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Ihr Zeichen/Your Reference

Unser Zeichen/Our Reference

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Sent by email to: economicregulation@caa.co.uk

LH Group response on CAP2265 Initial Proposals for H7

Dear Paul,

On behalf of Lufthansa, Swiss International Air Lines, Austrian Airlines, Eurowings and Brussels Airlines we thank you for the opportunity to comment on the CAA Initial Proposals for H7.

In this context may we refer to our feedback of November 18th, 2021 on “CAP2265E Proposed License Modification to insert a new price cap from 1.1.2022-31.12.2022”. Our statements and arguments reflect our views on the entire H7 period 2022-2026. Thus, we ask you to revisit all points brought up by the industry representatives as well as by ourselves and to identify further possibilities to reduce the charges increase at Heathrow not only for 2022 but until 2026.

As our workforce still is limited given the ongoing crisis, we again emphasize that we fully support and endorse the contents of the detailed response you have received by IATA / AOC. We are convinced that especially on “Financial Matters and Risk” our criticisms are still valid, as the CAA’s Traffic Risk Sharing (TRS) is missing an appropriate reduction in the WACC and is not limited until the time when traffic returns to a normal, pre-crisis level. Furthermore, we remain having a different perspective on “Passenger Forecasting”, where the CAA’s proposal is based on an outdated passenger forecast which does not reflect the latest industry analysis, such as those published by Eurocontrol STATFOR, IATA and ACI – all of which point to a significantly higher forecast and faster recovery. Analysis by the Airline Community suggests the current CAA estimate to be in the range of circa 58m passengers lower than industry consensus across H7 with traffic expected to recover to 2019 levels at Heathrow by 2024. Even in view of the “omicron variant” Lufthansa Group strives hard to keep and increase traffic volumes to Heathrow, as most other airlines will do, supporting a faster recovery. Nevertheless, prohibitively high airport pricing will certainly slow down any recovery.



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Heathrow is already one of the world's most expensive airports. The proposals by the CAA range from increasing severely by +25% to an excessive and unbearable increase of +75%, and will have a significant bearing on consumers as airlines will not be in a position to avoid passing through these tremendous cost increases.

In our point of view, H7 should see an overall fall in the level of aeronautical charges compared to current levels. Applying the analysis from both CAA and the Airline Communities' independent consultants a level significantly below the CAA's Initial Proposal is mandatory – for full details please see the IATA / AOC submission.

We encourage the CAA to set out stronger safeguards and measures in H7 - with the industry in the recovery stage - to ensure greater transparency and engagement from HAL and the ability for the CAA to intervene especially in areas that directly affect airlines and consumers.

Sincerely,

A handwritten signature in blue ink, appearing to read "Benjamin Koch".

Dr. Holger Benjamin Koch
Senior Director Airport & Industry Charges LH Group

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