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1. AVIATION SECURITY REGIME - Changes Ahead

The restriction of just one piece of cabin baggage for travellers leaving the UK has been a constant source of frustration.

It is therefore pleasing to write that a change of policy has been determined by the Department for Transport (DfT) and which, subject to application, can commence from 07 January 2008. This decision has been assisted by the introduction of new technology, which provides increases in efficiency whilst maintaining security levels.

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Provided airports apply to DfT, and demonstrate that they are capable of providing the enhanced levels of efficiency and process, then the single cabin bag restriction can be lifted.

At the time of writing, Manchester Airport had indicated that it would be seeking DfT's approval to move to the new regime; BAA have yet to advise what their intentions are for the seven airports under their control.

Note:

As was the case before the current security restrictions were introduced, airlines have the right to stipulate their own cabin bag rules; many of these already had a one-piece rule in place and are expected to continue doing so.

2. MEMBERSHIP and DIRECTOR CHANGES

Welcomes and farewells

In the very near future, we look forward to some additions to our membership. The Board will shortly consider their applications, after which their details can be announced.

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

<u>Airline member</u>	<u>Farewell</u>	<u>Welcome</u>
Air Mauritius	Mr. Dale Keller	to be confirmed
Caribbean Airlines	n/a	Mr. Ben Leon
Ethiopian Airlines	Mr. Wolde Abza	Mrs. Rahel Asefa Difaye
Qatar Airways	Mr. S Ramachandran	Mr. Brett McDougall
VLM Airlines	n/a	Mr. Alan Daniels

The Chairman and board extend their thanks to Wolde Abza, and Dale Keller, both of whom had devoted time and services as board members of BAR UK.

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3. AIRLINE TERMINAL RELOCATIONS AT HEATHROW

BAA  In the last newsletter, it was reported that the opening of Terminal 5 in March 2008 would provide Heathrow Airport with an opportunity to relocate its airlines with the aims of: achieving eventual airline alliance co-location, positioning both the airport and airlines for growth and providing quicker transfers for passengers

Since then, some challenges to the agreed airline move sequence have emerged which have led to a review of the sequence and the associated Heathrow transformation timeline.

As part of the ongoing response to these challenges, the airline community and Heathrow Airport Limited are currently jointly reviewing the move sequence. It is anticipated that these consultative discussions with the airline community will conclude in mid-December, following which a new agreed airline move sequence will be published.

Consequently, the special airline relocations briefing event scheduled for Thursday, 8th November was postponed. It is anticipated this event will now take place in early 2008.

4. AIRPORT CHARGES (2008-13) - HEATHROW and GATWICK



The airline community was shocked by the huge increases proposed by the CAA for the next five years, commencing April 2008. This is the fifth 5-yearly regulated period, and called Q5.

They take into consideration the Competition Commission (CC) Inquiry and recommendations given to the CAA in October 2007, following its reference in March 2007.

The CC also made an adverse finding in relation to the "public interest" issue of security queuing, and queue times, at the airports, which the CAA is obliged to address.

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The airlines had submitted written input to both the CAA and the CC, including an Oral Hearing, on the initial proposals, and the CC's request for additional information.

A summary of the main points now follows.

MAIN PRICING PROPOSALS

Heathrow - Price cap increase of Retail Price Index (RPI) +15.6% for the starting year 2008-09, and subsequent increases of RPI+7.5% each year for the remaining four years.

Gatwick - Price cap increase of 8.2% for the starting year and increases of RPI+2% for each subsequent year.

The reasons for the increase measured against the CAA's original price cap proposals are supposedly for the larger capital investment programmes at both airports and the costs of delivering more stringent security processing and improving service quality in this area.

OTHER ISSUES

Service Quality - a broader and stronger set of financial incentives has been proposed:

- Average queuing for passenger security processing no longer than 5 minutes for 95% of the time throughout the day.
- New maximum queue targets of 10 minutes at LHR for 99% of the day and 15 minutes at LGW for 98% of the day.
- 99% availability will be required of people moving equipment and baggage carousels.
- Maximum level of rebates for poor service performance to be increased from 3% to 7% of total airport charges revenues (up to around GBP 60m at LHR in 2008-09 and GBP 15m at LGW).
- Bonuses of up to 3% of airport charges revenue for service performance above targets delivered consistently across all terminals (up to GBP 25m at LHR and GBP 6m at LGW for 2008-09).

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Capital Investment Triggers - Penalty payments covering some 60% of BAA's LHR capital investments and around 40% of LGW's, under which some 4% and 3% respectively of airport charges revenue would be at risk during Q5 in the event that specified projects were not delivered.

Capital Expenditure - The full investment programmes for LHR and LGW are included in the price caps calculation.

Cost of Capital - The regulator has agreed with the CC recommendation of a pre-tax real weighted cost of capital of 6.2% at LHR and 6.5% at LGW (compared to the current 7.75% at LHR).

Operating Expenditure and Commercial Revenues - More stretching commercial revenue projections are required from the airports as well as tighter operating expenditure efficiencies.

NEXT STEPS

The CAA is holding an Industry Seminar on the proposals on 3 December 2007, after which:

- Written responses to the proposals are required by 21 January 2008
- Oral Hearings for those making input will be heard on 28-29 January 2008
- Final proposals will be announced in March for implementation from 1 April 2008

5. CONSULTATION - HEATHROW EXPANSION

The long-awaited consultation by the Department for Transport, 'Adding Capacity to Heathrow', has just been published.

The consultation seeks to know views on a number of different issues including:

- a third runway at Heathrow,
- an additional terminal, and
- the introduction of Mixed Mode use of the existing runways.

The full consultation document can be found at DfT's website:

<http://www.dft.gov.uk/consultations/open/heathrowconsultation/consultationdocument/>

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RESPONDING TO THE CONSULTATION

BAR UK fully supports the proposed expansion plans, and encourages its members to not only make their own response to the consultation, but to encourage their staff to do so as well.

Responses can be easily provided by visiting this website:

<http://surveys.globalepanel.com/wix/p48537354.aspx>

The consultation commenced on 22 November and concludes 27 February 2008.

6. REPLACEMENT OF AIR PASSENGER DUTY (APD)



HM TREASURY The recent Pre-Budget Report by the Chancellor of the Exchequer announced that APD would be replaced.

Nominally an environmental tax, it has become clear that the prime objective is to raise an additional GBP520 million from the airlines and their passengers, so that air travel will be contributing a huge GBP3 billion per annum.

Having previously protested to the Treasury about the lack of notice of the APD increase in February this year, this new tax will not commence until November 2009.

However, it is becoming evident that structuring such a tax is unclear, and could be problematic.

Ahead of its formal consultation, expected in early 2008, the Treasury has held informal discussions with various segments of the travel industry, including BAR UK, to explore matters.

Various matters of competitiveness and practicality were raised at that time, so it will be interesting to see what sort of tax structure might be proposed in the consultation document.

BAR UK will be making a full response to the consultation in due course.

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7. AIR TRAFFIC SERVICES - NATS



At 03.19 on the morning of Saturday November 24, a major milestone was reached for NATS' long-term investment strategy when London Terminal Control made its transition from West Drayton near Heathrow to Swanwick in Hampshire.

The move created the world's busiest international flight control centre as 300 controllers and 200 engineers and support staff joined en-route controllers who already work there, guiding aircraft through the upper levels of airspace over England and Wales.

The completion of the Swanwick operations centre is the culmination of a four-year, £90m project. It's the first half of the business strategy to focus operations from four centres to two. The second new centre is currently under construction at Prestwick in Ayrshire and is due to open in 2010, replacing the existing Prestwick centre and NATS' other centre at Manchester.

This major project was completed on time and within budget, and BAR UK offers NATS its congratulations on such a magnificent achievement.

8. BAR UK DIRECTORY 2008



Sponsored and published by ABTN (www.abtn.co.uk), the BAR UK Directory for 2008 is due to be published very early in January.

It's a very useful reference for all BAR UK airlines and Associate Members, and also contains useful contact details for other airlines, and UK airports.

9. UK VISAS



As part of managing migration, UK Visas formed a task force to "seek improvements to the visa customer journey and the role this plays in attracting and welcoming visitors to Britain".

Its core role was to solicit expert opinion from key stakeholders across and beyond government, and taking into account the Government's strategic objectives of boosting Britain's economy by ensuring the country is easy to visit legally, and strengthening our borders.

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BAR UK was part of this task force.

Its work is now completed, and an interim report has been sent to others within Government for consideration.

10. DOT2DOT

Of interest to BAR UK members, and possibly their premium passengers, is the new large-scale airport transfer service, dot2dot, that has begun operating running between Heathrow and Gatwick and Central London Hotels.

The new dot2dot fleet of 64 purpose-built vehicles is operated by the National Express Group, has a maximum of four stops on any journey and, with a fare from £17.50 per person for a single ride, the service aims to take the hassle out of getting to and from the airport.

The new shuttles have been specially configured to give passengers extra space and legroom. In addition they will have state of the art satellite navigation equipment, congestion tracking systems and fully trained and experienced drivers.

Travellers can book a dot2dot shuttle at www.dot2.com, through travel agents and hotel concierges.

11. NEXT BAR UK GENERAL MEETING

This meeting is very generously being hosted by Beaumont & Son Aviation, part of Clyde & Co., an Associate Member of BAR UK.

The details are:

Date: Friday, 1st February 2008

Venue: Clyde & Co, 51 Eastcheap, LONDON EC3M 1JP

Time: 09.30 for 10.00 am.



At the start of this festive time of year,
our wishes go to all our readers for a
very happy Christmas, and peaceful
New Year!



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