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Response to Consultation on UK NPP proposals for RP1

Introduction

British Airways is one of the world's largest international airlines, carrying almost 32 million passengers worldwide on around 750 daily flights in the financial year to 31 March 2010. The airline employs almost 40,000 people, the vast majority of these at its sites throughout the UK.

The airline's two main operating bases are London's Heathrow and Gatwick airports, with a smaller base at London City airport serving New York and European business destinations. From these, British Airways flies 240 aircraft to 155 destinations in 70 countries. In addition to passengers, the airline also transported 760,000 tonnes of cargo around the globe in the reporting year 2009/10.

In 2010, the airline completed its merger with Iberia of Spain to create the International Airlines Group (IAG). Our combined business now offers flights to 205 destinations throughout the world on a fleet of 415 aircraft. British Airways' customers benefit from

greater and easier access to Latin America, while Iberia's passengers gain from increased and seamless access to North America and Asia.

We have also entered into a joint business agreement with American Airlines, which further extends the benefits for our customers. The combined network of British Airways, Iberia and American Airlines serves 433 destinations in 105 countries with more than 5,180 daily departures.

Response

British Airways continues to strongly support the introduction of performance metrics across Europe as part of the SES II initiative to improve airspace performance. We welcome the introduction of National Performance Plans, and believe that it is only through the introduction of binding Europe wide targets, that the potential and necessary performance, environmental and cost efficiency benefits of SES will be realised.

The steps that the UK has made towards improving operational performance, achieved in regulatory Control Period 2 (CP2), must be recognised, and the new performance targets for CP3, go some way to maintaining the improvements that have been made. We are however extremely disappointed that that whilst the UK is leading the way in the setting of performance improvements, that the UK NPP suggests a cost efficiency target some way below those set at the European level.

British Airways continues to believe, as laid out in our responses to the CP3 proposals, that whilst we are encouraged by the direction of the actions taken by NATS to reduce costs, that we are confident that the opex efficiency targets proposed by CAA for CP3, were not only achievable without the operational consequences being warned of by NATS, but that further savings could also be achieved given the right internal drive. Therefore, it is imperative that the performance targets for the UK NPP are set high enough to ensure a strong focus on improving the NATS business and tackling the more difficult areas where savings may be found, rather than allowing the option to take the easy route of using performance degradation to meet opex targets. We would therefore expect the UK NPP to follow the proposed cost efficiency targets set by SES for RP1, and

prepare the way for achieving the more stringent measures and targets planned for RP2.

Thank you for the opportunity to respond to this consultation,

Regards,

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Manager Economic Regulation