



oneworld response to consultation regarding “Increasing the UK’s long-term aviation capacity”

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Caveat

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Introduction

The **oneworld** global airline alliance (“**oneworld**”), oneworld Management Company (oMC) and its member airlines appreciate the opportunity to provide this input to the airport commission regarding a possible increase in the United Kingdom’s long-term aviation capacity.

oMC is prepared to demonstrate on behalf of its member airlines the value of additional runway capacity serving travellers arriving and departing London, and those connecting through premium hub services provided at Heathrow Airport. Individual member airlines may submit their own response to the airports commission. As an alliance, **oneworld** states the following:

- 1) The **oneworld** member airlines support additional runway capacity proposed by Heathrow Airports Limited (HAL). However, **oneworld** members can only support additional capacity at Heathrow Airport if it is affordable.
- 2) **oneworld** is the only global airline alliance with significant hub operations transferring passengers among member airlines at Heathrow Airport. The alliance is important to Heathrow’s global stature and stated objectives to operate a premium hub. In turn, Heathrow Airport is important to the success of the alliance.
- 3) The arrival and departure slots created by additional runway capacity must be reasonably and equitably allocated.

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1 oneworld members support additional runway capacity at Heathrow Airport, however, it must be affordable

oneworld supports an increase in runway capacity at Heathrow airport which will allow:

- Increased customer convenience with new markets and additional choice to existing markets;
- Increased competition provided by oneworld member airlines, other current operators to London and potential new entrant airlines;
- Additional airport resilience at times of poor weather conditions or other disruptions.

HEATHROW AIRPORT LAGS ITS EUROPEAN COMPETITORS IN DESTINATIONS SERVED. The airport commission has been charged with “examin(ing) the scale and timing of any requirement for additional capacity to maintain the UK’s position as Europe’s most important aviation hub, and it will identify and evaluate how any need for additional capacity should be met in the short, medium and long term.”¹ In fact, travellers from Germany, the Netherlands, and France have an advantage in reaching global markets compared with their corporate competitors, NGO and other organization collaborators, and leisure counterparts in the U.K.²

In addition to the local market, Heathrow Airport is constrained in its ability to support its global airline alliance, oneworld, in building more diverse connecting opportunities. With increased hub capacity, oneworld members could operate flights from additional destinations supported by connecting traffic from all around the world.

Additional runway capacity at Heathrow supports the strong connecting hub created by oneworld members. No other runway capacity expansion would immediately address the benefits oneworld members could provide at Heathrow Airport. Growth at Heathrow has been constrained by available arrival and departure slots, averaging less than one half of one percent for the past five years.

COMPETING PROPOSALS. The commission may review other proposals for runway capacity increases serving the London market. oneworld will not submit a position on other proposals. oneworld alliance activity is focused at Heathrow Airport. Individual member airlines may provide comments on other proposals.

CAPACITY AT HEATHROW AIRPORT MUST BE AFFORDABLE. oneworld’s support for additional runway capacity at Heathrow Airport is heavily contingent upon the cost of the additional capacity and the availability of the new arrival and departure slots to meet the needs of all constituents (existing operators and new entrants serving global markets).

Additional capacity at Heathrow Airport must be added without penalizing the carriers operating at Heathrow or the customers who rely on flights to and from London airports. Added capacity at any price is unacceptable.

¹ <https://www.gov.uk/government/organisations/airports-commission/about/terms-of-reference>

² See Appendix 2, figure 2.1, “London Heathrow lags its European counterparts...” showing more destinations served from Frankfurt, Amsterdam, Paris and Munich than from Heathrow

oneworld members and oMC were clear during testimony supporting the Q6 budget cycle: competitive routings via Heathrow airport are difficult to maintain when the fees charged to use Heathrow Airport are among the highest in the world. Competing airports at Amsterdam, Frankfurt, Madrid, Paris and other European and global hubs have lower fee structures which result in disadvantages for operations to, and routings via, Heathrow Airport.

Heathrow Airport fees are already among the highest in the world. Further increases in the Heathrow fee structure, creating an even larger competitive gap against these airports, is counter-productive. Higher fees risk the market's ability to support existing service levels, let alone increased flying to effectively utilize the capacity at Heathrow.

MAINTAINING A LONG-HAUL/SHORT-HAUL BALANCE. The local travel market needs access to a variety of destinations near and far. Airlines can deliver broader travel options to the local marketing when flights are supported by connecting traffic as well as local travellers.

Connecting traffic typically involves a longer flight connecting with a shorter flight. It is critically important to maintain a mix of long-haul and short-haul flights to adequately provide for the needs of connecting traffic. This mix of long-haul and short-haul traffic has been changing at LHR. As costs including airport fees increase, airlines need to shift from lower-fare short-haul flights to longer-haul flights with higher revenues to support the fixed costs per departure.

The proposed added runway capacity is currently projected to increase airport fees for the airlines operating at Heathrow by 60%³. Airports across the world – in the U.S., Asia, Europe and the U.K.⁴ – have experienced service reductions as a direct result of fee increases, which in turn have often been driven by increased airport development.

MAINTAIN CONTROL OVER HAL'S CAPITAL EXPENDITURES. Airport operator Heathrow Airport Limited (HAL) applies a fee structure based on creating a margin above HAL's operating and capital expenses. Any development at Heathrow needs first to establish a means to maintain control of costs incurred by the airport operator.

As the airline community demonstrated during its response to establishing Q6 funding for Heathrow Airport, airport operating and capital costs cannot be passed through to travellers in the form of higher air fares: competitive travel options allow potential customers to choose less expensive routings which do not include London as a destination or transit point.

³ The Airport Commission estimates that Heathrow user charges would rise from c.£20 one-way to £32

⁴ Argument presented for 1994 Planning Application stated that MAN then handled 15 million annual passengers, predicted to rise to 22 million by 2000 (planned runway opening) and 30m by 2005 – in 2005 actual annual passenger figure was 19 million and MAN has only now achieved 22 million annual passengers in the 12 months ended November 2014. *Source: Parliamentary Report SN/BT/101; OAG*

2 oneworld and Heathrow Airport are critically important to each other's success



oneworld's 15 member airlines conduct extensive operations from over 25 hub airports around the world. It is the largest global airline alliance operating at London's Heathrow Airport.

The **oneworld** alliance will operate nearly 60% of the departures from Heathrow Airport in summer 2015⁵, led by its home country member British Airways, making the group of **oneworld** member airlines critically important to the passenger service offered at Heathrow Airport. In turn, the airport is the largest connecting hub for passengers arriving off of one **oneworld** member airline, and departing on another **oneworld** member airline, making the airport critically important to the success of the alliance member airlines.

oneworld members have invested aircraft, facilities, equipment, and staff in connecting London to the world. **oneworld** members also invest in the service provided to their customers, individually and through work with alliance partners. One of these investments includes a unique service, offered at several airports worldwide including Heathrow Airport, providing special support to passengers on disrupted flights connecting between two **oneworld** airlines. More information about **oneworld** including this "Global Support" service can be found in Appendix 2.

The alliance was recognized through 2014 and into early 2015 with seven awards as the best of the three global alliances. Members of the **oneworld** alliance are best positioned to achieve maximum customer benefits from additional runway capacity at Heathrow Airport, building the Heathrow hub with additional service options and new destinations, providing greater value to the London travel market than can be offered by any airline outside of the alliance operating as a point-to-point carrier.

⁵ Source: Innovata schedules June 2015, accessed through IATA's AirportIS

3 New and existing LHR capacity must be properly managed

Additional runway capacity at Heathrow will relieve the current capacity constraint, but slot allocations will remain necessary as with most major international gateways around the world.

SLOT DISTRIBUTION. oneworld supports the affordable addition of runway capacity at Heathrow Airport with the assumption that oneworld members, who have for years invested significant resource in offering London market access, will have fair access to new arrival and departure slot allocation. Additional runway capacity will open up new departure and arrival slots, which need to be allocated to incumbent airlines as well as possible new entrant airlines.

The founding members of oneworld, and a growing number of new members, have invested in the future at Heathrow by committing aircraft, staff, facility, and other resources to support travel and commerce between the U.K. and many parts of the world. Some of the flight operations have begun, or continue today, with operational times which do not serve the best needs of the customer.

Slot awards must be managed to allow a level playing field between incumbent and new entrant carriers. oneworld members and other incumbents should not expect to pay higher landing and airport fees without being granted additional and improved slot allocations which, combined with other historic investments in the market, maximize customer value.

TIME OF DAY SLOT ALLOCATION. Slots must also be available at times which meet the needs of all of our members, serving a global marketplace. Current restrictions during late evening and early morning operations prevent oneworld members from providing convenient schedule options for some markets, particularly in Asia, which find better service options at other airports in Europe.

Appropriate market coverage across oneworld's 15 time zones often requires the coordination of departure and arrivals during times where operations are limited at LHR⁶. Intercontinental flights from Asia and from the U.S. east coast are particularly impacted by this restriction.

During the 6:00am to 9:00am time period, Heathrow receives flights from 9 different airports in Asia with 111 weekly departures; in the same time period, FRA receives flights from 22 different airports in Asia with 131 weekly departures. Illustratively, oneworld members BA, CX and MH operate departures from Hong Kong, Kuala Lumpur, and Singapore, departing between 10:45pm and 11:55pm arriving Heathrow 4:45am and 5:50am. Expanding this capability would allow additional flight options in these and other markets. Requiring later arrivals at Heathrow requires unattractive departure times from airports in Asia. The later arrivals in turn constrain slot times which are important for airports on the North America east coast, which depart in early evening and begin arriving at 6am.

⁶ Approximately 16 movements are allowed at Heathrow between 11.30pm and 6am, depending on season. These are predominantly early morning arrivals between 0430 and 0600. There are no scheduled take-offs during this period. Around 65 flights use the airport between 6am and 7am. By comparison at Frankfurt airport over 40 arrivals take place between 0500 and 0600.

NEW AIRCRAFT TECHNOLOGY ADDRESSES NOISE CONCERNS. The community surrounding Heathrow deserves the respect of the airline community in limiting the impact of noise from departing and arriving airplanes. This protection is offered through the new technology aircraft in which **oneworld** members are investing.

The current capacity at Heathrow could be increased by allowing additional flights during times which are currently restricted. Opening additional runway capacity without allowing this capacity to serve all global markets would be detrimental to the health of the U.K. travel market and should not be permitted.

Appendix 1 – oneworld supports additional runway capacity at Heathrow only if it is affordable

Figure 1.1 Heathrow Airport currently lags its European counterparts in number of destinations served with nonstop flights.

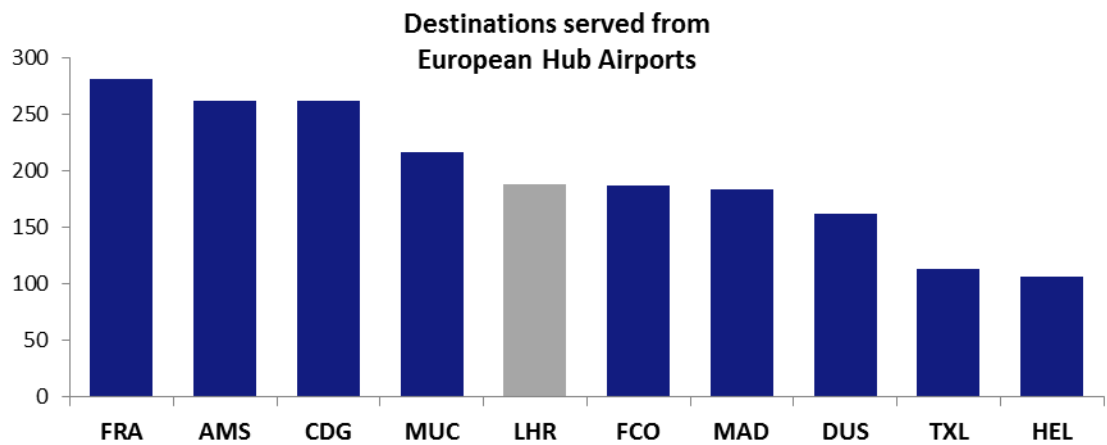


Figure 1.2 oneworld members operate the largest portion of flight departure and arrivals at Heathrow Airport, making the alliance particularly sensitive to high airport fees.



Figure 1.3 oneworld members operate a large percent of their European operations at LHR. Consequently, oneworld members have the least insulation from high Heathrow Airport fees due to limited alternative routings.

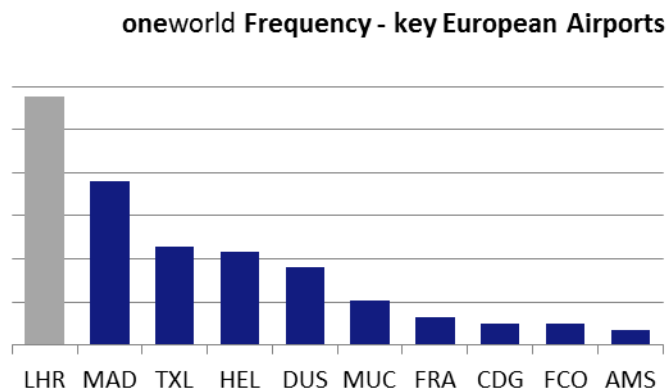


Figure 1.4 Select global aero charges as reported by the Airports Commission

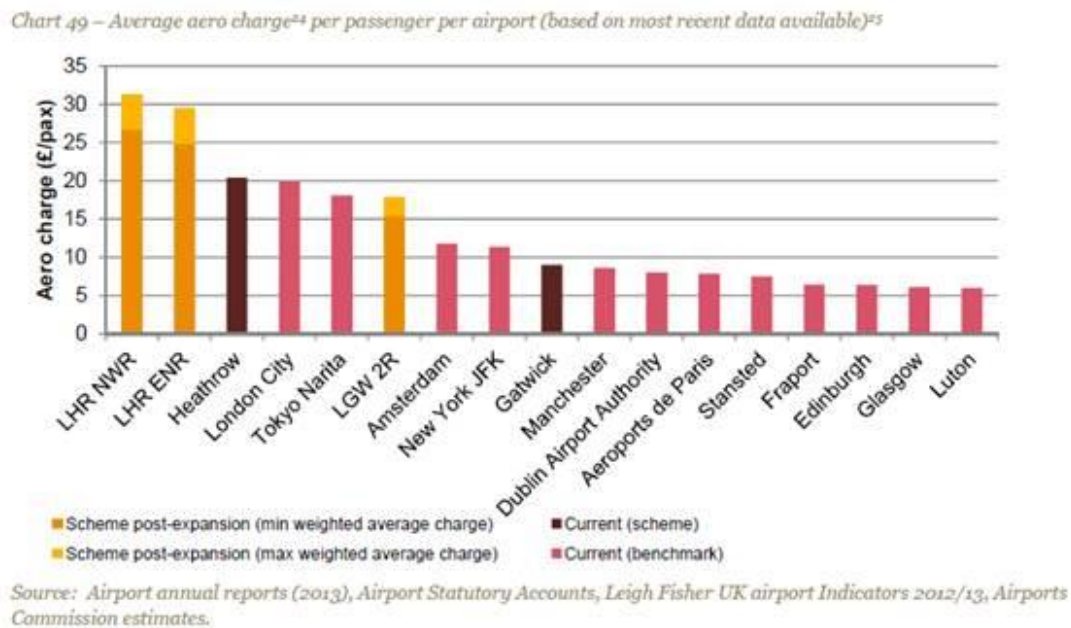
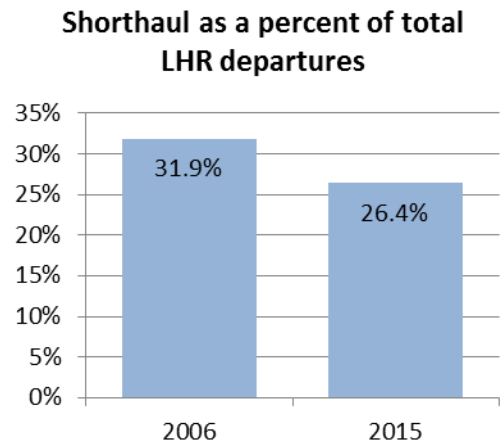


Figure 1.5 Long-haul / short-haul balance at Heathrow Airport

In 2006, short-haul flights constituted 31.9% of Heathrow departures, long-haul flights 68.1%, a 36 percentage point gap. In 2015, currently published schedules reflect 26.4% short-haul flying, 73.6% long-haul flying, increasing the gap by nearly 11 points. Increased fees at Heathrow Airport will require continued shifts away from short-haul flying, ultimately impacting the amount of connecting traffic which can be supported. With reduced connecting traffic, some marginal flying will be uneconomic, potentially resulting in a dangerous cycle of flight reductions.



Appendix 2 – oneworld is the alliance best positioned to support London and Heathrow Airport aspirations

Figure 2.1 - oneworld's member airlines operate from hubs located in 15 different time zones:

Member Airline	Hubs	Time diff, London
American Airlines	Los Angeles Phoenix Dallas/Ft. Worth, Chicago Charlotte, New York JFK, Miami, Philadelphia	UTC - 8 hours UTC - 7 hours UTC - 6 hours UTC - 5 hours
LAN (part of LATAM)	Bogota Santiago	UTC - 5 hours UTC - 4 hours
TAM (part of LATAM)	Sao Paulo	UTC - 3 hours
British Airways	London	UTC
Iberia	Madrid	UTC + 1 hour
Airberlin	Berlin, Dusseldorf	UTC + 1 hour
Finnair	Helsinki	UTC + 2 hours
Royal Jordanian	Amman	UTC + 2 hours
S7 Airlines	Moscow	UTC + 3 hours
Qatar Airways	Doha	UTC + 4 hours
SriLankan Airlines	Colombo	UTC + 5.5 hours
Cathay Pacific	Hong Kong	UTC + 8 hours
Malaysia Airlines	Kuala Lumpur	UTC + 8 hours
Japan Airlines	Tokyo	UTC + 9 hours
Qantas Airways	Sydney	UTC + 10 hours

Figure 2.2 Out of over 10,000 global airports, oneworld's frequent business travellers focus on the top 125 airports for international revenue, representing 119 cities. One-third of all global passenger revenue comes from travel among (ie, both originating and terminating in) these airports. In this top segment of the market, oneworld is the second largest alliance.

Alliance	Flights	Seats	ASKs	Revenue Share
oneworld	18.8%	19.2%	21.9%	27.0%
SkyTeam	18.5%	18.8%	19.2%	20.3%
Star	28.3%	26.6%	26.6%	30.7%
Total	65.6%	64.7%	70.3%	78.0%

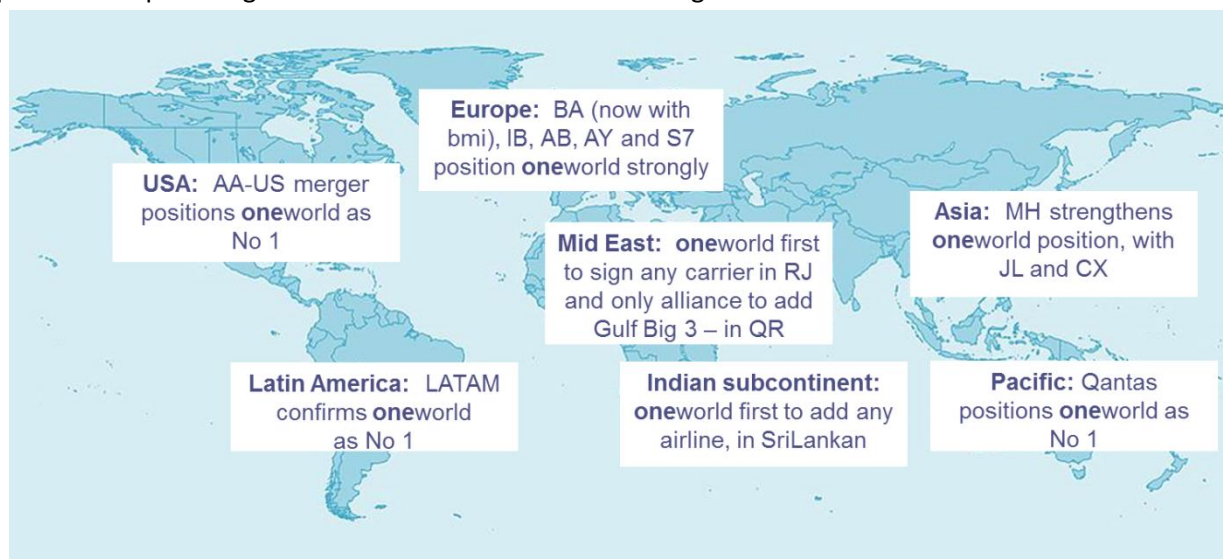
Figure 2.3 Heathrow Airport is one of only eight airports in the world served by 10 or more of the 15 oneworld member airlines. In summer, 2015, the oneworld member airlines will:

- operate 2,792 weekly departures from Heathrow Airport: 58.7% of Heathrow's departures, 56.3% of the seats, and 54.2% of the ASKs⁷
- serve 137 destinations in 60 countries,
- fly over 3,300 block hours for their flights arriving and departing Heathrow (equivalent to nearly 300 aircraft dedicated to LHR)
- operate 19 different aircraft types and variants, ranging from an Airbus A319 which seats approximately 110 passengers, to the A380 holding 517 passengers.

Figure 2.4 Over a three year period, new members helped oneworld increase destinations by 36% to 988 global destinations, increase annual passengers by 80% to 517 million, and increase the number of daily flights to over 14,000 departures operated with a fleet of more than 1400 aircraft. oneworld carries 26% of the revenue spent by customers between the top 100 global aviation markets.

Airline	Membership
airberlin	March, 2012 recruitment
bmi British Midland	Summer 2012, BA merger
Malaysia Airlines	February 2013 recruitment
Qatar Airways	October 2013 recruitment
LAN Colombia	October 2013 LAN affiliate
TAM	March 2014, LA merger
US Airways	March 2014, AA merger

Figure 2.5 With the new members added between 2012 and 2015, oneworld enjoys a strong position to provide competitive global access in all continents with large air travel demand:



⁷ ASKs – Available Seat Kilometres – a standard industry capacity measurement calculated by the number of departing seats multiplied by the kilometres flown

Figure 2.7 oneworld's Global Support offers unique assistance to **oneworld** passengers at Heathrow Airport and other key airports around the world.

Connecting between airlines at unfamiliar airports can be stressful for customers, especially if their flight is delayed. **oneworld** recognises the impact delays and missed connections can have on passengers and their plans. That is why **oneworld** member airlines have partnered together to form teams of connection experts - **oneworld** Global Support.

At select airports, teams proactively monitor connecting flights and, whenever possible, meet and assist passengers with connections at risk. **oneworld** Global Support teams do their best to allow customers use of immigration / security fast track lanes to speed them on their way and do everything possible to transfer baggage so that it too makes it on time to the final destination.

If passengers miss the connecting flight, the **oneworld** Global Support team provides updated travel information, a new boarding pass and, where applicable, assistance with overnight accommodation.

oneworld's Global Support is found at ten airports worldwide (with more locations expected to be added in 2015). Heathrow Airport has one of these offices, staffed by **oneworld** member airlines ready to assist customers encountering travel delays which impact connections at Heathrow. This is just one more way **oneworld** members have invested in services at London's Heathrow Airport.