



July 2011

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Chief Executive's Welcome

The summer is upon us, but the business climate sometimes seems more like a bleak winter.

Trading conditions around the world are varied; improving in some parts and completely flat in others. In the UK, many Britons are not only not travelling, but they are not even taking a holiday.

Despite a lingering reputation that aviation security is a real deterrent to flying, the situation has improved significantly. The horrendous queues experienced when the liquids ban was introduced have largely disappeared. That's a great reflection on the work of airports and airlines working together with the authorities.

The next stage, arriving slower than expected, is for airports to have a range of modern security processes at their disposal. Multiple processes ensure that the most suitable checks can be implemented which all achieve the same outcome of safe and secure vetting.

Volcanoes, to the surprise of all, have been making themselves felt in different parts of the world (more on this below), again adding to the operating challenges for the airline industry.

Other challenges have been political unrest in North Africa and parts of the Middle East, the ever-increasing price of aviation fuel, tragic earthquakes and tsunami plus huge concerns about the Euro.

However, the aviation world is also smart at adapting to fast-moving and changing conditions; these and others will continue to be met and resolved. The trick, as ever, will be balancing operations, load factors and yields.

A great summer time to you all, wherever you are, and wherever you may be travelling!

Mike Carrivick – Chief Executive

1. Aviation Taxation

Two main issues remain active for BAR UK airlines. They are 1) the outcome of the consultation on Air Passenger Duty (APD) that recently closed, and 2) the disproportionately high levels of APD, whichever way the tax is structured.

BAR UK welcomed the opportunity to consult on the structure of the APD banding system. This provides the Treasury with the ideal opportunity to correct the anomalies that were inadvertently introduced when the current regime was introduced a few years ago.

BAR UK also welcomed the opportunity to respond to the other questions asked and our response has been published at <http://www.bar-uk.org/consultations/consultations.htm> .

However, the fact remains that air passengers are taxed at disproportionate levels. APD revenues will have risen from £1 billion per annum pre-2007 to an anticipated £3.6 billion by 2015/16.

We believe this amounts to discrimination against air travellers.

For that reason, we are active members of the 'Fair tax on flying' campaign and also the 'Hands off our holiday' campaign, the latter being launched on Monday 11 July.

2. Future Aviation Policy

BAR UK continues its communications and lobbying efforts highlighting that there is a vacuum in aviation policy that will diminish the role of London, and the entire UK as a global trading hub. We believe all the signs are in place that will encourage new trading activities to bypass the UK.

The current consultation 'Developing a sustainable framework for UK aviation: Scoping document' will, we hope, become the launch pad for a fresh look at the vital role aviation plays in the economic success of the country.

It's vital that overseas perspectives are heard and understood and that's a valuable contribution that BAR UK can make to the debate.

We plan to work with others to ensure ministers, and not just those in the Department for Transport, are alive to the concerns and astonishment that prevail about the current 'no expansion' policy. Frankly, some are amazed that there is a deliberate policy of suppressing trade.

3. Customs and Immigration Strike Action

Members of the Public and Commercial Services Union took strike action on 30 June.

Included in this union are members of the UK Border Agency, who provide Customs and Immigration services at airports. The consequences for travellers, airlines and airports could have been horrendous.

BAR UK was heartened that the contingency plans, devised by UKBA in conjunction with the main interested organisations, were so effective. No major problems seem to have been encountered.

4. Global Volcano Activity

Volcanoes have erupted for years and in some parts of the world airlines are used to adapting their operations to cope with the vagaries of the plume and the ash.

Perhaps it's a sign of the times that volcanoes, in four different parts of the world, have erupted within a such a short period.

In the last year alone we had Mount Merapi in Indonesia, another Icelandic one, Grimsvotn, the Dubbi volcano in Eritrea (which last erupted in 1861) and most recently, the Puyehue-Cordon Caulle volcano in Chile. With this volcano being at lower latitude, the ash has encircled the earth two or three times, causing flight cancellations within Australia and New Zealand, as well as South America.

All the time scientists and meteorologists are learning more, so permitting airlines to adjust operations once ash flows, contents and densities are known.

5. EU Emissions Trading Scheme – gathering resistance

The inclusion of aviation into the EU Emissions Trading Scheme is due to commence on 1st January 2012 – but will it?

There appears to be an increasing amount of opposition to the scheme.

The well-publicised legal case being brought by the Air Transport Association (for US airlines) is due to be heard at the European Court of Justice on 5th July. The outcome will be awaited with great interest.

Meanwhile, other nations are making their very adverse feelings known, with hints of diplomatic conflicts and trade retaliations.

Whilst it is expected that airlines will do everything that is required of them, what may happen behind the political scenes could be an entirely different matter.

6. New IATA Leadership

Peter Hartman, President and CEO of KLM Royal Dutch Airlines succeeds David Bronczek, CEO of FedEx Express, as Chairman of the IATA Board of Governors following the completion of Mr Bronczek's one-year term. This appointment is effective immediately and is for one year.

Changes of Directors General at IATA are not so frequent, so the change that takes place this month is most worthy of note.

Giovanni Bisignani has just stepped down after a tenure of nine years and is appointed Director General Emeritus. He is succeeded by Tony Tyler, most recently Chief Executive of Cathay Pacific Airways.

BAR UK has a close working relationship with IATA on a wide range of issues and looks forward to developing an even closer one with Tony and his colleagues.

7. Board Changes and other BAR UK News

a) Board announcements

The Chair and Board are pleased to announce the following changes.

Ms Sian Foster (Virgin Atlantic Airlines), already a Board member, has been appointed to the Vice Chair role previously held by Mr Jim Forster, who has just retired from British Airways.

Separately, Mr Tom King (British Airways) has been co-opted for the vacant directorship created by Mr Jim Forster's leaving. The Board thanks Jim for his valuable contributions and wishes him a happy retirement.

Mr Jim Butler (American Airlines) has been co-opted to replace the vacant directorship created by the retirement, previously announced, of Ms Angela Coleman (Delta Airlines).

Both co-opted directors will be required to stand for election at the next Annual General Meeting.

b) People on the move

AIRLINE	WELCOME	FAREWELL
British Airways	Mr Tom King	Mr Jim Forster
China Airlines	Mr. Lawrence Chiu	Mr. Allen Sun
Iran Air	Mr. Hassan Assad	Mr. Daryoush Niknam
Jet Airways	Mrs. Lydia Nazareth	The late Raja Segrán
Jat Airways	Mr Ivan Karbic	Mr Dragan Nikitovic

c) BAR UK General Meetings in 2011

The third and final General Meeting of 2011 will be on Friday 30 September 2011, generously hosted by Stephenson Harwood.

The next BAR UK Newsletter will be published in September 2011