

March 4, 2021

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Paul Smith  
Group Director of Consumers and Markets  
Civil Aviation Authority

RE: Airline Community Response to the CAP2098 CAA Consultation

Dear Paul:

Thank you for the opportunity to respond to the CAA's CAP2098 Consultation. As the 3<sup>rd</sup> largest airline operating at Heathrow, American Airlines and our customers are greatly impacted by any proposal from Heathrow Airport Limited (HAL) that makes our operations and travel more costly.

The London (Heathrow) Airline Consultative Committee (LACC) and the Heathrow Airline Operators Committee (AOC) submitted a comprehensive response to CAP2098 on behalf of the Airline Community. American Airlines is fully supportive of that response, and we believe it covers very well the reasons why it is appropriate for CAA to reinforce its previous findings that even partial relief should not be granted to HAL.

American would like to call out the following points:

- An additional £2.8bn applied to the RAB would not accomplish what HAL said in its reasoning behind the request. CAA's own analysis shows that the RAB infusion would not improve HAL's financeability, nor would service quality for consumers in 2021 suffer without it.
- Adding this sum to the RAB would reward investors (who have already been compensated to bear risk) over consumers. It would also provide new capital to an entity that has ready access to capital, has made a conscious decision to leverage higher, and is in much better financial shape than airlines or consumers.
- We note that in CAP2098 the CAA has proposed some options to grant relief to HAL. While we believe the evidence clearly supports a decision of 'no intervention', the one option that we could support is the option to adjust the H7 price control to reflect COVID-19 and traffic volume risk. In our view, if that option is chosen, the other levers of the price control would need to be adjusted to reflect less risk for HAL's investors. Principally, a much lower WACC would need to accompany any RAB adjustment in favor of HAL and its investors.

As the CAA will know, the Community feels very strongly about this matter. We appreciate your attention to the points we raised and look forward to an outcome that benefits consumers.

Respectfully,



Walter Weems  
Senior Manager, Properties & Airport Affairs

cc: Rhett Workman – AA Managing Director, Europe & Asia Operations  
Robert Wirick – AA Managing Director, International Government Affairs  
Cesar Marchese – AA Director of Operations, LHR Airport