

BARUK

BOARD OF AIRLINE REPRESENTATIVES IN THE UK

www.bar-uk.org

NEWSLETTER

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Chief Executive's welcome

At a time when airline economics are as fragile as they have ever been, the burden of regulation continues to increase.

Some, like e-Borders, are behind the scenes and largely invisible, yet add costs and complexity whilst offering no benefits for airlines or their customers.

Others, like Air Passenger Duty (APD), are much more visible and make it clear that aviation is being treated as an easy source from which to take money for the Treasury's coffers.

APD was doubled in February 2007, will increase again in November 2009, and is due to increase yet again in November 2010.

It has gone well beyond being a so-called green tax, and is now proving to be a tariff barrier to airlines and the travel industry in general.

If that was not enough, looming ahead is the introduction of the EU Emissions Trading Scheme (EU ETS).

Whatever the range of views that prevail about its rights or wrongs, the aviation industry should not be taxed for the same thing twice, yet that is the threat.

Treasury has stated that it intends to retain APD once the EU ETS has been implemented. Paying twice for offsetting the environmental effects of aviation is plainly wrong.

Treasury greed risks killing off this industry, creating unemployment, and actually reducing the very tax income that it is after. The Dutch government is to be applauded for recognising this danger and withdrawing their own air tax.

BAR UK calls upon the Treasury to cancel the proposed APD increase in November 2010 or, if it really wishes to boost the economy, withdraw it completely.

Mike Carrivick



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1. Full support for Heathrow and Runway 3

Recent publicity highlighted that some well-known industrialists do not agree that a third runway at Heathrow is required, and that industry is not behind it.

Whilst they are entitled to their views, there is absolutely no doubt that a great many other industrialists are fully supportive as evidenced by the previously published announcement by the CBI.

The expansion plans for Heathrow are not a plan by a handful of UK airlines to benefit themselves.

What needs to be understood, and BAR UK is pleased to be able to make this point, is that the entire airline community at Heathrow fully supports an additional runway. That represents over 90 airlines, the vast majority of whom are based abroad.

Why their support? Because no matter how smartly terminals may be renovated, the lack of runway capacity, the lack of aircraft stands and jetties, and the lack of apron taxiway capacity simply make Heathrow a very overcrowded airport. In turn, that directly leads to delays for arriving and departing flights, and congestion in many parts of the airport.

The third runway, operated within the planning and environmental conditions required by the Secretary of State for Transport, will relieve today's overcrowding, and provide desperately needed operational resilience.

BAR UK also fully supports a first-class rail network at Heathrow, and is on record as having said so already. However, no rail service, no matter how good it is and even if it is solely high-speed, is going to provide anything like the capacity requirements of the third runway.

The two are entirely complementary, and would demonstrate a properly integrated transport system.



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2. Aviation taxation

The APD regime that is being introduced in November 2009 is one that was not consulted upon; it arose out of the proposed tax-per-plane consultation.

So, instead of retaining the status quo, which had two tax bands in it (either within the EU, or beyond the EU), four tax bands based on distance between London and the capitals of every other country will take effect. This raises various, and serious, anomalies. These, if the industry had been consulted, could have been avoided.

How perverse is it that APD will be lower for travel to W. Coast USA and Hawaii than it will to the much closer Caribbean nations? Other anomalies arise in different parts of the world as well.

Long-distance passengers are especially affected, and it isn't just those living in the UK. APD is charged to all departing passengers (except those making immediate transfers). Thus, visitors TO the UK are just as adversely affected.

Many will be deterred by the high costs. They have disposable income, and the choice of where to holiday. Fewer visitors will lead to lower hotel occupancies, reduced sightseers, a decline in restaurants, etc etc.

It has also been openly discussed in the media how travellers opting to travel via an intermediate airport, and purchasing two separate tickets, could make significant savings.

Consequently, Treasury's own APD revenues will not only fail to reach their target, but could possibly decline as well.

BAR encourages Treasury to be guided by the example of the Dutch government by withdrawing APD, or at least withdrawing its planned increase in November 2010.

3. Future Economic Regulation of UK Airports (a DfT consultation)

The consultation that has just closed proposes that the primary duty of the regulator (CAA) should focus exclusively upon the interests of '*consumers of passenger and freight services at UK airports*'.

The airlines agree that their interests must be a primary duty, but not an exclusive one.

The response of BAR UK, and other industry organisations, will call for the interests of airlines, being airport customers themselves, to also be reflected in that primary duty.

Other areas of concern to the industry revolve around (i) the proposed financing duty of the CAA, and (ii) the requirement that the CAA should '*assist in delivery of airport infrastructure consistent with the National Policy Statement on Airports unless there are compelling reasons not to do so*'.

For (i), the financing duty has the risk that airlines could fund over-inflated airport projects. For (ii) the CAA could be placed in a position of not being impartial in respect of airport competition issues.

It is also proposed that Passenger Focus replace the Air Transport Users Council as a consumer body for airport users.

Whoever may be appointed, it is not at all clear what role they would have to play in the economic regulation of airports, embracing a range of complex economic situations far removed from their current roles.

This consultation is very complex, and the briefing above is intentionally very broad and simplistic.

The full response of BAR UK will shortly be made available at www.bar-uk.org

4. EU Emissions Trading Scheme

The process of transposing aviation into the Emissions Trading Scheme is imposing some unreasonably tight deadlines on the worldwide aviation community.



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Although the scheme is not due to be implemented until 2012, airlines are being required to provide benchmarking, emissions forecasts and monitoring plans to the administering EU state by 31 August 2009.

The UK, through the Environment Agency (EA), is due to monitor over 30 BAR UK airlines, and several hundred aviation entities of all sorts.

As airlines will not be advised about the detailed information required by the EA until workshops in the first week of June, they will have a mere three months in which to prepare, and submit, detailed emissions data, in an accepted form. For a range of work that has never been carried out before, and is so technical in nature, this is an incredibly tight timescale.

Whilst advising its members to comply, BAR UK also calls on the EA (and other interested government departments) to allow a degree of leeway to those airlines obviously endeavouring to comply. Similarly, BAR UK requests that the UK does not apply standards that are any more onerous than in any other EU state.

5. Heathrow Terminal Relocations - update

The programme of relocating over 50 airlines between different terminals at Heathrow continues to proceed in a very satisfactory manner.

Since March 2008, there has already been a series of airlines relocating in different move steps.

Further moves will take place on 11 June 2009 (Step 4a), when Swiss International Air Lines moves its operation from Terminal 2 into Terminal 1. This will involve the transfer of 12 daily arrivals and departures to Geneva and Zurich. On 16 June 2009, Lufthansa, Austrian, Croatia and TAP will relocate 104 daily arrivals and departures from Terminal 2 into Terminal 1.

Lufthansa, Austrian, Croatia and TAP are all members of Star Alliance and passengers flying with these airlines will see improvements to their travel experience through a new common Star Alliance branded check-in area.

An extensive Familiarisation, Induction and Training programme has been implemented, to ensure staff are prepared for the move and feel comfortable in their new working environment. In excess of 56 familiarisation tours have been conducted and operational workshops will take place to ensure staff are working together to make sure the move goes smoothly.

6. Swine Flu - a brief review

The recent outbreak of swine flu, whilst alarming at first, has been less traumatic than might have been expected.

However, as with many pandemics, it is the second stage months later which is often worse.

The Department for Transport has been very active in ensuring that airlines have been informed about developments; for its part, BAR UK has been cooperating with the DfT in respect of up-to-date contact details.

This first stage of the swine flu pandemic will be reviewed by the DfT and its airline stakeholders later this month. It will be an ideal time to discuss what has gone well, what might be improved, and to try and identify any issues that might need addressing for the future.

BAR UK looks forward to contributing to this review.

7. Airport slots - 80/20 rule update

In brief, this rule requires an airline, at designated airports, to use all its slots at least 80% of the time or risk losing them.

That this rule was suspended for the summer operating season was ultimately not such a great surprise. What was disappointing though was that the decision was made well after summer operations had commenced, so diluting the economic and environmental benefits that could have ensued.

What is far less clear is whether or not the suspension will be extended for the winter operating season (end Oct 2009-end Mar 2010).

The EU authorities (i.e. the Commission and the Parliament) will certainly consider such an extension, but will require a lot of additional information, such as the impact on competition.

There is broad support for the suspension to be extended through to March next year. The challenge for the authorities is to see if they can arrive at their decision in advance of the winter operating season.

8. News at BAR UK

(i) Membership changes - welcomes and farewells

Airline	Welcome	Farewell
Air Namibia	N/A	Ms Helen Adamou
Alitalia	Ms Maria Sacconi	Mr Maurizio Dello Monaco
All Nippon Airways	Mr Shuichi Fujimura	Mr Katsuhito Nishihori
Vietnam Airlines	N/A	Mr Nguyen Quan

(ii) Annual General Meeting / Latest General Meeting

The AGM was held on 20 May at which time the membership received the Chair's Report for 2008, approved and voted for the acceptance of the Annual Accounts, and elected those Councillors (Board members) standing for re-election:

Mrs Sandra Bloodworth (Royal Brunei Airlines) and Chair BAR UK
Mr Robert Atkinson (Air Canada)
Mr Thomas Savva (Olympic Airlines)
Mr Doros Theodorou (Malev)

plus those who had been co-opted since the previous AGM:

Mr James Forster (British Airways)
Mr Richard Midgley (South African Airways)
Mr Nigel Milton (Virgin Atlantic Airways)

All were elected unanimously.

The General Meeting then followed immediately afterwards. The theme was focused on Heathrow, with high-level presentations about:

- Runway 3 and Terminal 6 - the next steps towards reality
- The Competition Commission and BAA airport ownerships
- The airline terminal relocations programme - an update
- The transformation of Heathrow

- Joining air and rail together at Heathrow

This was a very comprehensive set of topics to be discussed in just one morning, and BAR UK is indebted to BAA's Mike Forster (R3 Director) and Sally Blackwell (Programme Director - Airline Relocations) for the presentations, and answering the questions that followed.

BAR UK also thanks the EyeForTravel Exhibition which, for the third consecutive year, hosted the meeting and venue arrangements.

(iii) Next General Meeting - Advance Notice

For the first time, the next meeting will be held outside of London.

It will be held at **NATS Swanwick**, near Southampton on **3rd November**.

The theme will be around the need for efficient management of airspace for safe and on-time airline performance.

Guest Speaker: Mr Paul Barron, Chief Executive Officer - NATS

More details will be circulated in due course.

The next BAR UK Newsletter will be published in August 2009