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RE: HAL's Application for COVID-19 RAB Adjustment

Dear Mr. Smith,

United Airlines appreciates the opportunity to comment on the CAA's latest views on HAL's request for a RAB adjustment to compensate for losses suffered as a result of COVID-19. We currently operate few flights to Heathrow because of the virus and associated travel restrictions but plan to restore services to 2019 levels when the crisis abates. We support the comments that Airlines for America ("A4A"), Star Alliance and IATA/AOC have submitted but wish to supplement them with brief observations of our own.

As an initial matter, we believe that the requested the RAB adjustment is contrary to the interests of consumers and the terms of the Q6 settlement. The Q6 settlement paid HAL to hold all passenger volume risk during the price control period. This is reflected in the Q6 Weighted Average Cost of Capital. The CAA should not allow HAL to force consumers to pay twice for a risk that HAL was compensated to assume.

The CAA indicates in the consultation paper that it is evaluating two options. Under Option 1, the CAA would consider HAL's proposed adjustment as part of the H7 price control review. Under Option 2, the CAA would adjust the RAB adjustment ahead of the H7 price control review.

Strong policy and legal considerations support Option 1. First, HAL fails to demonstrate that service levels will decline in 2020 or 2021 if the CAA does not permit the requested RAB adjustment. HAL has largely satisfied performance standards in 2020 and early 2021. For the remainder of 2021, as LACC/AOC demonstrates, HAL provides little evidence to support its claim that service quality standards will decline if the CAA refuses to intervene.

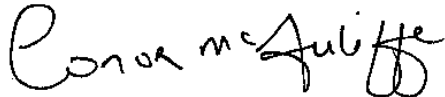
Second, HAL's RAB adjustment request should be considered as part of the H7 price review because the review and adjustment are intimately connected and should be assessed in tandem. As the CAA explains: "This reflects the important links between any RAB adjustment, the cost of capital, future charges and HAL's financeability. These should be assessed in the round to make sure that charges remain affordable and HAL faces a reasonable risk and reward package in H7."

Third, the airline industry is in dire financial straits. IATA predicts that airlines will suffer cash burn in the amount of USD75-90 billion in 2021, significantly higher than its original USD48 billion estimate. By contrast, HAL has reported strong liquidity and has reassured investors that its debt covenants are not at risk. In these circumstances, the CAA should pursue measures that accelerate industry recovery and eschew measures that stifle demand by saddling airline and their passengers with additional costs to the potential tune of £2.8 billion.

For the foregoing reasons, we respectfully request CAA to reject HAL's request for a RAB adjustment in Q6. The consumer interest is better served by considering HAL's request in the context of the H7 review process.

We thank you for your kind attention. Please let us know if you have any questions or require further information.

Sincerely,



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