), six are wholly owned subsidiaries and three operate exclusively on behalf of a single mainline carrier. Skywest is the only multi-aligned operator in the top 10 US regional carriers. There are four other multi-aligned regional airlines in the US.

Alaska Airlines' subsidiary, Horizon Air, provides more than 85% of Alaska's regional feed (see table, page 34). Smaller independent operators ERA Aviation, Harbor Airlines and Peninsular Airways, provide the remaining specialist capacity.

American Airlines has concentrated all its regional activity on two wholly owned operators, American Eagle and the recently acquired Business Express (see table, page 34). The latter is still being run as a stand-alone company, but is expected to be merged into American Eagle during 2000/1.

Continental is in a similar position. It has wholly owned subsidiary Continental Express. The other partner airlines are Gulfstream International Airlines, in which Continental took a 28% stake earlier this year, and Commutair. These two fly as Continental Connection, and are thus distinguished from company-owned Continental Express.

Over the past two years Delta has followed American and Continental by acquiring some of its regional partners. In February 1999 it acquired 100% of Atlantic Southeast Airlines (ASA), and 100% of Comair in October of the same year. Delta also owns 13% of Skywest.

Although ownership of both ASA and Comair might suggest a bias towards full control, Delta only recently signed a 10-year agreement with a fourth company, independent Atlantic Coast Holdings, to set up Atlantic Coast Jet (ACJ).

Equipment standardisation is high, with ASA, ACJ, Comair and Skywest all having selected Canadair RJ.

These are four of Delta's regional

feeder carriers. It has a fifth, Trans States, but this cooperative agreement is due to expire at the end of March 2001.

Northwest Airlines uses three different operators to provide its Northwest AirlinK and Jet AirlinK services. The two most important are the wholly owned Express Airlines I and Mesaba Airlines. Northwest currently holds a 28% stake in the latter, but Northwest has recently offered to purchase all the outstanding shares in Mesaba Holdings.

TWA relies entirely on independent carriers to provide its regional services. These are Trans World Express from its main hub at St Louis and Trans World Connection throughout the TWA network. Independent airlines Chautauqua, Corporate Airlines and Trans States, operate as TW Express (see table, page 34), Gulfstream International Airlines, American Eagle Airlines and Trans States provide Trans World Connection codeshare services.

Seemingly against the tide of their competitors, United Airlines has no equity stakes in any of its regional partners. These are Air Wisconsin, ACA, Great Lakes, Skywest and Trans States. Gulfstream also has a codeshare agreement with United.

This is presumably related to the heavy pilot influence at the airline. Equipment standardisation is improving, with three of the four regional jet operators having all selected the Canadair RJ. Again, the exception is Trans States.

US Airways has the most prolific collection of regional partners including wholly owned Allegheny, Piedmont and PSA. It also has three operators from within the Mesa Air Group (Air Midwest, CCAir and Mesa Airlines) and three other independent operators: Chautauqua, Colgan Air and Commutair. Colgan Air is a recent addition, having defected from Continental in December 1999.

USA REGIONAL AIRLINE COOPERATION AGREEMENTS WITH US MAJOR CARRIERS

Mainline carrier	Operated as	Name	Ownership	Main hubs
Alaska Airlines	Alaska Airlines Commuter	ERA Aviation	Independent	Anchorage
	Alaska Airlines Commuter	Harbor Airlines	Independent	Portland, Seattle
	Alaska Airlines Commuter	Horizon Air	100% Alaska Airlines Group	Boise, Spokane, Portland, Seattle
	Alaska Airlines Commuter	Peninsula Airways	Independent	Anchorage
	Codeshare only	American Eagle Airlines	-	Los Angeles, San Francisco
Aloha	Aloha Islandair	Island Air	100% Aloha Airgroup	Honolulu
America West	America West Express	Mesa Airlines	Independent (Mesa Air Group Inc)	Columbus, Las Vegas, Phoenix,
	Codeshare only	Continental Express	-	Cleveland, Houston, Newark
American Airlines	American Eagle	American Eagle Airlines	100% AMR Corporation	Boston, Chocago, Dallas, Los Angeles
	Business Express	Business Express	100% AMR Corporation	Miami, JFK & San Juan Boston, La Guardia
American Trans Air	ATA Connection	Chicago Express Airlines	100% Amtran Inc.	Chicago (Midway)
Continental	Continental Express	Continental Express	100% Continental Airlines Inc	Cleveland, Houston, Newark
	Continental Connection	Gulfstream International	28% Continental Airlines Inc	Fort Lauderdale, Miami, Tampa
	Codeshare only	Horizon Air	-	Portland, Seattle
	Codeshare only	Mesaba Airlines	-	Detroit, Minneapolis
Delta Air Lines	Delta Connection	Atlantic Coast Jet	Independent (Atlantic Coast Airlines Holdings)	Boston, JFK
	Delta Connection	Atlantic Southeast	100% Delta Air Lines Inc	Atlanta, Dallas, La Guardia
	Delta Connection	Comair Airlines	100% Delta Air Lines Inc	Boston, Cincinnati, La Guardia, Orlando
	Delta Connection Delta Connection Delta Connection	Skywest Airlines Skywest Airlines Trans States Airlines	13% Delta Air Lines Inc Independent	Salt Lake City Boston, JFK
Midway Airlines	Corporate Airlines	Corporate Airlines	Independent	Raleigh/Durham
Midwest Express	Midwest Express Connection	Skyway Airlines	100% Midwest Express	Milwaukee
	Codeshare only	American Eagle Airlines	-	Dallas, Los Angeles
Northwest Airlines	Northwest Airlin	Business Express	100% AMR Corporation	Los Angeles
	Northwest Airlin/Jet Airlin	Express Airlines	100% Northwest Airlines	Memphis
	Northwest Airlin/Jet Airlin	Mesaba Airlines	32.7% Northwest Airlines	Detroit, Memphis, Minneapolis
	Codeshare only	Continental Express	-	Cleveland, Houston, Newark
	Codeshare only	Gulfstream International	-	Fort Lauderdale, Miami, Tampa
	Codeshare only	Horizon Air	-	Seattle
TWA	TW Express	Chautauqua	Independent	JFK, St.Louis, San Juan
	TW Express	Corporate Airlines	Independent	St.Louis
	TW Express	Trans States Airlines	Independent	Los Angeles, JFK, San Francisco, St.Louis
	TW Connection (Codeshare only)	American Eagle Airlines	-	
	TW Connection (Codeshare only) TW Connection (Codeshare only)	Gulfstream International Trans States Airlines	- -	San Juan
United Airlines	United Express	Air Wisconsin	Independent	Denver, Chicago
	United Express	Atlantic Coast Airlines	Independent (Atlantic Coast Airlines Holdings)	Chicago, Washington
	United Express	Great Lakes Airlines	Independent	Chicago, Denver
	United Express	Skywest Airlines	13% Delta Air Lines Inc	Los Angeles, Portland, San Francisco
	United Express Codeshare only	Trans States Airlines Gulfstream International	Independent -	Miami
US Airways	US Airways Express	Air Midwest	Independent (Mesa Air Group)	Baltimore, Washington, La Guardia, Philadelphia, Pittsburgh, Tampa
	US Airways Express	Allegheny Airlines	100% US Airways Group	Boston, Baltimore, La Guardia, Philadelphia, Pittsburgh
	US Airways Express	CCAir	Independent (Mesa Air Group)	Charlotte
	US Airways Express	Chautauqua	Independent	Boston, La Guardia, Pittsburgh
	US Airways Express	Colgan Airways	Independent	Boston, La Guardia
	US Airways Express	Commutair	Independent	Boston, La Guardia
	US Airways Express	Mesa Airlines	Independent (Mesa Air Group)	Boston, Charlotte, Washington, La Guardia, Philadelphia
	US Airways Express	Piedmont Airlines	100% US Airways Group	Boston, Charlotte, Washington, La Guardia, Philadelphia
	US Airways Express	PSA Airlines	100% US Airways Group	Charlotte, Washington, Philadelphia Pittsburgh

Mesa Air, one of five multi-aligned independent regionals in the US, has lost two important contracts with United Airlines in the past three years. Skywest was one beneficiary, which picked up the contract to fly more than 500 United Express departures per day.

Fleet standardisation in US Airways' feeders is a long way off. In the 30-seat class alone there are significant numbers of Dash 8s, Dornier 328s and Saab 340s.

In the regional jet segment, progress is being made to standardise around the Embraer ERJ-145s, with Mesa using CRJs for its America West Express operation.

'Multi-aligned' independents

There are a number of regional operators that are not aligned to a single mainline carrier, but serve two or three. Discounting simple codesharing, the most significant examples are:

1 Atlantic Coast	Delta/United
1 Chautauqua	TWA/US Airways
1 Mesa Group	America West/ US Airways
1 Skywest	Delta/United
1 Trans States	Delta/TWA/United

Atlantic Coast Holdings (ACH) is the parent company of ACA and ACJ. ACA has been operating since its inception in 1989 exclusively as a United Express carrier. It was therefore surprising in September 1999 when ACH announced that it was setting up ACJ to operate as a Delta Connection carrier. Operations commenced on 1 August 2000 with the first of 25 Fairchild Dornier 328Jets and 20 Canadair RJs on firm order.

For many years Chautauqua Airlines has been a US Airways Express carrier, with a leased fleet of elderly Jetstream 31s and Saab 340As. Under the direction of industry veteran Bryan Bedford, headhunted from Mesaba, the airline is expanding rapidly. Its fleet is being built around a large number of ERJ-145 family aircraft, together with an expanding fleet of Saab 340As.

In November 1999 Chautauqua announced a new alliance with TWA, while retaining its US Airways relationship. With 10 ERJ-145s dedicated to the US Airways operation, the new agreement with TWA will result in the operation of up to 30 ERJ-145s as Trans World Express. The ERJ-145 delivery positions held by its parent company were undoubtedly an important consideration in the TWA selection process.

While ACA and Chautauqua are representative of 'good times' for the independent service providers, the experience of the Mesa Air Group in 1997/8 demonstrates the opposite. In



November 1997, as a result of poor operational performance, the Mesa subsidiary Westair was given notice by United Airlines that its codesharing arrangement would not be renewed. Barely six months later, at the end of May 1998, operations ceased. At the same time, sister company Mesa Airlines lost its contract with United for Denver-based United Express operations. The Mesa Group was forced to make a provision of \$72.1 million to cover the expected costs of closing these operations.

This episode demonstrates two important factors. First, the importance of incumbent regionals not becoming complacent about service standards. Second, the speed with which replacement capacity can be obtained from other operators.

Having recovered from this traumatic period Mesa now serves both America West and US Airways through its subsidiary airlines Air Midwest, Mesa Airlines, and CC Air. The previously independent CC Air having been acquired in 1999 largely to cement its relationship with US Airways, for who it has been a partner since 1985.

When Mesa closed down its Westair operation, Skywest was the biggest beneficiary. Prior to the Mesa debacle, Skywest was firmly positioned as a Delta Connection carrier (Delta Airlines also owns a minority share), having been operating as such since 1987. When United awarded Skywest much of the operation previously flown by Westair it was the start of an expanding relationship. Skywest now flies more than 500 United Express departures daily, compared with less than 300 for Delta.

For Trans States Airlines, 2000 has been a poor start to the new millennium, with the loss of two important contracts within a matter of weeks. It began the year with three major airline partners and four separate operations: Delta Connection, Trans World Connection at JFK, United Airlines at JFK and Trans World Express at St Louis.

In September 2000 Delta announced that Trans States would cease Delta Connection operations at the end of March 2001, replaced by a combination of ACA, ASA and Comair.

Then in October 2000 TWA announced that American Eagle would replace Trans World Connection in New York, with Trans States' last service in January 2001. These events demonstrate the precarious nature of regional airline independence.

This leaves Trans States with just two contracts, serving United at JFK and Trans World Express at St Louis.

The 'real' independents

The only significant independent operators that fly with their own flight codes and in their own colours are Bigsky Airlines, Mesa Airlines and Shuttle America.

Bigsky Airlines is a significant operator in the Essential Air Services programme, while Mesa Airlines is a component of the Mesa Air Group with its substantial feeder operations for America West and US Airways.

Shuttle America is in 30th place, in terms of the number of passengers carried by a US regional airline. American Eagle, the 1st, carried more than 11 million passengers in 1999.

EUROPEAN REGIONAL AIRLINE COOPERATION AGREEMENTS WITH MAJOR AIRLINES

Mainline carrier	Operated as	Name	Country	Ownership
Aer Lingus	Aer Lingus Commuter	Aer Lingus Commuter	Ireland	100% Aer Lingus
Air France	Air France franchisee	Brit Air	France	50.19% Air France
	Air France franchisee	British European Airways	UK	Independent
	Air France franchisee	Cityjet	Republic of Ireland	100% Air France
	Air France franchisee	Corse Mediterranee	France	12% Air France
	Air France franchisee	Gill Airways	UK	Independent
	Air France franchisee	Proteus Airlines/Flandre Air	France	~42% Air France
	Air France franchisee	Regional Airlines	France	70% Air France
Alitalia	Alitalia Express	Alitalia Express	Italy	98% Alitalia
	Alitalia Express	Azzurrair	Italy	Independent
	Alitalia Express	Minerva Airlines	Italy	Independent
	Meridiana	Meridiana	Italy	Independent
Austrian Airlines	Austrian Airlines	Austrian Airlines	Austria	-
	Lauda Air	Lauda Air	Austria	36% Austrian Airlines Group, 20% Lufthansa
	Tyrolean Airways	Tyrolean Airways	Austria	100% Austrian Airlines Group
British Airways	British Airways franchisee	BASE Airlines	Netherlands	Independent
	British Airways franchisee	British Regional Airlines	UK	Independent
	British Airways franchisee	Brymon Airways	UK	100% British Airways
	British Airways franchisee	CityFlyer Express	UK	100% British Airways
	British Airways franchisee	Comair	UK	18.3% British Airways
	British Airways franchisee	Loganair	UK	Independent
	British Airways franchisee	Maersk Air Ltd	UK	Independent
	British Airways franchisee	National Jets Italia	Italy	Independent
	British Airways franchisee	Sun-Air of Scandinavia	Denmark	Independent
Finnair	Finnair	Finnair	Finland	-
	Golden Air	Golden Air	Sweden	Independent
Iberia	Binter Mediterraneo	Binter Mediterraneo	Spain	100% Iberia
	Iberia Regional franchisee	Air Nostrum	Spain	Independent
KLM	KLM cityhopper	KLM Cityhopper	Netherlands	100% KLM
	KLM exel	Air Exel Netherlands	Netherlands	Independent (51% Schreiner Aviation Group)
	KLM uk	KLM uk	UK	100% KLM
	KLM alps	Air Engjadina	Switzerland	Independent
	KLM alps	Air Alps Aviation	Austria	Independent
Lufthansa	Lufthansa	Lufthansa Cityline	Germany	100% Lufthansa
	Air Dolomiti	Air Dolomiti	Italy	26% Lufthansa
	Eurowings	Eurowings	Germany	24.9% Lufthansa
	Lauda Air	Lauda Air	Austria	36% Austrian Airlines Group, 20% Lufthansa
	Luxair	Luxair Commuter	Luxembourg	13% Lufthansa
	Team Lufthansa franchisee	Augsburg Airways	Germany	Independent
	Team Lufthansa franchisee	Cimber Air	Denmark	Independent
	Team Lufthansa franchisee	Cirrus Airlines	Germany	Independent
	Team Lufthansa franchisee	Contact Air	Germany	Independent
	Team Lufthansa franchisee	Rheintalflug	Austria	Independent
	Lufthansa	British Midland Commuter	UK	100% British Midland (20% Lufthansa)
Luxair	Own	Luxair Commuter	Luxembourg	100% Luxair (13% Lufthansa)
Olympic	Olympic	Olympic Aviation	Greece	100% Olympic
Sabena	Sabena	Delta Air Transport	Belgium	100% Sabena
	Sabena Connect	Schreiner Airways	Netherlands	Independent (100% Schreiner Aviation Group)
SAS	SAS Commuter	SAS Commuter	Denmark	100% SAS
	Air Baltic	Air Baltic	Finland	38.16% SAS
	Air Botnia	Air Botnia	Finland	100% SAS
	Cimber Air	Cimber Air	Denmark	26% SAS
	Skyways	Skyways	Sweden	25% SAS
	Wideroe	Wideroe	Norway	63.2% SAS
TAP Air Portugal	Aerocondor	Aerocondor	Portugal	Independent

EUROPEAN REGIONAL AIRLINE COOPERATION AGREEMENTS WITH MAJOR AIRLINES

Mainline carrier	Operated as	Name	Country	Ownership
Independent	Own	VLM	Belgium	Independent
	Own	Danish Air Transport	Denmark	Independent
	Own	Muk Air	Denmark	Independent
	Own	European Air Express	Germany	Independent
	Own	OLT	Germany	Independent
	Own	Aegean Airlines	Greece	Independent
	Own	Alpi Eagles	Italy	Independent
	Own	Gandalf Airlines	Italy	Independent
	Own	Meridiana	Italy	Independent
	Own	SATA Air Acores	Portugal	Independent
	Own	Air Europa Express	Spain	Sister company of Air Europa
	Own	Binter Canarias	Spain	Independent
	Own	Swedeways	Sweden	Independent
	Own	British European Airways	UK	Independent
	Own	Eastern Airways	UK	Independent
	Own	Scot Airways	UK	Independent

Europe

As with the US, there is great variation in the level of cooperation and control between the mainline carriers and their regional partners. This is highlighted by an examination of the regional airline partnerships for the flag carriers of the 15 EU nations: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the UK.

Austrian Airlines

As well as operating a fleet of Fokker 70s, Austrian controls 100% of Tyrolean Airways and has a 36% stake in Lauda Air (see table, page 36).

Sabena

The majority of regional operations are flown by wholly owned subsidiary Delta Air Transport, with its fleet of Avro RJs. The only exceptions are a number of services flown as Sabena Connect by the independent Dutch operator Schreiner Airways (see table, page 36).

SAS

In addition to its 100% interest in both SAS Commuter and Air Botnia, together with a controlling 63.2% interest in Wideroe, SAS also has smaller stakes in Air Baltic (38.16%), Cimber Air (26%) and Skyways (25%) (see table, page 36).

Both Cimber and Skyways remain largely independent, family-owned businesses. There has been little attempt to enforce standardisation across the fleets and each operator has an entirely individual colour scheme.

With the purchase of Air Botnia, SAS introduced an SAS-like colour scheme and it is possible that the same will be introduced on the other regional partners.

Interestingly, Cimber Air operates on behalf of both SAS and Lufthansa, while Skyways operates one of its ERJ-145s on behalf of British Midland. This demonstrates that multiple allegiances are possible, provided that these are within one alliance, in this case Star Alliance.

Finnair

Finnair operates regional services with its own ATR72 aircraft, and also wet leases a number of Saab 340s from Golden Air of Sweden (see table, page 36).

Air France

Regional operations are provided to Air France through a network of franchisees: Brit Air, Corse Mediterranee, Proteus and Regional in France; British European, Cityjet and Gill Airways in the UK/Ireland (see table, page 36).

The majority of aircraft are painted in Air France colours with 'Air France by xxx' clearly visible. Until January 2000, Air France's only financial interests in its franchise partners were minority stakes in Cityjet, Corse Mediterranee and Regional Airlines. The new millennium saw a distinct change in policy.

During January 2000 alone, Air France took equity stakes in Regional Airlines (70%), Cityjet (100%) and Proteus (42%). This was followed in June with Brit Air (50.19%). The investment in Cityjet was a reaction to the problems this carrier was experiencing, but the equity held in the three French operators effectively gives Air France complete control of its domestic feed.

Lufthansa

Lufthansa has a tiered approach to the regional market. At the top end there is the wholly owned subsidiary Lufthansa

Cityline, with an entire jet fleet of Canadair RJs and Avro RJ85s.

Next come minority stakes in several independent European carriers. Below these are the Team Lufthansa franchisees, and finally the likes of British Midland Commuter, which operates a fleet of five BAe 146s on a pure wet lease arrangement.

Lufthansa has held minority stakes in Lauda Air and Luxair for some time, but in January 1999 Lufthansa acquired a 26% stake in Italian operator Air Dolomiti, followed in September this year with a 24.9% stake in domestic competitor Eurowings.

All four airlines remain independent with their own distinct brand image. The team Lufthansa carriers include Augsburg Airways, Cimber Air, Cirrus Airlines, Contact Air and Rheintalflug, all independent operators with no Lufthansa shareholding, but operating in Lufthansa colours as franchise partners.

Olympic

Olympic operates domestic and international regional services through its subsidiary, Olympic Aviation.

Aer Lingus

Aer Lingus operates domestic and UK regional services through its wholly owned subsidiary, Aer Lingus Commuter.

Alitalia

Regional services are provided through its wholly owned subsidiary Alitalia Express, alongside independent operators Azzurrair and Minerva Airlines. Alitalia's principal domestic competitor has long been Meridiana. From 28 October 2000 the two airlines will codeshare on Meridiana's routes from Florence to Barcelona, London and Paris.



Luxair

Luxair operates regional services through its wholly owned subsidiary, Luxair Commuter.

KLM

KLM controls its two major regional partners, KLM cityhopper and KLM uk through 100% ownership, but its smaller partners, KLM alps and KLM exel, with their predominantly turboprop equipment, are entirely independent. All operate in KLM colours (see table, page 36).

TAP Air Portugal

Portugal lacks a regional infrastructure; the smallest aircraft operated by flag carrier TAP is the Airbus A319. Apart from TAP's use of Aerocondor to provide inter-island services on Madeira, the only other regional operators are independent Portugalia operating ERJ-145s and local government-owned SATA, operating services in the Azores.

Iberia

Iberia retains a 100% stake in Binter Mediterraneo, providing services between the mainland and the Balearic Islands. In 1999 its other regional affiliate, Binter Canarias, operating inter-island services in the Canary Islands, was privatised, with state holding company SEPI retaining only 25% (see table, page 36).

Regional operations on the Spanish mainland are the responsibility of the independent Air Nostrum. The latter is a good example of the dramatic growth that is possible when markets are deregulated.

Air Nostrum, which has only been operational since December 1994, signed an agreement with Iberia in May 1997 to become an Iberia franchisee. Since operating as Iberia Regional, the airline has grown at an incredible pace. It now operates more than 30 aircraft, and in March 2000 signed an agreement with Bombardier for the supply of 29 Dash 8-300 turboprops and 15 Canadair RJ jets.

British Airways

British Airways probably has the most diverse collection of regional partnerships through its franchising programme. The first franchisee in July 1993 was Cityflyer (subsequently purchased in November 1999), and since that time 10 additional airlines have become franchise partners.

As well as its 100% owned subsidiaries Brymon Airways and Cityflyer Express, BA's franchise programme incorporates operators in Denmark, Italy, Netherlands and South Africa, as well as seven UK-based operators (see table, page 36).

All franchise airlines fly under a BA flight number and are in full BA livery. Of the nine regional franchise operators (that is, discounting British Mediterranean and GB Airways) six are fully independent, two are wholly owned and BA has a minority stake in one other.

Lufthansa recently acquired a minority stake in Eurowings. This is an example of the trend to full ownership by mainline carriers of their regional affiliates. This is becoming more essential, as mainline operators need to protect their feeder operations from competitors.

European independents

The larger independent regionals operating jet equipment are thriving in the less mature markets of Southern Europe. These include Aegean Airlines in Greece, and Alpi Eagles, Gandalf Airlines and Meridiana in Italy. In the more developed Northern markets the independent operators are generally limited to niche turboprop operators.

One of the last exceptions is British European Airways (formerly Jersey European), which operates some of its flights as an Air France franchisee. British European has a larger independent operation (see table, page 36).

Summary

In the US the effects of the 1979 deregulation appear to have come full circle, with an increasing tendency towards ownership of the regional carriers by their mainline partners. Operators that have provided independent feed are finding their existence increasingly precarious. Since the regional fleets are becoming more and more standardised on the regional jets, independent operators with access to large numbers of regional jets are the most secure – but choosing the wrong type can be a strategic mistake.

In Europe full ownership is also on the increase and the likelihood of substantial independent European regional operators existing in a few years' time is increasingly unlikely. The current trend in Europe is still for majors to have a large number of independent franchise partners.

In Europe, any independents of significant size are a key part of the global consolidation and alliance process. This is demonstrated by Lufthansa's recent acquisition of a stake in Eurowings, an airline with links to KLM, Air France and Alitalia. In many respects Lufthansa was forced to act to prevent the purchase of Eurowings by an aggressive competitor.

The consolidation/alliance process is seeing European regionals play an important role, as the likes of Air France, British Airways, KLM, Lufthansa and SAS, gain a presence in all key markets.

Air Botnia is a good example. When SAS acquired the airline in 1998 it had a fleet of five Jetstream 32s. Within two years these had been replaced by six Fokker F.28s and five Saab 340s, a six-fold increase in capacity. In Italy, British Airways has even organised a new start-up operator, National Jets Italia. 