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**Chief Executive’s Welcome**

At this week’s excellent conference of the Airport Operators’ Association, it was said that the average term of office for Secretaries of State for Transport was 18 months. True to form, the recent cabinet re-shuffle saw Philip Hammond move from Transport to Defence after 17 months!

His successor is Justine Greening, more recently the Economic Secretary to the Treasury, a role in which she became very conversant with Air Passenger Duty.

As the M.P. for Putney in SW London, she is also well-known for having campaigned against further expansion at Heathrow. As Secretary of State, she will play a key role in decisions regarding future airport capacity for London and South East England, which others have expressed strong concerns about conflicts of interest.

Having been asked for our own comments, BAR UK simply states her challenge is to demonstrate her objectivity in handling the huge difference between local constituency matters on one hand, and making policy decisions of national interest on the other. We look forward to working through those differences with her, to assist with this country’s economic recovery.

**Mike Carrivick – Chief Executive**

**1. Future hub airport policy – does any Party have one?**

This week’s announcement by the UK Labour Party, that they no longer supported a 3<sup>rd</sup> runway at Heathrow, is a policy U-turn that nullifies more than 10 years’ work of its own administration.

Their aviation white paper of 2003, ‘The Future of Air Transport’, was preceded by several years of expert work. This embraced the strong environmental regime that would apply in addition to the needs of industry and the UK economy.

The reversal of policy is not linked to any tangible way forward and sets back their economic planning in a big way.

Whether or not Labour's wish to work with the coalition government on a joint policy is agreed, a huge policy vacuum now exists. Unless there more radical policy shifts, no new runways will be permitted at any of the three largest London airports for a considerable time to come.

In fact, any firm hub airport policy decisions are not expected until March 2013 at the earliest, which is a long time to be rudderless. This situation is not serving the UK economy well and denies any stability for long term planning to enhance air services to developing markets.

The challenge now for the three main political parties is to develop a cohesive policy that meets the country's needs, and to do so sooner, not later.

## **2. BAR UK airline survey – an economic health warning**

Still related to aviation policy decision making, the BAR UK response to the recently-closed DfT consultation 'Developing a sustainable framework for UK aviation: a scoping document' can be found at: <http://www.bar-uk.org/consultations/consultations.htm>

*Please see the final two pages;* they contain a very interesting, and alarming, set of results from a snapshot survey of BAR UK airlines on the lack of capacity at Heathrow, the inability to get enough slots, or slots at times that are required. The responses reveal that flights to Heathrow could suffer if the ban against any additional capacity continues.

Aircraft are mobile economic assets that can be swapped easily between different countries.

It would be a disastrous result to see airline services to the UK dropped because the industry is denied the chance to invest its own money in badly-needed airport infrastructure.

## **3. A 'virtual hub' – linking Heathrow and Gatwick**

Recent suggestions that a 'virtual hub', linking Heathrow with Gatwick could be made to work by linking the two airports by a high speed rail link, had already been examined by BAR UK.

The so-called 'HeathWick' concept is deemed impractical for a good number of reasons. Prime amongst them is that guaranteed transfer times between flights, for baggage as well as passengers, simply does not measure up to competing airports.

The gold standard that has to be met is a transfer time, of between 45-70 minutes, between the scheduled arrival time of one flight and the stated departure time of the onward flight, usually within the same terminal.

The HeathWick concept does not meet that standard, and would prove highly uncompetitive with other hub airports.

## **4. Consumer Protection – delayed introduction to ATOL reforms**

Despite the great disparity of opinions on the proposed reforms, one common view shared by the travel industry was that the implementation date of 1<sup>st</sup> January 2012 was far too soon.

The CAA, regulator of the ATOL programme, attended the BAR UK general meeting on 30 September and answered a series of questions from the audience. The feedback led to a subsequent meeting with a number of airline sales managers, which demonstrated to the CAA the complexity of sales channels and liabilities that would arise from the proposed reforms.

That's one reason why the delayed implementation is so welcome.

The DfT, which is actually responsible for the proposed reforms, has also posted a series of Questions and Answers at <http://assets.dft.gov.uk/consultations/dft-2011-17/111024-dft-2011-17-clarification-q-and-a.pdf>

These questions and answers demonstrate why the BAR UK response advocates simplification, rather than adding even more complexity. That response can also be found at <http://www.bar-uk.org/consultations/consultations.htm>

The core question is whether consumers will find the reforms make matters clearer or more confusing; we strongly believe it to be the latter.

### **5. Air Passenger Duty (APD) update**

The argument that air travel is under-taxed is old and out of date.

Revenues raised by APD have increased from £1 billion in 2007 to approximately £2.5 billion in the current year, and are expected to be £3.6 billion by 2015/16 – enormous amounts by any measurement.

Having consulted on the APD regime earlier in the year, the Chancellor is expected to make his determinations in his Autumn Statement, expected at the end of November.

As a member of the fair Tax on Flying alliance, BAR UK urges him to:

1. Not increase the overall tax revenues of APD, and
2. Decrease APD revenues by whatever amounts are raised by the entry of aviation into the EU ETS.

The recent decision to tax long-haul flights operating directly from Belfast at a lower rate than normal vividly illustrates the damaging effects of APD. Passengers in Northern Ireland have the simple option of travelling to Dublin, and being charged just €3 instead of £60 each!

It's time this whole tax regime was re-assessed, not least as aviation will be additionally paying for environmental costs via the EU Emissions Trading Scheme.

### **6. Challenges to introduction of aviation into the EU ETS**

The international sentiment against the entry of aviation into the EU ETS continues apace.

The initial opinion of the Advocate General of the European Court of Justice is that the aviation measures are legally sound. However, it remains to be seen whether that opinion or any subsequent ruling on the same basis will affect international sentiment,

Feedback received by BAR UK is that the EU ETS itself is not the issue, but the extra-territorial aspects (about being charged for flying in non-EU airspace) most definitely are. Whereas all other industries in the EU ETS are at permanent fixed locations within the EU, aircraft are not. That is why the industry continues to seek an ICAO-based global scheme.

It is to be hoped that a sensible and practical solution can be found to the current situation by the EU on one hand and the concerned states on the other.

## 7. Board Changes and other BAR UK News

### a) Board announcements

The Board is pleased to announce that the two vacant positions, announced in the last newsletter, have now been filled.

The new directors are:

- Mr Angus Barclay – General Manager Europe, Cathay Pacific Airways, and
- Mr Felix Rodel – Director UK & Ireland, Swiss International Air Lines.

As co-opted directors, they will stand for election at the next AGM in order to continue in office.

### b) People on the move

We bid a fond farewell to those departing, and a warm welcome to their successors;

AIRLINE	WELCOME	FAREWELL
Kingfisher Airlines	Rachel Finn	Dilip Kakar
LOT Polish Airlines	David Bentley	Maciej SZCZEPKA
Lufthansa	tba	Marianne Sammann
Saudia	Rashed AlAjmi	Abdullah AlHusaini
<b>ASSOCIATE</b>		
Holman Fenwick Willan	Sue Barham	Formerly with Barlow Lyde & Gilbert

### c) BAR UK General Meetings

(i) **The third and final General Meeting of 2011** was held on Friday 30 September 2011, generously hosted by Stephenson Harwood at their lovely new offices at Finsbury Circus in the City of London.

The key addresses were by Paul Phillips, Partner of Stephenson Harwood Legal, and Russell Binch who provided important legal and regulatory updates for the industry, including EU261 interpretations, as well as the legal arguments, for/against, in respect of the appeal to the European Court of Justice concerning the EU ETS.

The focus of the meeting then changed to Heathrow, in the context of capacity, strategic developments and affordability, and challenges of handling the Olympics. Our sincere thanks to the Heathrow AOC and the Heathrow LACC.

The CAA then answered questions about the proposed controversial ATOL reforms, which went on to form the basis of a subsequent meeting at the CAA.

Final, a comprehensive update on other BAR UK matters was provided by the Chief Executive.

(ii) **The first meeting in 2012** will take place on 24 February at the offices of Gates & Partners, who are generously hosting the event.

### d) Media exposure of BAR UK

Through the excellent work of KTA PR, the views and feedback of BAR UK have been publicised in a number of major media. Apart from several UK and overseas travel industry media, coverage included:

- i) Air Passenger Duty – Daily Express (via Fair tax on Flying campaign)  
<http://www.express.co.uk/posts/view/276415/-600m-flight-tax-grab-threat-to-UK->

recovery

- ii) HeathWick rail link – Financial Times <http://www.ft.com/cms/s/0/09f8d706-f340-11e0-8383-00144feab49a.html#axzz1ckPt3EOd>
  - iii) Labour policy U-turn –
    - Financial Times <http://www.ft.com/cms/s/0/59410a1e-03d4-11e1-bbc5-00144feabdc0.html#axzz1ckPt3EOd>
    - Daily Telegraph <http://www.telegraph.co.uk/travel/travelnews/8860268/Labour-drops-backing-for-Heathrow-third-runway.html>
    - The Economist - <http://www.economist.com/blogs/gulliver/2011/11/heathrow>
    - Huffington Post [http://www.huffingtonpost.co.uk/2011/10/31/third-runway-at-heathrow-u-turn\\_n\\_1067213.html](http://www.huffingtonpost.co.uk/2011/10/31/third-runway-at-heathrow-u-turn_n_1067213.html) ,
  - iv) Airport expansion policy – BBC website <http://www.bbc.co.uk/news/uk-england-15406695>
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The next BAR UK Newsletter will be published in January 2012