

9 August 2022

Civil Aviation Authority

Email: economicregulation@caa.co.uk

Non-Confidential Response to CAA's H7 Final Proposals

United Airlines appreciates the opportunity to comment on the CAA's Final Proposals on the H7 price control. United has made significant investments in Heathrow and remains committed to Heathrow service in the future. Earlier in the summer season, we operated 22 daily services to Heathrow but have cancelled four daily services in August, three in September and five in October under the slot amnesty programme the government implemented to reduce delays and congestion at Heathrow. United supports the comments that LACC/AOC and Star Alliance have submitted on the CAA's Final Proposals but wishes to supplement them with brief observations on passenger forecasts, CAPEX and the need for reform of the charging model.

Traffic Forecasts

We agree with the CAA that developing appropriate passenger forecasts is a fundamental step in fulfilling its statutory duty, "including furthering the interests of consumers." Para 1.2, CAA CAP2635B. While we welcome the CAA's upward revision to the traffic forecast in its Final Proposals, we believe that the CAA's forecast, particularly its prediction that passenger traffic at Heathrow will not fully recover until 2025, is based on outdated information and continues to lag significantly behind traffic volumes that airlines are experiencing in the marketplace. In this regard, we respectfully request the CAA to take account of the detailed, empirical evidence that LACC/AOC have provided. This evidence should lead the CAA to reach a more reliable passenger forecast.

United's booking data demonstrates that passenger traffic in summer 2022 has fully recovered and indeed exceeds summer 2019 levels. In July 2019, United transported [redacted] passengers between the UK and the United States. In July 2022, this number rose to [redacted] passengers, an increase of approximately [redacted]%. True, we have decreased operations from a high of 22 daily flights to 18 currently. However, as noted, we did so under the government slot amnesty to improve the airport's operational performance and the passenger travel experience. These cancellations are contrary to our commercial interests because we are fully staffed to self-handle 22 flights and there is a strong demand for Heathrow service as evidenced by the average [redacted]% load factor on United's July Heathrow services.

We welcome the CAA's statement that it will review its forecasts if evidence emerges during the consultation that counsel in favor of a revision. We believe that United and the LACC/AOC have provided strong evidence that the CAA should revise upwards its average forecast for 2022 and beyond and amend its proposals for the H7 price control accordingly.

It should be noted that Heathrow's current dysfunctional operational status is caused by inappropriate passenger forecasting for summer 2022. This has led to unwanted capacity cuts that have resulted in severe customer impacts, lost revenue, and inefficient use of aircraft and

airline employee resources. This experience highlights the need for accurate traffic forecasts to ensure not only that the maximum charges are set at the appropriate level but also that adequate resources are deployed to meet passenger demand.

CAPEX

The inclusion of a proper T2 baggage system in the H7 CAPEX programme is long overdue and sorely needed as evidenced by this summer's catastrophic failures that resulted in thousands of customers departing without their baggage. United thanks the CAA for the project's inclusion. On a related note, we strongly encourage the CAA to add baggage system performance to the SQRB to align HAL incentives with controllable customer experience outcomes.

We also respectfully request the CAA to prioritize the industry's Efficient Airport programme. This initiative will improve the service qualities we know from research and surveys that passengers value most, including punctuality and automated passenger processing. It will also generate environmental benefits that will promote the CAA's important sustainability objectives. We believe that the CAA should prioritize this programme without raising the overall CAPEX ceiling.

Charging Model Reform

The CAA acknowledges that Heathrow charges are among the highest in the world. It is ironic that an airport with such high charges is in melt-down this summer and incapable of catering to the needs of operators and the traveling public. Given the airport's performance, it is not only appropriate but also imperative for the CAA as the regulator to conduct a root and branch review to determine why Heathrow charges are so high and to identify the changes to the charging model needed to make Heathrow price-competitive and operationally reliable. Affordable and competitive charges are key to preserving London's status as an attractive business and tourist destination and Heathrow's status as a hub for Global Britain. Consumers whose interests the CAA are tasked to protect will be the ultimate beneficiaries of such a review.

Finally, United would be remiss if we failed to reiterate our serious concerns about the competitive distortions Local Rule A is creating on Heathrow – U.S. routes. We have raised this issue with DfT and HAL and continue to discuss it in our regular dialogue with the U.S. Department of Transportation.

We thank you for your kind attention. Please let us know if you have any questions or require further information.

Contact

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