BOARD OF AIRLINE REPRESENTATIVES IN THE UK

BAR UK response to the Airports Commission Discussion Paper 4. Airport Operating Models

On behalf of its members, BAR UK welcomes he opportunity to respond to the Airports Commission Discussion Paper 4. Airport Operating Models.

BAR UK is an air transport association representing over 75 scheduled carriers who undertake business in the UK.

The views put forward in this response have their agreement. Our members are scheduled operators mainly into Heathrow and Gatwick, with a smaller proportion also operating to Stansted and across UK regional airports.

Being an association, our responses are general in nature, as we cannot reply to the questions posed in the consultation document that require specific economic data from individual airlines.

BAR UK fully supports the response provided by IATA.

Do you consider that the analysis supports the case for increasing either hub capacity or non-hub capacity in the UK? Is there any additional evidence that you consider should be taken into account?

The discussion paper contains excellent research and analysis that BAR UK believes clearly supports the case for increasing hub capacity in the UK.

To what extent do the three potential futures outlined in Chapter 2 present a credible picture of the ways in which the aviation sector may develop? Are there other futures that may be considered?

BAR UK fully supports the view of IATA that the global economy's centre of gravity is expected to move further away from the UK in the coming decades.

Traffic that has traditionally transferred via the UK by default will need to be hard won against an increasingly competitive market of increased focal airports in the East and stronger airline groupings at those focal airports through further airline consolidation.

Protecting the UK's leading position on connectivity through a world leading focal airport must be the credible option and is the one supported by the airlines that are actually providing the long haul network capacity to the UK.

How are the trends discussed in Chapter 2 likely to shape the future of the aviation sector? Do they strengthen or weaken the case for developing hub versus non-hub capacity?

There has been much discussion about different airline and airport models, many of which take a rather simplistic view. The debate over the benefits of point-to-point versus transfer traffic overlooks the unique aviation landscape that exists in London.

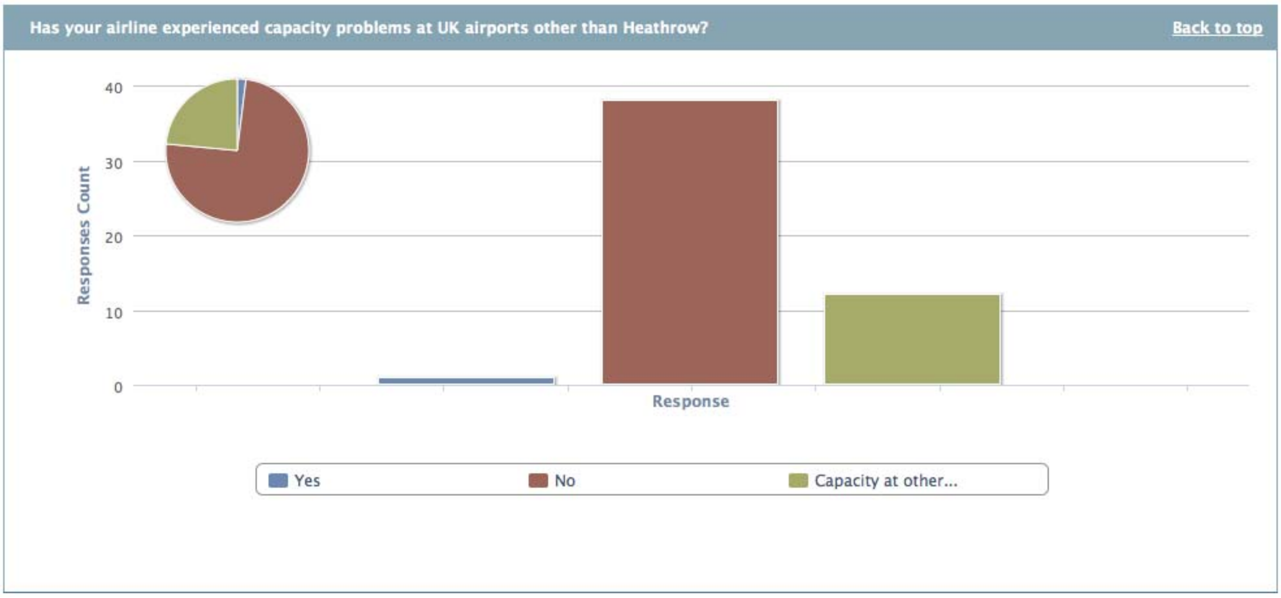
In fact, it is a consequence of the seven runways at six commercial airports in the London area which allowed the rapid growth of the low fare airline segment and major bases for the two largest low fare airlines in Europe. The aviation landscape in the UK would look very different today if London had already developed a three runway focal airport and had fewer supplementary airports.

The large O&D market of London already supports a thriving point-to-point segment that is well served by all the airline models across all the London area airports. The real differentiator is long haul versus short haul and the traffic mix required to support long haul services. The consequences of insufficient focal airport capacity in London will not impact the point-to-point short haul market for many years as the capacity exists for airlines to add services according to commercial demand across the entire UK airport network, with the sole exception of Heathrow. However, the impact is being felt right now at Heathrow where short haul connectivity is being lost in favour of long haul routes. This gradual trend lessens the appeal of Heathrow as a focal airport for the rest of the UK and Northern Europe in favour of European and Middle East focal airports with the corresponding export of jobs and economic activity to the detriment of the entire UK economy.

This is backed up by a survey of BAR UK member airlines;

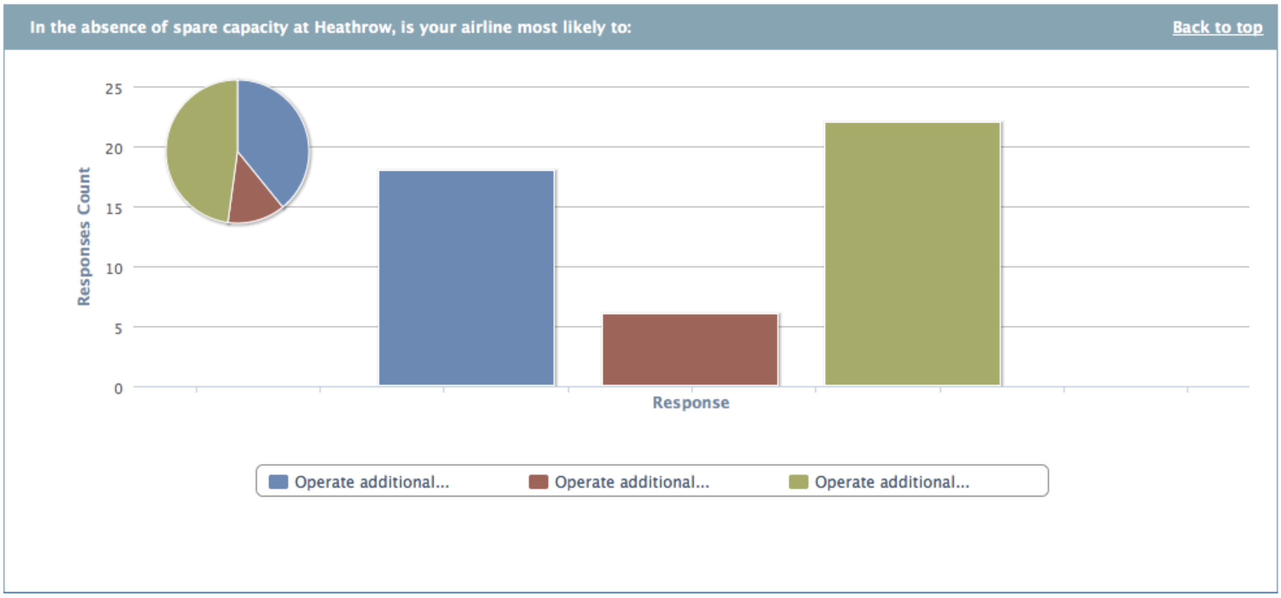
1. Has your airline experienced capacity problems at UK airports other than Heathrow?

Yes	1.96%	1 airline
No	74.51%	38 airlines
Capacity at other airports not sought	23.53%	12 airlines



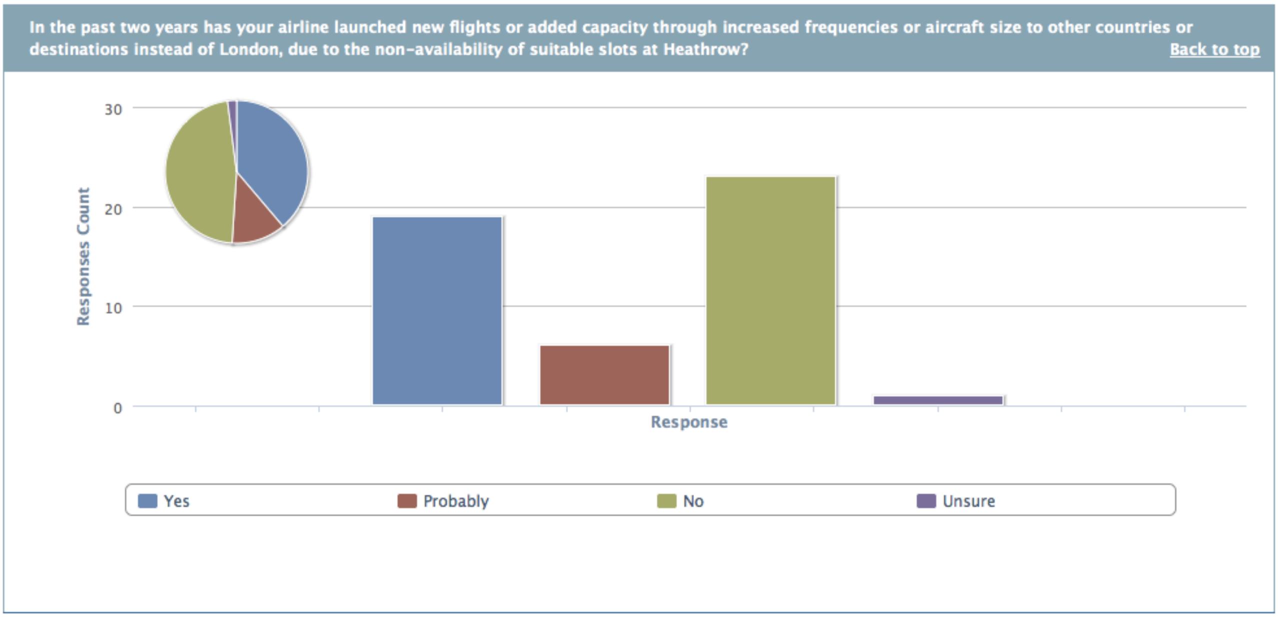
2. In the absence of spare capacity at Heathrow, is your airline most likely to:

Operate additional flights to Gatwick or Stansted	39.13%	18 airlines
Operate additional flights to a UK regional airport	13.04%	6 airlines
Operate additional flights to another international hub or destination	47.83%	22 airlines



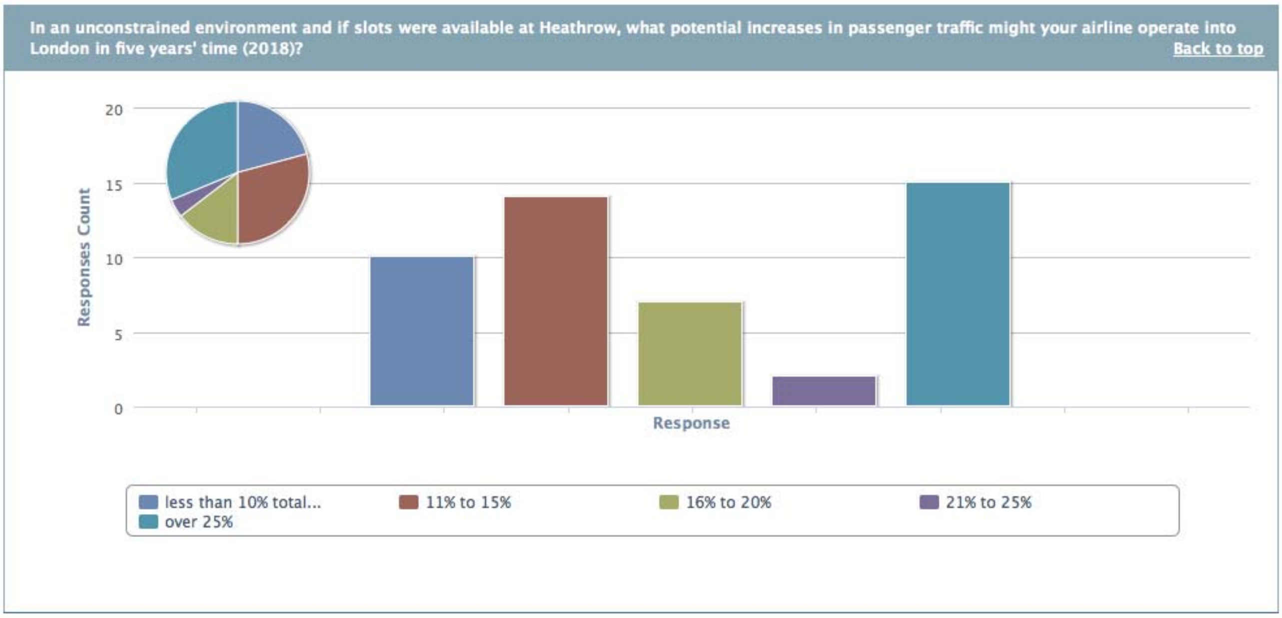
3. In the past two years has your airline launched new flights or added capacity through increased frequencies or aircraft size to other countries or destinations instead of London, due to the non-availability of suitable slots at Heathrow?

Yes	38.78%	19 airlines
Probably	12.24%	6 airlines
No	46.94%	23 airlines
Unsure	2.04%	1 airline



4. In an unconstrained environment and if slots were available at Heathrow, what potential increases in passenger traffic might your airline operate into London in five years' time (2018)?

Less than 10% total increase over 2013	20.83%	10 airlines
11% to 15%	29.17%	14 airlines
16% to 20%	14.58%	7 airlines
21% to 25%	4.17%	2 airlines
Over 25%	31.25%	15 airlines

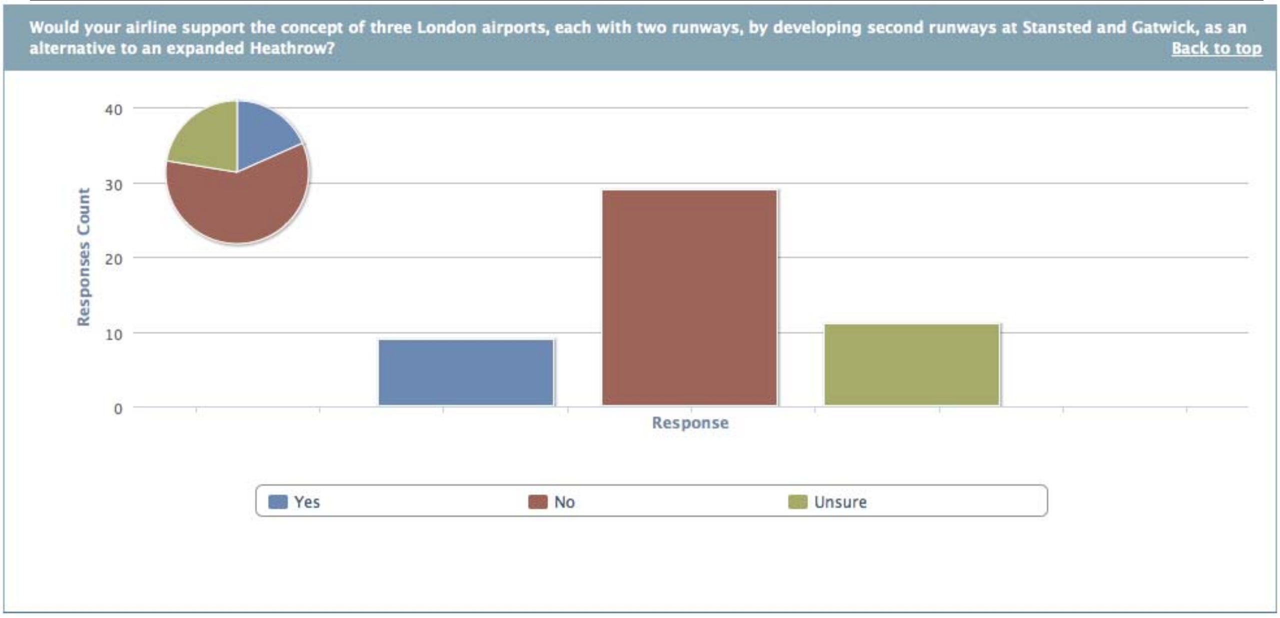


5. What is the importance of transfer traffic over London to your airline?

No importance – point to point only	0%	0 airlines
Lesser importance – under 10% traffic	37.50%	18 airlines
Considerable importance – 11% to 20% traffic	45.83%	22 airlines
Vital importance	16.67%	8 airlines

6. Would your airline support the concept of three London airports, each with two runways, by developing second runways at Stansted and Gatwick, as an alternative to an expanded Heathrow?

Yes	18.37%	9 airlines
No	59.18%	29 airlines
Unsure	22.45%	11 airlines



7. What is your airline's current preference on a hub airport capacity solution for the UK?

Expansion of Heathrow	89.80%	44 airlines
Expansion of Stansted into a new hub airport (3 or more runways)	2.04%	1 airline
Develop a new hub airport in the Thames Estuary	0%	0 airlines
Develop a new hub airport elsewhere near London	0%	0 airlines
Develop LGW and/or STN only with an additional runway	8.16%	4 airlines
No airport expansion and to allow all existing UK airports to meet capacity	0%	0 airlines

Is there any evidence that the UK (or individual countries and regions within the UK) are disadvantaged by using overseas focal airports?

BAR UK does not have any additional supporting evidence except to add that consumer choice is restrained where connectivity to a UK focal airport is reduced and the major carrier of the overseas focal airport becomes the principle network provider in the UK regional airport.

Would expanding UK hub capacity (wherever located) bring materially different advantages and disadvantages from expanding non-hub capacity? You may wish to consider economic, social and environmental impacts of different airport operational models.

BAR UK member airlines support the IATA view that both hub and non-hub capacity is needed.

It is telling that both Heathrow and Gatwick are respectively the busiest airports in the world for their given runways and again we stress that it is not a case of which model is right but that capacity should be provided where the commercial demand exists.

It is the airlines who ultimately create the networks not the airports or Governments. Distorting the market through expanding non hub capacity where that capacity already freely exists is not an enticement to foreign airlines to invest more services in the UK.

BAR UK believes that the development of the Single European Sky, introduction of newer and quitter aircraft and a host of other operational and ground transport enhancements, will collectively bring significant improvements to environmental impact regardless of where the extra capacity is situated.

To what extent do transfer passengers benefit UK airports and the UK economy?

BAR UK supports the IATA response on transfer passenger benefits.

Lessons learned from the international experience of dual airport hubs:

Put simply, the airlines do not favour dual airport hubs since the advantages are diluted and costs are increased. All the evidence is there that the world's most successful economies have significant focal airports. BAR UK supports IATA's response.

What specific characteristics of the UK and its cities and regions should be considered? For example, does the size of the London origin and destination market and the density of route networks support or undermine the case for a dominant hub?

The fact that spare capacity exists at all airports except Heathrow effectively answers the question. The characteristics of a strong point-to-point O&D market supporting six commercial airports has allowed the UK to operate a two runway focal airport for far longer than other countries. The evidence supports the case for increased focal airport capacity.

Could the UK support more than one focal airport? For example, could an airline or alliance establish a secondary hub outside London and the South East, for instance in Manchester or Birmingham?

BAR UK do not believe that a forced relocation of an airline or alliance to be a viable measure and would likely invoke legal challenges and international trade implications.

Manchester and Gatwick have long courted airlines with lower costs but with very limited success in building long haul networks required for a focal airport. The reasons are a combination of factors including road access to the City of London and Docklands and not just a matter of capacity and landing fees.

All the evidence, both in the UK and internationally, suggests that the UK cannot support two focal airports.

To what extent is it possible to operate a successful 'constrained' focal airport by focusing on routes where feeder traffic is critical and redirecting routes which are viable as point-to-point connections to other UK airports?

This is effectively happening on a gradual basis right now. UK carriers would be forced to split operations to another airport where they may not be cost competitive on a given route while international airlines will likely prioritise growth away from the UK that would otherwise have come here. As explained earlier, short haul point-to-point is already extremely well distributed across the UK while long haul point to point services to other airports do not face capacity constraints and airlines will launch services where it is economically viable to do so.