



## **Virgin Atlantic Airways (VAA) Consultation Response to Aviation capacity in the UK: Emerging Thinking**

1. VAA was established in 1984 to provide a competitive customer service orientated alternative for business and leisure passengers on long-haul routes between the UK and major international destinations. We serve 35 destinations in the US, Caribbean, Africa, Asia and Australia from Heathrow, Gatwick, Manchester and Glasgow, and recently launched our 'Little Red' domestic service connecting Aberdeen, Edinburgh and Manchester to Heathrow. We operate 41 long-haul aircraft, employ over 9,000 people and carry more than 5 million passengers and 200,000 tonnes of high-value exports and imports each year.
2. VAA broadly welcomed the contents of the speech by Sir Howard Davies at Centre for London on 7<sup>th</sup> October 2013. The initial analysis of the extensive work by the Commission that there is a need for net new runways in the South East is consistent with the arguments VAA has made on capacity. It is important that a strong, robust business case is presented to the Commission for any new runways as the potential cost, raised in airport charges, to airport users and therefore the carriers is likely to be considerable.
3. VAA agreed with the need to consider the following arguments which were analysed in the speech:
  - there will not be sufficient growth in demand to justify further expansion
  - the market will be able to accommodate expected demand growth by using existing spare runway capacity
  - continuing growth in aviation would not be consistent with the achievement of the UK's statutory climate change targets
  - the government should manage demand growth by supporting the use of airports outside the south east of England
4. VAA asserts that none of the above points offers a sufficient reason not to expand hub capacity where there is a clear and chronic shortage. The impact on the UK economy of constrained hub

capacity is a well versed but important point which VAA agrees with. Furthermore, it is not economically viable to force airlines to fly from less favoured airports. If the market is strong enough, a competitive aviation market will deliver a direct flight if there is the capacity to do so. The Commission must review where there is a capacity shortage and make recommendations on how to resolve this.

5. The issue of climate change is important, and VAA continues to work both independently and collaboratively with the rest of the UK industry through *Sustainable Aviation (SA)* in order to deliver on our environmental responsibilities. The SA CO2 Road-Map identifies a number of technical and operational improvements that will help reduce emissions. Furthermore, changes in VAA's fleet over the next two years will result in a much reduced CO2 output per revenue tonne per kilometre flown. However, the game-changer for VAA is second generation sustainable fuels. VAA has a partnership with Lanzatech to develop jet fuel from waste gases from the steel industry and is making significant progress in this field. This would result in jet fuel with sixty per cent less life-cycle emissions.
6. VAA has made a number of submissions to the Commission on capacity. In the **short-term** we continue to believe the best option to maximise capacity where the shortage is most acute (Heathrow) is to reduce financial costs. The two options for this are airport charges and Air Passenger Duty (APD). VAA still believes that APD is not an economically rational tax and should be abolished. However, the Commission could review other changes to the tax as a short term step in order to reduce costs for long-haul flights.
7. In the **long-term** we need to address the significant capacity shortage at the hub airport. The Commission will need to decide on the location of the hub airport, but VAA strongly believes it must be at one airport in the South East of England. VAA supports the need for successful point-to-point airports that serve markets where this traffic allows a route to be viable. Any expansion at a point-to-point airport must have a robust business case, but it is not and will not be the solution to the UK's hub capacity short fall.
8. VAA is committed to working with the Commission in this process and looks forward to continuing a dialogue on these matters.