



Attn: Mr. Paul Smith  
Group Director of Consumers and Markets  
Civil Aviation Authority

5<sup>th</sup> November 2020

Dear Paul,

**Re: CAP1966 Economic Regulation of Heathrow Airport Ltd: Response to its request for a Covid 19 related RAB adjustment.**

We as representatives of UK and overseas airlines are writing to support the detailed submission made by the LACC and supported by the wider airline community, and wish to urge the CAA to reject in full Heathrow's request to recover its own forecasts of unearned revenue by adding £1.7bn to the RAB.

As you know, travel and border restrictions, including quarantines, are continuing to cause severe economic damage to UK and overseas airlines and have brought the international aviation industry to a virtual standstill. IATA's latest forecast, published on 29 September, further downgraded the global traffic forecast for 2020 to reflect a weaker-than-expected recovery. In September demand collapsed 82.5% versus a year ago, which was a further setback compared to an 80.5% decline in August. Aviation's recovery has been particularly poor in the UK, with connectivity recovering more slowly at major UK airports when compared with airports in Europe, and further damage will inevitably result from the new national lockdown in England, which prohibits international travel apart from under very limited circumstances.

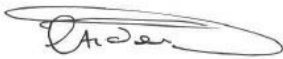
Resulting from Covid-19, airlines have and continue to take extensive and often painful steps to reduce costs and restructure their businesses. By contrast, Heathrow's request is a direct attempt to protect its investors' interests on the back of consumers. Fundamentally, like airlines, Heathrow must use all available commercial levers to support its business, including through finding further efficiencies, and not rely on consumers to bail it out, not least given that Heathrow's investors have enjoyed years of positive returns.

We do not believe that it is in the consumer interest to approve the proposal, or that Heathrow's request is justifiable or reasonable. Heathrow's business remains financeable, the airport is coming from a position of financial strength and owns its passenger volume risk. Through the existing price control consumers have already been charged for Heathrow to own all the volume risk, and Heathrow's proposal would incur an unacceptable double charge on consumers.

Finally, we would emphasise that there is no regulatory justification for reopening the Q6 settlement and CAA12 specifically prohibits re-opening of the price control as a consequence of Heathrow's own financing decisions. We fully support the CAA's statement that there is no obligation for the CAA to grant Heathrow's request, given its main duty is towards furthering the interests of consumers.

Please do not hesitate to get in touch if you require further information.

Yours sincerely,



Tim Alderslade

Chief Executive  
Airlines UK



Simon McNamara

Country Manager UK & Ireland  
IATA



Dale Keller

Chief Executive  
BAR UK