



Airlines for America®

We Connect the World

September 22, 2017

Consumers and Markets Group
The CAA
CAA House
45-49 Kingsway
GB – London, WC2b 6TE
Sent by email: economicregulation@caa.co.uk

Re: Response to CAA Consultation on Core Elements of the Regulatory Framework to Support Capacity Expansion at Heathrow (CAA CAP 1541)

Airlines for America (A4A) welcomes the opportunity to comment on the consultation paper that the CAA put forward as referenced above. A4A is the principal trade and service organization of the U.S. airline industry.¹ Two of A4A's passenger carrier members – American and United – and one associate member – Air Canada -- operate services between the UK and the United States and Canada, respectively, and have a strong vested interest in decisions relating to expansion at Heathrow. A4A supports the comments of the Heathrow Airline Operators Committee (AOC). In particular, we respectfully request the CAA ensure that there are no real term increases in charges in the years leading up to the opening of R3. Attached are prior A4A comments that detail our position on Heathrow expansion.

We thank you for your attention to these comments. We look forward to working with you collaboratively on this important project in the future.

Sincerely,

Keith Glatz

cc: Dan Micklethwaite, Director General of Civil Aviation, UK Department for Transport
Gareth Alston, First Secretary, Transport Policy, British Embassy, Washington, D.C.

¹ A4A members are: Alaska Airlines, Inc.; American Airlines Group, Inc.; Atlas Air, Inc.; Federal Express Corporation.; Hawaiian Airlines; JetBlue Airways Corp.; Southwest Airlines Co.; United Continental Holdings, Inc.; and United Parcel Service Co. Air Canada is an associate member.



Airlines for America®

We Connect the World

May 25, 2017

The Lord Ahmad of Wimbledon
Parliamentary Under-Secretary
Department for Transport
Great Minster House
33 Horseferry Road
London, SW1P 4DR
United Kingdom

RE: Draft Airports National Policy Statement

Dear Lord Ahmad,

Airlines for America (“A4A”) welcomes the opportunity to comment on the consultation paper that the Department for Transport has published on the “Draft Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England” (“Draft ANPS”). A4A is the principal trade and service organization of the U.S. airline industry, and its member airlines and their affiliates transport more than 90 percent of all U.S. airline passenger and cargo traffic. Two of A4A’s passenger carrier members – American and United – and one associate member – Air Canada -- operate services between the UK and the United States and Canada, respectively, and have a strong vested interest in decisions relating to the Draft ANPS. A4A fully supports the joint comments of the London (Heathrow) Airline Consultative Committee (LACC), the Airline Operators Committee (AOC) and The Board of Airline Representatives (BAR UK). In addition, based upon careful review of the Draft ANPS, Assessment Principles, the Appraisal of Sustainability and other documents associated with the consultation, A4A has the following observations to offer.

First, we agree with the Department that aviation is critical to the UK’s future economic growth. The government correctly points that “[a]viation supports economic growth, provides the connections we need to travel and trade, and is at the core of Britain’s standing in the global marketplace.” Airline connectivity is particularly important for long-haul destinations that include many rapidly growing and emerging markets with which the UK is seeking to increase its trade as a matter of priority.

Second, given aviation’s economic importance, we respectfully request the Department to take a holistic approach to aviation and address all issues that will improve airline connectivity as part of the new Aviation Strategy that the Secretary of State announced in his communication of 2 February 2017. In this regard, we commend the UK Government for considering reforms to UK airspace policy. The UK’s airspace is a vital national asset that connects the UK regions to each other and the UK to the rest of the world. It is in urgent need of modernization because it was designed in the 1950s and 1960s and is simply not capable of supporting future growth in air transport. The construction of Northwest Runway at Heathrow (“R3”) makes the case for airspace modernization even more compelling.

Beyond airspace modernization, the UK Government should implement reforms in other policy areas that impact aviation and connectivity negatively. In particular, A4A and others have long argued that Air Passenger Duty (“APD”) has a detrimental economic impact on aviation and UK plc and is responsible for loss of connectivity that is vital to the UK’s competitiveness and economic prosperity. Several economic analyses support these conclusions. For this reason, A4A commends the decision of the Scottish Government to reduce APD by 50 percent for passengers departing from Scottish airports with a view to its eventual elimination. The UK Government should benefit connectivity and the UK economy by following suit.

Third, the government can best guarantee that R3 generates the anticipated, additional economic benefits by ensuring that the cost to airlines and their passengers is not increased. It is important to ensure that the forthcoming expansion of Heathrow is affordable and creates value for airlines and their customers. Also it is critical that incumbent airlines do not suffer competitive disadvantages vis-à-vis new entrants through pre-funding or otherwise, that slots are allocated consistent with the IATA World Slot Guidelines (“WSG”) and that the government chooses environmental measures that comply with its legal obligations in the most cost-effective manner. We will examine these issues in turn briefly.

Airport Charges and Pre-funding: Heathrow charges are the highest in the world and should not be increased to fund R3. We are encouraged by Secretary of State Grayling’s statement when he announced the construction of R3 that he expects the charges to remain close to current levels during the expansion period. The CEO of the CAA, Andrew Haines, expressed the same sentiment in his letter to the CEO of HAL of 25 October 2016.

By the same token, incumbent airlines and passengers should not be required to pre-fund R3. Pre-funding would require today’s airlines and passengers to pay for benefits that will accrue to future airlines and passengers. To avoid this inequitable wealth redistribution, Heathrow should be required to access the necessary funds to construct R3 on the capital markets or elsewhere. Additionally, in the same letter cited above, the CAA made “value for money and cost efficiency” a main focus of its regulatory oversight activities. Pre-funding would undermine achievement of this objective by weakening HAL’s incentive to ensure the runway is built cost efficiently.

Slot Allocation: Slots generated by the new capacity should be allocated consistent with the WSG. The WSG provide the global airline community with a single set of standards for the management of airport slots. Fifty years after their introduction, thanks to continual update and revision, these guidelines represent globally accepted best practices for governments and airport regulators that need to optimize scarce airport capacity. The WSG are currently undergoing a strategic review involving all aviation stakeholders to ensure that they are fit for modern purpose. Finally, the Department should be aware that a departure from the WSG that imposes additional costs on non-UK airlines may lead to retaliatory measures on UK airlines in other jurisdictions.

Environmental Measures: A4A’s most immediate concern is that there is no indication how much proposed environmental measures will cost. In particular:

- The noise abatement costs are difficult to predict because they are multi-faceted and appear to be uncapped.
- HAL anticipates an initial payment of over GBP 1 billion to remodel homes with noise insulation and/or to buy out homes entirely. However, there is no cap on the final amount that will be paid for these purposes.
- A new independent aviation noise authority will be designated to oversee operating procedures. We are concerned that such procedures could drive up fuel burn (and associated emissions) and that this eventuality should be reflected in the analysis.
- Noise levies will be assessed on top of the other items listed above. We would appreciate an accounting of the additional costs these levies will involve.
- A4A is unable to calculate the costs of mitigation and abatement measures to improve local air quality. In addition, other modes of transport contribute to local air pollution and should be held to equitable account.
- APD revenues are levied on airline passengers. These revenues should be dedicated to the Heathrow expansion project.

HAL intends to increase the engagement of various organizations with more oversight including greater engagement by the Environment Agency, a new independent aviation noise authority, and establishment of a Community Engagement Board. Creating processes for engagement with stakeholders is welcome but the government should provide clear guidance on how the new governance structure will function to

avoid confusion over how decisions will be made and how best to engage with the organizations concerned.

Finally, A4A looks forward to participating in the consultation on the proposed six and one-half hour night flight ban. Suffice to say here that measures to address noise including the mitigation and compensation schemes HAL has committed to implement as well as noise reduction programs such as the Fly Quiet Scheme may address concerns about the noise impact of R3 in whole or in part. At the very least, it is premature to prescribe absolute restrictions on night flights before we have the opportunity to evaluate the impact of these measures on noise reduction when R3 becomes operational ten or more years from now.

We thank you for your attention to these comments. We look forward to working with you collaboratively on this important project in the future.

Sincerely,

A handwritten signature in black ink, appearing to read 'Keith Glatz', with a long horizontal line extending to the right.

Keith Glatz

cc: Dan Micklethwaite, Director General of Civil Aviation, UK Department for Transport
Gareth Alston, First Secretary, Transport Policy, British Embassy, Washington, D.C.
Tom Engle, Deputy Assistant Secretary for Transportation Affairs, US Department of State
Brian Hedberg, Director-Office of International Aviation, US Department of Transportation
Eugene Alford, Office of Industry Affairs, US Department of Commerce