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Ihr Zeichen/Your Reference

Unser Zeichen/Our Reference

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Datum/Date  
**9. August 2022**

Sent by email to: [economicregulation@caa.co.uk](mailto:economicregulation@caa.co.uk)

## **LH Group response on CAP2365 Final Proposals for H7**

Dear Paul,

On behalf of Lufthansa, Swiss International Air Lines, Austrian Airlines, Eurowings and Brussels Airlines we thank you for the opportunity to comment on the CAA Final Proposals for H7.

In this context may we refer to our feedback of December 17<sup>th</sup>, 2022 on CAP 2265 as well to the Feedback of November 18<sup>th</sup>, 2021 on "CAP2265E Proposed License Modification to insert a new price cap from 1.1.2022-31.12.2022". Our statements and arguments reflect our views on the entire H7 period. Thus, we ask you to revisit all points brought up by the industry representatives as well as by ourselves and to identify further possibilities to reduce the charges increase at Heathrow not only until 2026.

As our workforce still is limited given the ongoing crisis, we again emphasize that we fully support and endorse the contents of the detailed response you have received by LACC, IATA and AOC as well as Star Alliance.

Even with the increased forecasted amount of passengers, we still think that the number is estimated too low. The statement filed by LACC/IATA/AOC shows multiple evidence that the passenger numbers should be reaching the 100% of 2019 level by 2023 or 2024 latest. Lufthansa Group just confirmed its given market outlook which also sees potential to be back on 2019 level before 2025.

We want to highlight in this context that already in 2022 passenger figures could have been much better, as Lufthansa Group, one of the biggest Heathrow airport users was cancelling over 550 flights during the "HADACAB period and the original validity of Rule's A validity until 11<sup>th</sup> September, with more to follow if the validity of the Rule A is extended. This is a direct result of the shortages in capacity at the airport, like the delayed opening of Terminal 4, which we already demanded during fall 2021 for Easter 2022.



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Secondly, we want to highlight the need to further adjust the WACC, as with the proposed measures the risk of HAL is significantly reduced: This includes the traffic risk sharing, the “shock factor” as well as allowances for asymmetric risks and the welfare effects to be addressed. We want to highlight that Lufthansa Group has no such mechanisms to offset those effects at its passengers. In contrary in times of uncertainty, normally the risk is rising as we can observe a higher hesitancy in bookings and expectation for lower fares. We are advocating that risk should be evenly spread amongst the whole supply chain, which includes airport operators, like Heathrow Airport.

Even with the adjustments proposed by the CAA, Heathrow remains to be one of the world’s most expensive airports. The proposals by the will have a significant bearing on consumers as airlines will not be in a position to avoid passing through these tremendous cost increases. In our point of view, H7 should see a significant fall in the level of aeronautical charges compared to current levels.

There is significant need to upgrade the Terminal 2 baggage systems, where we experience more and more system failures and stoppages. We appreciate that an increased budget is foreseen for the upgrade of this facility. Combined with the introduction of the “Timely Baggage Delivery” KPI, there could be a real change in the customer experience for T2 airlines.

We encourage the CAA to set out stronger safeguards and measures in H7 - with the industry in the recovery stage - to ensure greater transparency and engagement from HAL and the ability for the CAA to intervene especially in areas that directly affect airlines and consumers.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Benjamin Koch'.

Dr. Holger Benjamin Koch  
Senior Director Airport & Industry Charges LH Group

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Registereintragung/Registration  
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