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Consumers and Markets Group

The CAA

CAA House

45–59 Kingsway

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Sent by email: economicregulation@caa.co.uk

29th April 2016

Dear Sir

On behalf of the 24 Star Alliance member carriers operating at LHR, we write in response to the discussion document issued by the CAA in March 2016, entitled “Strategic themes for the review of Heathrow Airport Limited’s charges (“H7”)”. We welcome the opportunity to review and provide feedback to the CAA’s early thinking on this important matter.

We have worked with the LACC and Heathrow AOC to formulate a detailed formal response to all the questions raised in the discussion document. We fully support and endorse the contents of that response, which is being sent to you today.

We have also consulted with our colleagues at the LH Group and similarly support their response to the discussion document being sent to you today.

Rather than reiterate all the details contained in the responses to which we have referred above, we highlight the following three aspects which are of major importance to Star Alliance and its members:

Formulation of the Consumer Challenge Forum

We welcome the continued focus on ensuring consumer benefits and empowering consumers. However, there is a vast amount of information on consumer needs that is already available via airlines, alliances and industry bodies. Our member carriers are already driven to meet and exceed the demands of their consumers, due to intense market competition. There are numerous examples of the airline community at LHR working hard to hold Heathrow Airport to account in providing an environment that exceeds consumer expectations. We therefore need to understand the details of the CCF and exactly what value it would add. One aspect of the proposed forum that concerns us is the involvement of Heathrow Airport in its initiation and management. This clearly creates a risk whereby Heathrow are afforded the opportunity of exerting influence on the forum, which may or may not be to the benefit of consumers. If it is decided to go ahead with the CCF, we would expect at the very least for there to be a strong airline presence involved in the management of the forum, providing a counterbalance to Heathrow.

Promoting cost efficiency

Cost efficiency benefits consumers. The initial approach to this aspect proposed by the CAA seems sensible and we look forward to hearing further details. Within further consideration of this aspect, it must be recognised that while the cost efficiency of the airport itself is very important, Heathrow also has in its power the opportunity to enable airlines to drive down their operating costs through its choices in the execution of capital projects. Examples exist where Heathrow has chosen to delay the pursuit of projects that provide clear benefits to consumers and enable airlines to drive down their own OPEX (thereby further benefitting consumers), simply because it doesn't see a direct OPEX benefit to itself.

Resilience and further consumer interests

Heathrow and the airline community are eagerly awaiting the government decision on expansion of runway capacity in the south east. Any such decision will clearly have a huge impact on Heathrow's strategy and its choices in delivery of the Masterplan. However, we look to the CAA to help ensure that expansion plans do not impact consumers who use the existing, ageing facilities. Before embarking on high profile new projects, Heathrow must further the interests of consumers by delivering high performing facilities that enable a great customer experience across all terminals. This can be achieved through sensible, practical investment to ensure high performance and resilience of existing facilities.

We look forward to further engagement with the CAA as the journey towards H7 continues.

Yours sincerely

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