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Dear Alex

REVIEW OF THE CAA'S STATEMENT OF POLICIES IN RESPECT OF ALLOCATION OF SCARCE CAPACITY RIGHTS

I refer to your letter of 18 August concerning the guidelines to be used in scarce capacity hearings. I apologise for missing your initial deadline for reply.

Virgin Atlantic has no comments to make on your proposal. However, we have taken this opportunity to review again Annex 8 of Official Record Series 1 ("CAA Guidance on the Economic Framework for Considering Cases Relating to the Allocation of Scarce Bilateral Capacity"). We would urge you as a matter of urgency, before the need to use the principles contained in Annex 8 arises again, to review and revise what is set out there.

It is Virgin Atlantic's opinion that Annex 8 is wholly unworkable within the constraints of a scarce capacity hearing, particularly the need to hear a case and come to a conclusion quickly. From our perspective it is difficult to see how anyone with even a modest understanding of the operation of air transport services could come to any other conclusion. We would invite you to apply Annex 8 to a scarce capacity hearing that has already taken place, one of the Shanghai hearings for example, to see whether the approach is at all feasible. If it is not, and we certainly believe that it is not, then there is a significant issue here that should be addressed urgently.

What is needed is an approach that is effective and practical rather than one that is theoretically perfect but wholly impractical, as the current Annex 8 appears to be. We would welcome the opportunity to discuss this subject with you in more detail.

Kind Regards

Barry Humphreys

Director of External Affairs and Route Development

