

Dear Sirs,

I am writing to convey Loganair's position – as one of only three UK operators with scheduled flights to and from London Heathrow Airport – in respect of the CAA's consultation into the proposed HAL charges for 2022.

Background

Loganair commenced operations at Heathrow in 2020 by virtue of slots obtained under the Covid-19 alleviations to the retained legislation arising from EU 95/93 as amended by EU 793/2004. We have sustained services between Teesside and Heathrow, reinstating UK regional connectivity to Heathrow lost over a decade ago when British Midland closed the route, and have also provided services to and from the Isle of Man. We expect, and hope, to resume Isle of Man-Heathrow services in 2022 provided that our application for slots is successful. This information is provided by way of background, and we recognise that the scope of the CAA's consultation cannot influence policy relating to slots or the outcome of the slot allocation process.

Loganair is an independently-owned UK airline which reaches its own commercial decisions as to the routes we fly and the frequencies at which we operate. We have partnerships with other Heathrow airlines including British Airways (a codeshare); Emirates, Etihad, Qatar Airways, KLM, Air France, United Airlines and Ethiopian Airlines (interline / through-ticketing arrangements), and these collectively enable customers originating in the destinations we serve to enjoy global connectivity via Heathrow. Therefore, although our services are exclusively domestic, we have an interest in the wider Heathrow airport charging proposals applicable to international flights, as these can directly influence demand for the routes we operate.

CAA consultation

It's vitally important that we communicate our views that the focus of the consultation is overly narrow, and therefore flawed. The entire consultation appears to us to focus exclusively on a cost per passenger to operate at Heathrow. This overlooks a critical aspect of Heathrow's charging proposals – namely the charge per movement.

Heathrow's proposed per-movement charges

In very broad terms:

- We currently pay a movement charge of £481.78 per arrival and departure for the regional aircraft types that Loganair operates at Heathrow (Embraer 145 and ATR72). The noise categorisation means that the aircraft are treated as Chapter 14 Low – the most common of all UK airline/aircraft type combinations operating at Heathrow as all of these aircraft have a cumulative EPNdB margin of more than 23.0.
- Heathrow is proposing to create a new "Super Low" noise category – for which very few aircraft qualify, excluding even the new generation of Airbus A321NEO and 737MAX aircraft. The equivalent cheapest movement fee - £595.84 in the 2022 proposals – is only available to a very small number of aircraft in the Boeing 787 family.
- The charge in the Chapter 14 Low category has gone up from £481.78 per movement to £961.29 per movement – effectively double. Per seat per movement, this is an extra £1.02 on an Airbus A380 or £1.86 on a Boeing 787-9 and when viewed against the proposed

increase of rest-of-world per-passenger fees from £38.33 per departing passenger to £67.86, it is unsurprising that this change has provoked little comment from the major carriers operating intercontinental flights at Heathrow. We attach the workings for a selection of different aircraft seen regularly at Heathrow.

- For Loganair, it means that our cost per seat per movement has gone from £9.83 to £19.62 on the Embraer 145 or £6.69 to £13.35 on the ATR72-600 aircraft. This is per movement (thus arrival and departure). If one equates this change in the charges to a per-departing-passenger basis, it is the equivalent of the domestic PLS increasing by £19.57 on the Embraer 145 or £13.32 on the ATR72. Although the underlying domestic per-passenger charge is proposed to reduce, the proposed change in movement categorisation charges renders this completely irrelevant. The cost per passenger still becomes unsustainable.

The magnitude of the change, when taken across the lower seat count of our aircraft, poses a major challenge to the operating economics of any of our aircraft at Heathrow.

We believe that the CAA focus needs to be broadened to include cost per movement, rather than narrowly focusing on a regulated cost per passenger. We trust that the reasons for this are apparent from the above explanation and attached analysis.

Traffic forecasts

Although there can be no doubt that Heathrow has suffered a material reduction in traffic levels due to the Covid-19 pandemic, its runway occupancy has remained amongst the highest of any UK airport and it has been able to attract no fewer than 15 airlines to backfill slots temporarily left vacant by its legacy operators.

We note that Heathrow is intending to introduce an “overscheduling” policy for Summer 2022 based on an anticipated partial alleviation to the 80/20 “Use-it or Lose-it” slot rules. We fully support this approach, for it will enable Loganair – amongst those 15 new airlines – to retain its operations at Heathrow.

However, we believe that the traffic forecasts on which the proposed HAL fees and charges are based do not take adequate (if any) account of the income to be generated by this new traffic. It appears to us that these simply assume that legacy carriers continue to fly at reduced frequency, reduced load factors and therefore reduced passenger throughput at the airport. We do not believe that this assumption is valid. We’re conscious that other, major UK operators have retained external consultants to demonstrate these points more ably and cohesively than we can do ourselves, but we are supportive of the broad notion that the traffic forecasts underpinning HAL’s proposed charging increases constitute a pessimistic worst-case scenario.

Outcomes

We urge the CAA to undertake further investigation into the change to per-movement charges, and in particular, the creation of the new “Super Low” noise category for which hardly any aircraft types qualify. In its own right, this constitutes a proposal which will preclude the continuation and development of UK regional connectivity into Heathrow. It simply cannot be allowed to go ahead in its current form.

Albeit probably far shorter than submissions from other interested parties, we trust that Loganair’s submission to the consultation is clear in its focus. Should the CAA require any further information or

assistance in relation to the impact of the HAL proposed charges for 2022 on the services that we aspire to provide at Heathrow, we will be happy to schedule a meeting or provide supplementary written submissions as may be necessary.

Yours sincerely,

Jonathan Hinkles
Chief Executive



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