



Airlines for America®

We Connect the World

Robert Toal
Civil Aviation Authority
Aviation House
Beehive Ring Road
Crawley
West Sussex

May 22, 2020

Re: Economic regulation of Heathrow (CAP 1914)

Dear Mr. Toal,

Airlines for America (A4A) appreciates the opportunity to comment on the CAA's "Economic regulation of Heathrow: programme update (CAP 1914)." A4A is the principal trade and service organization of the U.S. scheduled airline industry.¹ Three of our members – American, Delta and United – and one associate member – Air Canada – operate extensive services at Heathrow and have a strong vested interest in its economic regulation. We support IATA's comments but wish to supplement them with observations of our own.

In general, we agree with the CAA's proposed approach to establishing the H7 price control that will take effect on January 1, 2022. First, we support the CAA's decision to proceed on the assumption that Heathrow will be a two-runway airport for the foreseeable future. In fact, Heathrow Airport Limited ("HAL") and the airlines agree with this approach in light of COVID-19's devastating impact on traffic levels and the uncertainty created by the Court of Appeals' recent judgment that the UK Government's decision to designate the National Policy Statement is unlawful.

Second, we agree with the CAA's view that the regulatory framework should be flexible and allow for change as traffic recovers. It is impossible to predict with any accuracy when traffic will increase from current low levels or the speed of the subsequent recovery. Much will depend upon the nature and duration of travel restrictions that governments have imposed or will impose, including the quarantine requirements that the UK Government recently announced for passengers arriving in the UK. As a result, CAA should consider trigger mechanisms for adjusting or resetting its original price control if circumstances warrant.

Third, we welcome the CAA's commitment to constructive engagement and associated proposals to make greater use of workshops and more frequent consultation. The nature and extent of the uncertainties caused by COVID-19 make close and frequent consultation with the

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

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airlines and HAL even more imperative. In this regard, we support the timing and scope of future publications, including a further consultation in June 2020 and a way forward statement in early 2021.

Finally, A4A strongly opposes the adoption at Heathrow of what the CAA describes as “a lighter touch commitments framework” for economic regulation that is used for determining prices and service levels at Gatwick. Whatever the merits of this approach at Gatwick, we do not believe that it is a suitable price control model for Heathrow. Instead, the CAA should retain its traditional approach to price control to ensure that HAL does not abuse its recognized monopoly power. This is particularly important in a time of continuing uncertainty where a stable price control regulatory framework effectively policed by the CAA is critical to the recovery of traffic at Heathrow.

We thank you for your attention to these comments and we look forward to continued engagement through the consultation process. We look forward to working closely with the CAA on selecting trigger mechanisms for review of the initial price control that will allocate costs and risks between airlines, passengers, and the airport in a fair and equitable manner.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Glatz". The signature is fluid and cursive, with a large loop at the end.

Keith Glatz
Vice President-International Affairs