



September 2011

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Chief Executive's Welcome

The British summer, a polite term for some prolonged and disappointing weather, has gone by in a flash and autumn has started. Unsettled with occasional storms is also a reflection of the air transport industry.

The forecasts for several economies are bleak or uncertain, the cost of aviation fuel continues to be a major financial headache and yields remain an issue.

Locally, the same big topics continue to dominate our work, as the articles below will show.

It will be great to get some positive and acceptable decisions on matters like aviation policy and taxation, and move forward!

Mike Carrivick – Chief Executive

1. Aviation Taxation (Air Passenger Duty and EU Emissions Trading Scheme)

Airlines are part of the solution to the recovery of the UK's economy. It's therefore a mystery why the Government continues to want to hit airlines as hard as possible financially.

This year's budget statement shows that, by 2015/16, the combined revenues of APD and the EU ETS will be GBP5.8 billion per annum, an increase of GBP4 billion since 2007.

It's high time that this discrimination stopped.

We continue to call on the Chancellor not to increase APD any further and to decrease the APD income by the amount received from aviation in the EU ETS.

Until the time that such assurances are received, BAR UK, in cooperation with other organisations, is campaigning against further increases.



In July, as an objection to the extortionate APD levels, the industry organised a dedicated campaign 'Hands Off Our Holiday Mr Taxman!' which was an amazing success.

During the holiday period, travellers at a number of UK airports were directly informed on the APD levels they were being charged, facts not immediately apparent in the overall invoice for holidays.

They then had the opportunity to make their feelings known to their local MP, either by a post card, or an easy-to-use internet link.

The results were staggering:

- 70,000+ unique visitors to the campaign website generating 350,000+ page views/hits
- 17,645 people have emailed their MPs via the website, with 648 (out of 649) MPs contacted at least once; and
- A Sunday Express telephone poll showed 97% respondents disagreed with the Chancellor's proposals. A follow up story was published in the newspaper the following week.
- Other papers, especially a great number of regional ones, also highlighted how holidaymakers were being taxed to take a family holiday by air.

Meanwhile, BAR UK's support of A Fair Tax on Flying continues.



A Fair Tax on Flying encompasses lobbying against all adverse effects caused by the aviation taxation regime, not least inbound tourism to the UK.

It will be undertaking a range of activities in the weeks ahead, and is planning to be in attendance at the UK political conferences being held in September and October.

The bottom line is this.

No matter how the APD structure may alter (with an announcement expected on 29 November), the revenues already being taken from the hard-pressed airline industry are far too high. The tax take must drop in overall terms.

2. Future Aviation Policy

A progressive aviation policy is vital for the future economic well-being of the UK. As matters stand, there are great inconsistencies within government strategic policies.

The Chancellor states that Britain is open for business, yet his own National Infrastructure Plan barely refers to aviation. Any increase in capacity to meet market needs for London and South East England is banned.

The continued concern is, that the policy vacuum that will exist until 2013 will be interpreted as a sign of complacency by this country's competitors. No wonder they cannot believe their luck.

Even more puzzling, in these days of public spending cuts, is that added capacity would be paid for by the industry, not by government.

The current consultation for a Sustainable Aviation Policy provides a great opportunity for overseas input into the future of a global industry. BAR UK has been very active to solicit as many views as possible.

Specifically, we are working very closely with IATA, the global organisation for airlines.

BAR UK's chief executive recently visited Geneva and met with IATA's new Director General, Tony Tyler, to provide a briefing on the UK aero-political scene, not least on future aviation policy. The same day, IATA generously facilitated a workshop between BAR UK and senior IATA staff, which embraced economics, aviation and the environment, taxation and regulated charges.

Arising out of that meeting will be a series of other initiatives that should lead to comprehensive responses to the consultation, as well as direct responses from various airlines.

The current situation of denying any more capacity, and possibly restricting it, is causing a number of airlines to question the viability of their UK operations, and to evaluate whether their aircraft could be used more productively to other countries instead.

That would be very adverse for the UK economy and its reputation.

3. ATOL Reform

The Department for Transport (DfT) is currently consulting on a reform of the Air Travel Organisers' Licence (ATOL), which has been in operation for many years. Overseen by the CAA, it was originally established to provide consumer protection to buyers of packaged holidays, as was the EU's Package Travel Directive.

Nowadays, as well as package holidays, there are also numerous other ways of purchasing holidays, but these do not fit the framework of ATOL regulation. Consequently, confusion now exists as to which travel purchases are covered by ATOL protection, and which ones are not.

Those confusions need to be swept away, which is supposedly the point of the current consultation. However, it's disappointing to report that the reform proposals simply add to the confusion rather than make matters clearer.

For example, there would be instances where, despite two lots of ATOL payments having been paid, no protection for consumers would apply.

In the context of a failure by what is called 'Right to Fly providers' (in simplistic terms, the non-airline company that sold flight tickets to the public), airlines (herein called 'Specified Operators') would be obliged to provide flights for customers even if they had not received payment from the defaulting company. That would make airlines, and not the ATOL scheme, the insurers of last resort.

The fact that an agent might be ATOL-exempt for some airlines but require ATOL for others would prove extremely confusing to the consumer.

It's time that regulators stopped trying to impose more and more unwarranted costs on to the airline industry.

In yet another example, some travel purchases would be considered protected as 'Flight Plus', if bought within a short mandated period whilst the same items, purchased over a longer period of time would not qualify for ATOL protection. Result? The same purchase can be either protected or not protected, merely depending on when they were ordered. Again more confusion instead of matters being clarified.

In our response to the consultation, BAR UK will be stating that there seems every intent to slap ATOL protection on flight purchase, regardless of whether clients actually want it or not.

Furthermore, whilst there is indeed a lack of clarity about consumer protection that needs addressing, there's a much easier way than these confusing proposals.

Put simply, a) continue to apply ATOL protection to fully-packaged tours, and b) exclude everything else.

Explicit advice would then be required to be provided to customers that ATOL protection was provided for traditional packaged holidays, and explicitly advised that it was not for any other type of purchase. Consumers would then be in a position to determine if they wanted to purchase insurance.

Many clients are protected in any event, through the use of credit cards, so may well not wish to pay for consumer protection again.

4. Heathrow and the Olympics - Preparing for London 2012

Heathrow has been designated the official host airport for London 2012 Olympic Games which will take place between 27 July and 12 August 2012, followed by the London 2012 Paralympic Games between 29 August and 9 September 2012.

Andy Garner is the Heathrow director for London 2012, leading the airport's readiness programme. His team is working with the airlines and other service partners, in the planning process as well as delivery.

In his Airline Business Development update last week, Andy wrote, "Almost 80% of Games passengers, including athletes, media, sponsors and spectators from around the world are expected to travel through the airport. Our aim is to deliver a warm welcome to London 2012 at the airport, and ensure a great travel experience for the Olympic Family and Paralympic Family, while also delivering a great service for all regular passengers."

The Heathrow readiness team is working with the London Organising Committee (LOCOG) for London 2012, to anticipate the likely peak arrival and departure periods. Heathrow will implement an airport policy within the Summer 2012 (S12) IATA scheduling process, to help safeguard the 'business as usual' requirements during the Games, although there will be no capacity for additional ad-hoc flights at Heathrow.

Baggage handling at Heathrow is expected to rise by over 30% on peak days, and out-of-gauge and super-out-of-gauge items by almost 200%. A number of solutions are planned, such as a remote check-in at the Olympic Village, and a temporary Games 'terminal' for the Olympic Family.

For the Paralympic Games, Heathrow is working closely with the airline teams to manage increased demand for special assistance, and to evaluate stand-planning and facilities. The Heathrow pre-notification policy will be critical to ensure the best service for all passengers who need extra help.

The airline community at Heathrow, led by the Heathrow Airline Operators' Committee, is working extremely closely with Heathrow Airport Ltd (HAL) to ensure success for everybody. BAR UK will add to that cooperation and act as a further point of contact should it be required.

5. Board Changes and other BAR UK News

a) Board announcements

The Chair and Board regretfully announce two resignations as a result of job relocations.

- Japan Airlines: Mr Simon Salvi is relocating to New York for a senior position with the oneworld alliance
- Lufthansa: Mrs Marianne Sammann is relocating to Munich for a senior marketing and sales position

Reflecting on both moves, Sandra Bloodworth (Chair, BAR UK) expressed the sincere thanks of the board for their dedicated work and best wishes for their future success.

The board will consider the vacant board positions in due course.

b) New member airline

It's a great pleasure to welcome Air Europa to membership of BAR UK and to Colin Stewart, General Manager UK, who will be the airline's delegate.

Details of Air Europa can be found at:

http://www.bar-uk.org/membership/full_members_2.htm#aireuropa

c) People on the move

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

AIRLINE	WELCOME	FAREWELL
Air Europa	Colin Stewart	New Member
Alitalia	Gianni Leone	Maria Sacconi
EL AL Israel Airlines	Yarom Vadish	Uri Danor
Japan Airlines Co. Ltd	Ross Leggett	Simon Salvi
Lufthansa	To be confirmed	Marianne Sammann
Royal Jordanian Airlines	Khaldoun Shawwa	Samir Risheq

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 key address will be by Paul Phillips, Partner of Stephenson Harwood Legal, who will provide an important legal and regulatory update for the industry.

The focus of the meeting will then change to Heathrow, in the context of capacity, strategic developments and affordability, and challenges of handling the Olympics.

Late News!

The CAA has graciously accepted an invitation to answer questions about the proposed controversial ATOL reforms, for which our thanks are readily given.

The next BAR UK Newsletter will be published in November 2011