

## **Virgin Atlantic Airways (VAA) Formal Response the CAA's Investigation under section 41 of the Airports Act 1986 of the structure of charges levied by Heathrow Airport Limited**

**28<sup>th</sup> November 2013**

VAA welcomes the CAA's consultation on the subject of the structure of passenger departure fees levied by Heathrow Airport Limited (HAL). VAA has long been a supporter of UK airports ensuring that their Departing Passenger Charges are structured to ensure all departing passengers (PAX) whether International, Domestic and Irish pay for the airport facility costs that they utilise, including LHR. The current departure PAX charge structure at LHR, implemented on 1<sup>st</sup> April 2011, went some way to addressing the previous charge structure that resulted in International PAX subsidising Domestic and Irish PAX use of LHR airport facilities but fell short of the full changes necessary.

Therefore VAA strongly disagrees that the current LHR charges structure discriminates against short haul flight operations including domestic and ROI passengers. Please note VAA is only addressing certain issues raised in the consultation and reserves its position on points that we have not explicitly responded to.

### **Equalisation of the departing passenger charge structure**

#### *Utilisation of airport facilities and cost to serve – UK airport charges assignment trend*

HAL's cost to serve calculations, clearly evidences the actual use of LHR key airport facilities such as check-in, landside departures concourse and the baggage system do not fundamentally differ between International, Irish and Domestic PAX consequently the cost allocation should reflect this. On the contrary an airport having separate baggage facilities and arrival channels for domestic and or Irish flights actually add additional costs to the airport operation. This is due to the doubling of facilities creating inefficiencies in infrastructure and operating costs to cater for the minority of domestic / Irish flights. Analysing the Domestic, Irish and International PAX journeys there are only three differences between the journeys taken by a Domestic or Irish PAX vs. an International PAX.

Firstly at central search a Domestic or Irish PAX facial image is captured where the destination is within the United Kingdom or Ireland. Secondly at the departure gate or piers the captured facial image for the Domestic / Irish PAX is reconciled by a security officer. Lastly arriving Domestic / Irish PAX follow a separate arrivals / baggage reclaim routes. If Irish or Domestic passengers were routed through International arrivals channels there would be no or minimal expansion of the International channels required, through infrastructure investments, in proportion to the volume of Irish and Domestic PAX being routed through.

The change in departing passenger charge structure at LHR in 2011 was in line with a trend that has seen the majority of the large UK airports including Manchester, Birmingham, Glasgow, Edinburgh and Stansted move to an equalised passenger charges structure. London Gatwick airport is currently concluding its departing passenger charges review which involved extensive analysis work and has resulted in Gatwick Airport Limited implementing the introduction of a flat departure fee for international, domestic and Irish passengers.

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*Impact on airlines operating domestically and to the Republic of Ireland*

As the CAA cites in relation to points 2.34 and 2.35 of the CAA's document (pages 15 /16) the changes in the departing charges structure by HAL in 2011 has not reduced or damaged the benefits of operating at LHR and short haul flight operators are looking to increase, rather than decrease the extent of its operations at the airport.

VAA supports the current LHR departing passenger charge structure as the principles for changing the structure in 2011 were then and remain now more logistical and fair than the previous regime. The principle that the users of airport facilities pay for the associated costs is fundamental. VAA strongly believes that equalisation of the departing passenger charges have gone some way to addressing the long standing in-balance that other large UK airports have also addressed.