

Israel Cabinet OKs Europe 'Open Skies' Deal Despite Strike

Israel's cabinet on Sunday approved an open skies agreement to boost airline traffic to and from Europe, defying a strike by workers at El Al and two smaller airlines who fear the greater competition with foreign airlines will cost them jobs.

Israel's flag carrier El Al responded to the strike and government vote by announcing it would ground flights at Israel's main Ben Gurion International Airport near Tel Aviv, until further notice.

Supporters of the open skies aviation deal—which will go into effect next April—say its relaxation of restrictions and quotas on flights between Israel and European Union countries will increase competition and help Israel's economy.

"The reform ... aims to lower airfares to and from Israel and boost incoming tourism," Prime Minister Benjamin Netanyahu said as the cabinet approved the deal by a 16-3 vote.

To help airlines El Al, Arkia and Israir prepare for the rise in competition, the agreement will be gradually phased in over the next five years.

"The open skies agreement is the only way for El Al to economize at long last and to change its approach so that it can compete in the tough world market," Transport Minister Yisrael Katz told Israel Radio.

A major complaint of Israel's airlines is high security costs compared to foreign competitors but the government said it would cover 80 percent of this. El Al spent \$33 million on security in 2012.

Ofer Eini, head of Israel's Histadrut labor federation which oversees hundreds of thousands of public sector workers, said the agreement could leave Israel's airlines struggling to compete and could cost 17,000 jobs.

"The way in which (this deal) is being implemented will on the one hand bring a reduction in air fares but it will also cause Israeli companies to collapse," he told Israel Radio.

Eini had called on the cabinet to delay its vote by a month to allow further discussion on adapting the plan.

Strike

Workers at El Al, Arkia and Israir started an open-ended strike at 5 a.m. (0200 GMT) before the cabinet vote, but brought forward most departures so that outgoing passengers could leave Israel. Incoming flights and foreign airlines were not affected.

The Histadrut Labor Federation said the strike would be expanded to include all airport workers starting 6 am on Tuesday, which could shut the main Tel Aviv airport.

El Al responded with a statement that in light of the union's decision to continue the strike and that "as a result of the government's decision to approve the open skies agreement, El Al flights are being cancelled until further notice."

According to the Israel Airports Authority, 53 departures carrying 8,700 passengers were scheduled for Sunday.

"We support competition and we support open skies, but in this form it brings about the destruction of the Israeli airline companies," said Asher Edri, chairman of El Al's workers' union.

Shares in El Al, which lost \$26.5 million in the fourth quarter, closed 8.5 percent lower at shekels.

El Al “estimates that implementation of the agreement in its current form is expected to adversely affect Israeli airlines, including El Al, due to worsening competition,” it said, adding that Israeli airlines would have a tough time competing.

Low-cost airline easyJet, which flies to Tel Aviv from London, Manchester and Geneva, welcomed the cabinet’s decision to approve the open skies agreement.

“easyJet ... has announced several times its desire to expand its service to Israel from additional destinations in Europe once the open skies agreement was signed,” it said.

Finance Minister Yair Lapid said the deal was good for Israel and rejected the notion that jobs would be lost.

“It will not harm the number of jobs in the economy but do the opposite,” Lapid said, citing a private study that found open skies would create 10,000 new jobs.

Katz, a member of Netanyahu’s right-wing Likud party, has urged Israel’s carriers to “exploit the opportunity to compete more vigorously with European airlines.”

Israel and the United States signed an open skies agreement in 2010.

(Editing by Jason Neely and Stephen Powell)

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