

## CONTENTS

1. Air Passenger Duty (APD)
2. New BAR UK member
3. Membership changes - welcomes and farewells
4. Airport charges 2007-8
5. Future airport pricing proposals 2008-13
6. Department for Transport - update on aviation policy
7. Aviation and the UK economy
8. Aviation consultations in the year ahead
9. Passengers with Reduced Mobility (PRMs)
10. Next BAR UK General Meeting

### 1. Air Passenger Duty (APD)

On 6 December 2006, the Chancellor of the Exchequer announced his decision to double the amount of APD for all travellers from 1<sup>st</sup> February 2007. The increase was supposedly based on environmental reasons.

A huge disregard has been shown to the travelling public, and the airlines, because it imposes a retrospective tax on tickets already purchased. The cost of that is estimated at over GBP100 million.

A delegation of travel industry leaders, including BAR UK, went to see top Treasury officials just a few days later. They explained the effects of the Chancellor's decision, and suggested that the new APD rates applied on all tickets issued from 01 February; in that way, the problem would be solved.

At that point, it became evident that the reason for the increase was not environmental, but simply another method in which to obtain more money for public spending.

The effects of this retrospective increase are these:

- A windfall tax is being applied when no windfall profits exist.
- Foreign carriers are being taxed on their ticket sales abroad.
- Profit margins for airlines, and tour operators, are being destroyed.
- The cost of doing business in the UK is getting ever-more expensive.
- The UK is now costlier to visit.
- Many airlines will have no choice, but to collect the new tax from their passengers on departure.

There has been much pressure applied to obtain a change of policy, including a considerable amount internationally, from various associations, airlines and some Governments.

BAR UK has also appeared on three live TV national news programmes in the UK, to explain the situation.

However, the Treasury does not wish to implement a fair and equitable change of APD levels.

## 2. New BAR UK member



It is a great pleasure to announce that **Air Namibia** has joined BAR UK.

The airline's delegate is **Mr Ben Kakonda**, Manager UK/Ireland.

## 3. Membership changes - welcomes and farewells

We say farewell to some delegates, but are pleased to welcome their successors:

<u>Airline member</u>	<u>Welcome</u>	<u>Farewell</u>
Lufthansa	to be advised	Dieter Grotepass
Swiss International	to be advised	Sarah Built
Syrian Arab Airlines	to be advised	Mhd Ali Cheikh Najib
United Airlines	Marcel Fuchs (interim)	Alison Espley

## ADVERTISEMENT



### **Exercises for Aviation Crisis Management.**

Kenyon International is pleased to announce two further opportunities to join this established key-skills training event:

29 – 30 May 2007, Bracknell, United Kingdom

18-19 September 2007, Houston, Texas, United States.

Now in its fourth year, this course concentrates on the techniques, tools and skills necessary to design, manage and deliver a comprehensive emergency exercise programme.

You will join other aviation managers in a highly interactive environment to consider the following topics:

- Exercises as an alternative to traditional briefing sessions.
- Table-top exercises
- Input-response or 'simulation' exercises
- Scenario design and selection
- Management of exercise control teams.
- The importance of debriefing and post-exercise reports.

For further details or to register, please contact Jerry Allen [allenj@kenyoninternational.com](mailto:allenj@kenyoninternational.com) or call +44 (0)7734 779087

### **4. Airport charges 2007-8**



#### **A. REGULATED LONDON AIRPORTS**

BAA have announced their price increases for London Heathrow and London Gatwick and London Stansted airports for the financial year 2007/8.

Prices are regulated by the CAA, in accordance with pre-determined formulae, and cannot exceed a certain amount, known as 'the cap'.

Heathrow and Gatwick have decided to increase their prices up to the cap, being, in broad terms, 9% at Heathrow, and just over 3.3% at Gatwick.

It is proposed that Stansted charges are frozen for 2007/8, as explained below in item 5.

## B. SCOTTISH AIRPORTS GROUP (SAG)

SAG is part of BAA, and operates the airports at Glasgow International, Edinburgh and Aberdeen.

The pricing proposals for 2007/8 are for price freezes at all three airports. Carriers had until January 12<sup>th</sup> to respond, and a formal decision is expected shortly to confirm matters.

## 5. Future airport pricing proposals 2008-13



Regulated airports have their pricing formulae determined by the CAA in five-year periods, known as quinquenniums. The next one is known as Q5.

Q5 will apply to the period April 2008-March 2013 for London airports, and is currently planned as 2009-14 for Manchester Airport.

The process known as Constructive Engagement has seen airlines and airport operators working together to, hopefully, arrive at a general consensus on a wide number of workstreams, covering income, expenditure and passenger forecasts. With some notable exceptions, this process has been better than expected.

As a result, the CAA is now in a position to provide its initial proposals for prices at Heathrow and Gatwick.

For **Heathrow**, it proposes that prices should increase at a level somewhere between Retail Price Index (RPI)+4% and RPI+8%.

For **Gatwick**, it proposes that prices should vary at a level somewhere between RPI-2% and RPI+2%.

Responses to these proposals are due by 5<sup>th</sup> February, and those provided by IATA, and the LACC Heathrow, will also be made on behalf of BAR UK.

The subsequent process then involves CAA making reference to the Competition Commission. They will report back to the CAA by September 2007, after which the CAA will publish its formal proposals by November. Oral hearings will then take place in January 2008 followed by the CAA issuing its decisions in March, for effect in April.

**Stansted** has previously also been designated as a regulated airport, but the CAA is now proposing that it be de-designated. A consultation document will be published during 2007 prior to any final decision by the Department for Transport.


As a consequence, the CAA is proposing that:

- (a) the current regulated period for Stansted be extended to March 2009,
- (b) its charges remain frozen for the year 2007/8.

In respect of **Manchester**, there will also be a consultation paper issued to consider this airport also being de-designated.

However, as Q5 does not commence until 2009, there is no need to revise any existing pricing controls

## **6. Department for Transport (DfT) - update on aviation policy**

 In December 2003, the DfT issued its white paper 'The Future of Air Transport', which set out a sustainable long-term strategy for the development of air transport till 2030.

Last month, December 2006, it published its progress report on the white paper. This can be viewed at:

[http://www.dft.gov.uk/stellent/groups/dft\\_aviation/documents/page/dft\\_aviation\\_613842.hcsp](http://www.dft.gov.uk/stellent/groups/dft_aviation/documents/page/dft_aviation_613842.hcsp)

In addition to re-stating the economic benefits brought about by air travel, this report comments on progress made since 2003.

It reaffirms that the priority is to make the most of the UK's existing airports including, where sustainable, the development of new runways, and also updates the Government's forecasts of air passenger demand.

## **7. Aviation and the UK economy**

In the public debates concerning aviation, relatively little focus has been given to the economic benefits generated by air travel.

That focus has been sharpened by the publication of '**The Economic Contribution of the Aviation Industry in the UK**' by **Oxford Economic Forecasting**.

Among its many key points were these:

- In 2004, the aviation industry directly contributed GBP11.4 billion to the UK Gross Domestic Product, and employed 186,000 people.
- Over 520,000 jobs in the UK depend on aviation.
- Visitors arriving by air contribute over GBP12 billion per annum to the UK's tourism industry, generating a further 170,000 jobs.
- Air services are vital for exports and trade.

The full report can be downloaded at:

<http://www.oxfordeconomics.com/Free/pdfs/Aviation2006Final.pdf>

### **8. Aviation consultations in the year ahead**

Consultations due to be published during 2007, and which will be responded to by BAR UK, include:

- Mixed Mode operations at Heathrow
- Runway 3 at Heathrow
- De-designation of Stansted Airport
- De-designation of Manchester Airport
- Firm proposals for regulated airport pricing (Q5)

In addition, one consultation which has closed, and for which a decision is due in the Spring, is that for *Gatwick Express*.

### **9. Passengers with Reduced Mobility (PRMs)**



EC Regulation 1107/2006 comes into partial effect in July 2007.

This relates to the fact that air carriers are not permitted to refuse a booking to any passenger solely on the grounds that he/she may be a PRM.

The second and fuller final stage of this Regulation becomes effective in July 2008. At this point, airport operators will be responsible for providing PRM services to and from the defined arrival and departure points at their airports.

Airlines will be required to pay the airport operator for those services, and also to advise the relevant passenger details for the service to work efficiently.

This will require a lot of cooperation and agreements between airlines and airport operators. In most cases, this will probably be handled by the local Airline Operators' Committee (AOC) and the airport. However, the industry at large also needs to be involved, and BAR UK is already establishing dialogue with major AOCs, the Airport Operators' Association (AOA), and IATA.

### **10. Next Bar UK General Meeting**



The next meeting is being held on February 9<sup>th</sup> at 10.00hrs. It is generously sponsored by Heathrow Airport Limited, and will take place at the BAA Academy Heathrow (previously known as the Visitors' Centre).

Agenda items include airline relocations with the opening of Terminal 5, Heathrow East, aspirations for Mixed Mode operations and Runway 3.

**THE NEXT BAR UK NEWSLETTER WILL BE PUBLISHED BY 31 MARCH**