



July 2010

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Chief Executive's Welcome

The formation of the first Coalition Government since the 1970's has brought together two political parties sharing the twin policies of denying runway expansion in South East England and charging even higher aviation taxes. Both are contradictory strategies for a country that claims to be 'open for business'.

Meanwhile, all sorts of concerns exist regarding the rapidly dwindling budgets available for Crossrail and the planning issues and budgets for High Speed Rail to London, let alone the small, but very important, Air Track rail link from Staines to Heathrow.

Stifling vital infrastructure, paid for by airports and airlines, can not possibly meet the future needs of the UK or even the Governments own claims.

We look forward to working through these issues with government so that a more practical outcome, for the good of the country, is achieved.

Mike Carrivick – Chief Executive

1. Coalition Government - Air Transport and Taxation Policies

'Open for Business' or creating the 'Great Britain By-Pass'?

Despite the budget announcement that Britain was open for business, the Government's aviation and taxation policies show great potential for driving trade and tourism to other countries.

Those policies, set out earlier in the Coalition Government's programme (Page 16), are:

- to cancel the third runway at Heathrow
- to refuse permission for additional runways at Gatwick and Stansted
- to replace Air Passenger Duty with a 'per-flight duty'.

The cumulative effects will be that:-

- international and domestic trading and business needs will be deliberately denied the infrastructure and capacity it needs to remain competitive
- the double taxation of either APD or Per-Plane Tax, combined with the levies of the EU Emissions Trading Scheme, will be so exorbitant as to deter point to point and transit traffic away from the UK
- Per-Plane-Tax, if introduced, would create such competition distortions as to actually reduce the Treasury's own revenues, and other vital trade will simply circumvent the UK and go elsewhere.

Great Britain will be by-passed.

Let's look at three key reasons.

a) Airports

This is not the time to wait and see what competing nations are doing. We know that European airports such as Amsterdam, Frankfurt, Madrid and Paris and Middle East hubs including Abu Dhabi, Dubai and Qatar are investing heavily in their aviation hub infrastructure and capacity:

What is it that makes our leaders so blind to this competition?

What is the point of introducing fiscal and other budget incentives on one hand and then deliberately banning the structural enablers on the other?

A major factor in the UK's success has been its long-standing position as the leading global transportation hub. That position is now under serious threat as a result of previous delays in infrastructure development and now the latest obstruction to effective long term planning and solutions for South East England.

Heathrow is a vital transportation hub and it is about time policy makers started to understand what this means.

London needs to expand its airport capacity to meet the future needs of the country; failure to expand Heathrow will see its global importance diminish and the UK economy with it.

Treasury subsidies are not required; the airports and airlines, despite their financial positions will fund what is required.

The belief that airlines, passengers and freight will move either to regional UK airports, or onto rail, simply does not stand up to scrutiny.

BAR UK urges the South East Airports Task Force to not only review airport efficiencies, but also the government's own growth-inhibitor policies. We look forward to being invited to be a member of that Task Force and to contribute to the debate.

Doing nothing is simply not an option.

b) Aviation taxation

The Government is now demonstrating a discriminatory approach to air travel and transport that has to be challenged. No other form of transport is taxed in the way that aviation is.

Air Passenger Duty (APD) is already set at exorbitant levels. The proposed future revenue targets or the introduction of a Per-Plane Tax will simply make air travel unaffordable to a larger proportion of the population, whether from this country or abroad.

A second level of taxation is also planned through the EU Emissions Trading Scheme from January 2012.

So, let's be clear: once EU ETS is introduced, any other environmental tax should be dropped.

In respect of the Per-Plane Tax, government needs to read up on the consultation responses to the same proposals made by the last government. In effect, the competition distortion is likely to be so great that Treasury would stand to lose millions.

The national asset of a leading global aviation hub at Heathrow would be destroyed.

c) Railways

Railways and airports should be connected and BAR UK fully supports policies which achieve transport integration.

However, we give no credence whatsoever to the assumption that the provision of High Speed railways into airports would automatically reduce the need for a domestic air travel network; it simply doesn't work like that.

Apart from the dynamics involved, not least with luggage, the likely pricing policies will drive ticket prices too high to make High Speed rail as effective as it might be.

Whilst Heathrow is already operating to maximum capacity, a high-speed railway of several hundreds of miles will take at least 20 years to obtain planning permission, and build.

What will happen in the interim? The growth in air transport, which the UK could be handling will simply go elsewhere.

Our airports need to prepare for more business, but are being denied the chance. Let's hope common sense prevails, otherwise *'Failing to prepare is preparing to fail'*.

2. Volcanic Ash Compensation

The decision to close European airspace for six days during the eruption of the Icelandic volcano in April created huge financial losses for airlines.

The losses are not confined to the care and accommodation costs incurred, as a result of the (mis)application of the Denied Boarding Regulation EC261/2004 on an unlimited time basis, but also to enormous losses of passenger and freight revenues.

With power goes responsibility. Those empowered to close airspace, particularly for such an extraordinary length of time, now need to face up to their responsibilities of compensating all those who had their earnings denied to them.

In the same manner that the European authorities did not show any leadership in the matter of airspace closure, they continue to show no leadership in the matter of compensation. As matters stand, there is a 'chase-your-tail' debate between the EU on one hand and member states on the other. Those seeking compensation are left in a vacuum.

It is emphasised that it is compensation that is called for, not state-aid, which is an entirely different subject.

That compensation has to apply to all airlines, regardless of nationality.

3. EU Emissions Trading Scheme – a flawed base year

Ironically, the airspace closures in April are also affecting the introduction of aviation into the EU Emissions Trading Scheme in 2012.

Airlines' emissions in 2010 are being used as the benchmark against which carbon allowances in 2012 will be allocated.

The six days of airspace closure, when flights were grounded, will artificially depress this year's data, not least for the airlines based in the affected areas who will have suffered a much higher proportion of cancellations.

It might be thought that a pragmatic approach could be taken to resolve the matter; evidently not. What is it about the regulatory bodies that common sense has to go out of the window and a bureaucratic mindset takes over?

BAR UK, in common with others, calls for the EU to recognise that an injustice would take place by not factoring in the airspace closures, and to drive a rapid and acceptable resolution to the matter.

4. BAR UK news

a) AGM and new directors

It was a pleasure to have several candidates standing for the Board elections that took place at the Annual General Meeting on Friday 18 June.

Two directors were elected for the first time:

Mr Conrad Clifford (Emirates)
Mr Simon Salvi (Japan Airlines)

Congratulations to them, and our thanks to those who also put their names forward for election.

Others elected after being co-opted during the year, or re-elected after expiry of their term of office, were:

Mr Titus Johnson (Air Berlin)
Mr Robert Atkinson (Air Canada)
Mr Henri Hourcade (Air France / KLM)
Mr Bob Schumacher (Continental Airlines)
Ms Angela Coleman (Delta Airlines)
Mrs Marianne Sammann (Lufthansa)
Ms Suzanne Faithfull (TAM Airlines)
Ms Sian Foster (Virgin Atlantic Airways)

b) New BAR UK members

It's a great pleasure to advise you that Oman Air and associate member National Express have joined BAR UK. A warm welcome to both companies!

c) People on the move

<u>Airline</u>	<u>Welcome</u>	<u>Farewell</u>
Oman Air	Mr Abdullah Zantout	New member
National Express	Ms Eleni Jordan	New member
Kuwait Airways	Mr Waleed Al Muhanna	Mr Waleed Bin Naji
Air Namibia	Christina Dressel	Giovanna Cardillo
Bird & Bird	Will Alete	Tim Murray

d) Latest BAR UK General Meeting

Four very interesting presentations were given by speakers at the General Meeting.

The key note speaker was Chris Tarry who delivered a riveting and intriguing presentation entitled 'Will it be different this time or just depressingly familiar? And if different, where and why?'

Also speaking were Andrea Debbane of Airbus 'How to be a friend of the Green Wave', Monique de Smet of IATA who addressed compensation issues arising from airspace closures, and Richard Gooding, OBE of London City Airport, who outlined the history of the airport and the opportunities it presents.

BAR UK members can access copies of the presentations at the 'Log In' page of the BAR UK website www.bar-uk.org

5. Slot Trading

Airport Coordination Limited (ACL) has launched www.slottrade.aero - the world's first airport slot trading web portal, to help airlines wishing to buy, sell, lease and swap scarce airport slots. Its aim is to make slot trading more open, efficient and transparent.

BAR UK welcomes the fact that the new website allows airlines to advertise available and desired slots in a secure, confidential and less complicated way and provides a registry of completed slot trades.

Chris Bosworth, Managing Director of ACL, said: "This is an exciting time for ACL as we launch our new slot trading service, aimed at making more efficient use of scarce airport slots". The need to make best use of airport capacity has only increased, following the decision to cancel plans to build new runways at London's Heathrow and Stansted airports."

SlotTrade is available for airlines wishing to trade slots at airports worldwide (where slot trading is not prohibited by local laws).

6. The Olympics and Airports

London's Olympic Games, to be followed by the Paralympic Games, are now just two years away and air travel and transport will be vital to their successful operation.

The widely-varying needs of Heads of States, VIPs, national teams and other members of the Olympic family, plus the thousands of supporters converging on the UK, will all need to be taken into account.

The Department for Transport has established a specialist Airports Working Group, including many who have attended and observed how matters were handled at the Olympic Games held in Australia and China.

BAR UK is very pleased to be a part of this Group and will represent the interests of its members by contributing to the discussions and debates concerning airports, security, border controls and other related topics.

7. Heathrow Express to Terminal 4 – great improvements

Heathrow Express has now launched a greatly improved service between London Paddington and Terminal 4.

The interchange at Heathrow Central Terminals 1 & 3 has been simplified and passenger journey and waiting times have been reduced by over 25%.

This has been achieved by a new set timetable that synchronises services between Terminal 4 and Heathrow Central's Terminal 1 & 3 on existing Heathrow Express services.

Trains have been refurbished with new livery and an interior refresh, making the journey for passengers not only faster but also more comfortable.

The next BAR UK Newsletter will be published in September 2010