BATA

The Voice of UK Airlines

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Our priorities for the new Parliament

The Voice of UK Airlines

OUR MEMBERS

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Titan Airways

Virgin Atlantic

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Foreword

The UK has a long and proud aviation history and our airlines are amongst the best in the world. Whether travelling for business or leisure, passengers can fly to hundreds of destinations and have a choice of carriers. With intense competition, fares are low and service standards are high. Our modern way of life – from the delivery of letters and packages, to just in time manufacturing and even some of the food we eat – depends on dedicated air freight services and the transporting of goods in the holds of passenger aircraft.

But there is no room for complacency because our competitors have woken up to the benefits of aviation. Our European neighbours and countries like Turkey, the Gulf States, China and many others are catching up fast and in some areas are starting to overtake us.

We're not afraid of competition and we don't seek special favours, but government can play its part by creating a more level playing field. We have identified five policy areas where action is required in the 2015 Parliament.

The next five years are crucial and important decisions lie ahead. We want to work with the Government, politicians of all parties and regulators to make sure that we can deliver even more for our passengers and the country in the years ahead.

Nathan Stower
Chief Executive
BATA

Spring 2015

Our contribution to Britain

The British Air Transport Association (BATA) represents UK-registered airlines. In 2013, BATA airlines carried 133 million passengers and 1.1 million tonnes of cargo and employed 74,000 people.

Our direct contribution to UK GDP is estimated at £5.2 billion. When you add the effects of our supply chain and our workforce, our overall GDP contribution is estimated at £10.9 billion and we support around 200,000 jobs in total.

We are large employers with diverse workforces located right across the country. We provide a huge range of jobs, from entry level opportunities for school leavers through to highly skilled engineering and operational roles. Pilots, cabin crew and engineers are vital sections of our workforce, but we also employ experts in fields such as marketing, IT, finance and customer service.

Our operations support 53,000 jobs in a large and complex supply chain – ranging from caterers and uniform manufacturers, through to aircraft maintenance providers and ground handlers.

A further 65,000 jobs are supported by the spending of our employees and those in the supply chain.

Goods worth £116 billion are shipped by air between the UK and non-EU countries, representing 35% of the UK's extra-EU trade by value. The express air freight sector facilitates £11 billion of UK exports a year and helps support over 38,000 jobs in the express industry.

British business relies on the domestic and international connectivity that UK airlines provide, to link to new markets across the country and overseas and attract foreign investment. Many sectors of the economy, from tourism through to universities and colleges, depend on the air links that we supply.

It's easy to focus on our economic contribution, but the role we play in creating a healthier and happier society is just as important.

Thanks to the democratisation of air travel, people now travel on a scale unimaginable a few decades ago. For example, there were over 30 million overseas holiday visits by UK residents in 2013 and over 10 million visits to see friends and relatives abroad. Air travel is also vital for inbound tourism to the UK as the vast majority of tourists visiting the country arrive by air.

133 million passengers flown

74,000 people employed

1.1 million tonnes of cargo carried

£10.9 billion contributed to UK GDP

Five priorities for the new Parliament

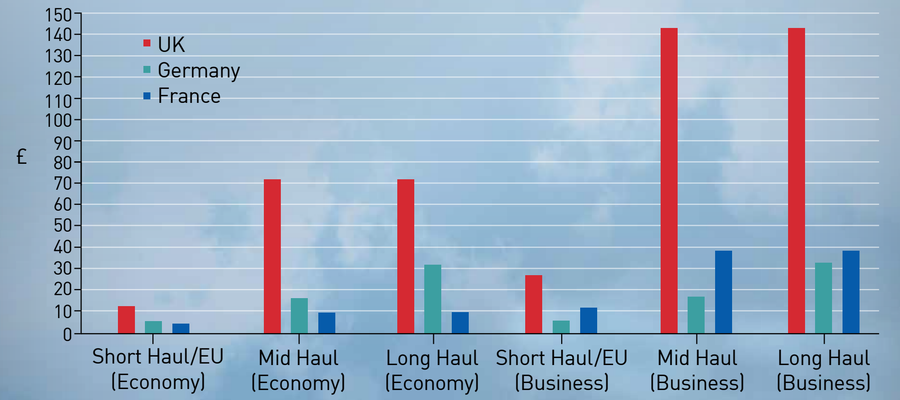
Creating a more level playing field from which we can compete and grow will help us to deliver more for our passengers and the nation in the years ahead. We have identified five policy areas where government action is required in the 2015 Parliament.

1. Tax
2. Airport capacity
3. Sustainability
4. Border & visas
5. Protecting passengers

UK APD paid by passengers each year since 1994

How we compare

UK levels of APD compared with rates in Germany & France



Abolishing APD

- It would result in an immediate boost to the level of GDP of 0.45% in the first year, followed by continuing GDP benefits to 2020. Between 2013 and 2015 the economy would have been £16 billion larger than under the current APD regime
- The rise in output delivered by abolition could lead to 60,000 jobs being created across the UK economy
- Abolition would pay for itself by increasing revenues from other taxes such as Corporation Tax, Income Tax, NICs and VAT

£27.8 billion

total amount of APD paid by passengers since it was introduced

139th = UK's ranking

in an international comparison of the competitiveness of ticket taxes and airport charges in 139 countries

Tax

Abolish Air Passenger Duty

Despite recent positive reforms to exempt children and abolish the two furthest long-haul bands, the UK still has the highest tax on flying in the world.

Most countries do not have an equivalent tax and in recent years countries such as Ireland (2014), the Netherlands (2009), Malta (2008) and Denmark (2007) have abolished their own taxes to become more competitive.

Just a handful of European countries have a specific air passenger tax (e.g. Austria, France, Germany, and Italy), but they have much lower rates and raise less revenue. For example, Air Passenger Duty (APD) costs passengers £3.14 billion in the UK. The next highest tax in Europe, in Germany, raises £750 million. Passengers have paid £27.8 billion in APD since 1994.

The Government should end this damaging tax on trade, tourism, families and businesses, and abolish APD in the new Parliament.

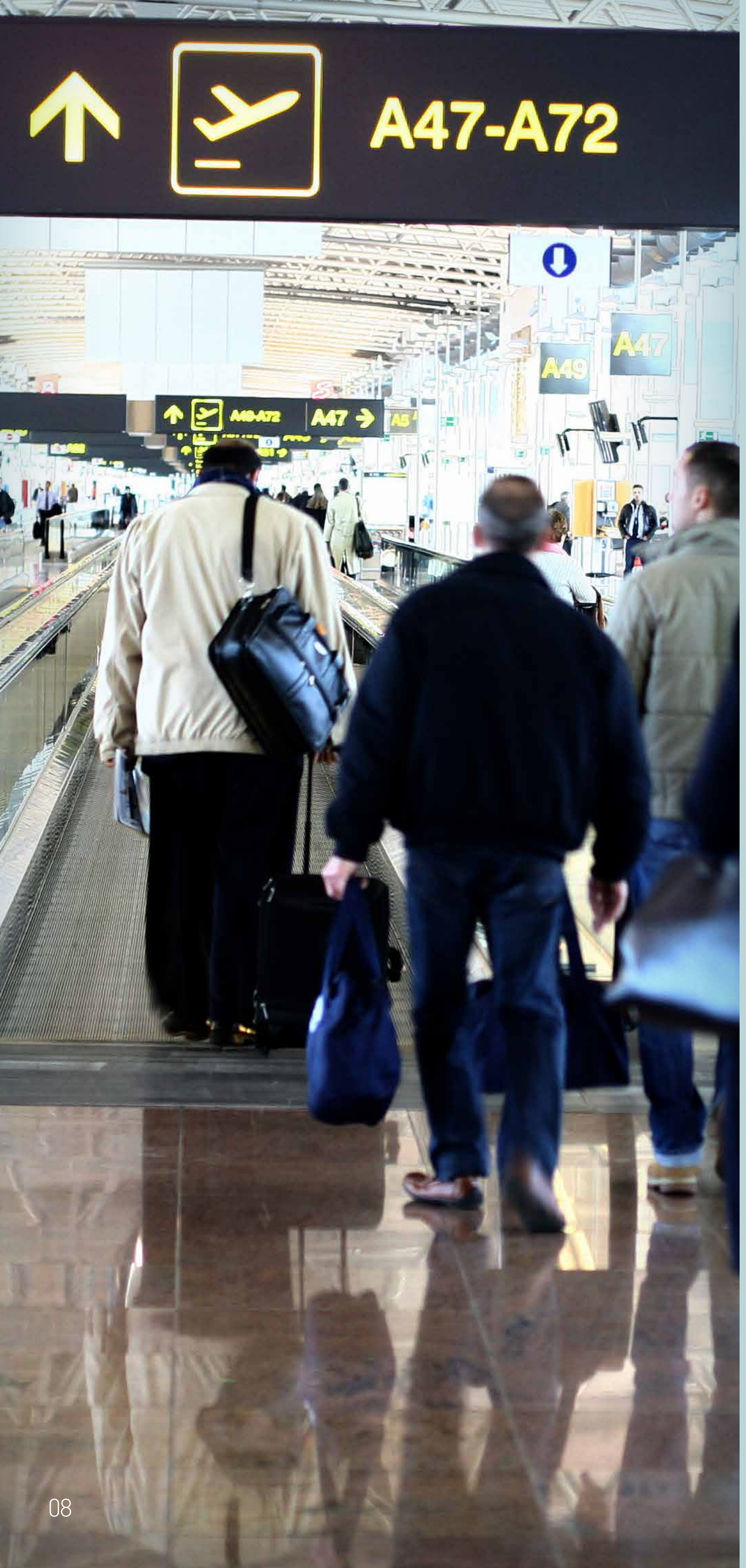
Abolishing APD would transform our competitive position, lower the cost of flying for business and families, and deliver significant benefits to the economy. Detailed economic modelling suggests that abolition would increase UK GDP, create up to 60,000 new jobs, and pay for itself by increasing revenues from other taxes.

British business agrees that APD is a damaging tax. The British Chambers of Commerce describe an APD as "a trade tax on Britain's global traders". At a time when other government policies are seeking to encourage businesses to export more, making business travel more expensive is counterproductive. APD is particularly damaging to regional development in the UK, since, unlike international journeys, it is charged on both parts of a return trip.

The power to charge tax on passengers leaving Scottish airports will be devolved to Scotland in the new Parliament and the Scottish Government is committed to halving APD, with a view to full abolition.

We respect the decision to devolve APD to Scotland and welcome the Scottish Government's commitment. But we are concerned for passengers in the rest of the UK. Having different APD systems with different rates, particularly where there is a land border, would create new market distortions and would be unfair for passengers. Passengers in the rest of the UK shouldn't have to pay more tax to fly for business, to see their friends or relatives, or to take a well-deserved holiday.

Devolution presents the UK Government with a unique opportunity to set a new course. Abolishing APD would make concerns about the impact of devolution redundant.



> **The Airports Commission's independent review into airport capacity and connectivity in the UK has concluded that there is a need for 1 net additional runway to be in operation in the south east by 2030. Its analysis also indicates that there is likely to be a demand case for a second additional runway to be operational by 2050.**
>
> Airports Commission Interim Report, 17 December 2013

1 new full length runway built

in the UK since the end of World War 2

New runways by 2036

China – 17 new runways

Turkey – a new 6 runway airport at Istanbul

Dubai – the World Central Airport project will provide more passenger capacity than all of London's airports combined

Also expansion in airport capacity at **Manila, Singapore, Bangkok, Mexico City** and **Mumbai**

> **By 2030, Heathrow, Gatwick, London City and Luton are all predicted to be full.**
>
> Airports Commission Interim Report, 17 December 2013

Airport capacity

Give the green light to a new runway and support airline growth at other airports

The Airports Commission has spent over two years looking at whether new capacity is required. We welcome the clear conclusion that there needs to be additional runway capacity in the South East of England by 2030 to meet demand.

The new Government should commit to delivering new capacity as quickly as possible so that substantial progress can be made during the life of the new Parliament.

Whichever option is proposed in the Commission's final report there will be controversy and some disagreement, but the UK cannot afford further delay. We urge all politicians to study the findings in detail. A political consensus must be forged to deliver any of the shortlisted options.

If new capacity is to be successful in attracting airlines, it must be fit for purpose, affordable and meet the needs of passengers and airlines. We are opposed to the pre-funding of new runway capacity. Today's passengers are already paying high airport charges, and they shouldn't pay more for infrastructure that won't be ready until the mid 2020's. Pre-funding also risks distorting competition between airlines.

Unlike other modes of transport, the vast majority of costs of new airport infrastructure are borne by the private sector, but the benefits are shared between the industry and the nation. As such, some costs directly associated with new capacity – such as off-airport surface access, improved public transport links, and environmental and noise mitigation measures – should be shared between the public and private sectors.

Night flights are a very small part of the UK's aviation capacity, but play a vital role for the economy. The express freight network in particular relies on these flights, both dedicated cargo flights and passenger aircraft, in order to guarantee next day delivery for thousands of business critical goods dispatched from and to UK businesses. Scheduling requirements also necessitate night flights on certain key passenger services, such as early morning arrivals from the Far East. Night flights at Heathrow alone were estimated in 2011 to contribute directly some £158 million in "value added" GDP, support 3,200 jobs and generate £37 million in tax revenue for the UK Exchequer. The existing restrictive regimes for these flights at Heathrow, Gatwick and Stansted should not be further tightened.

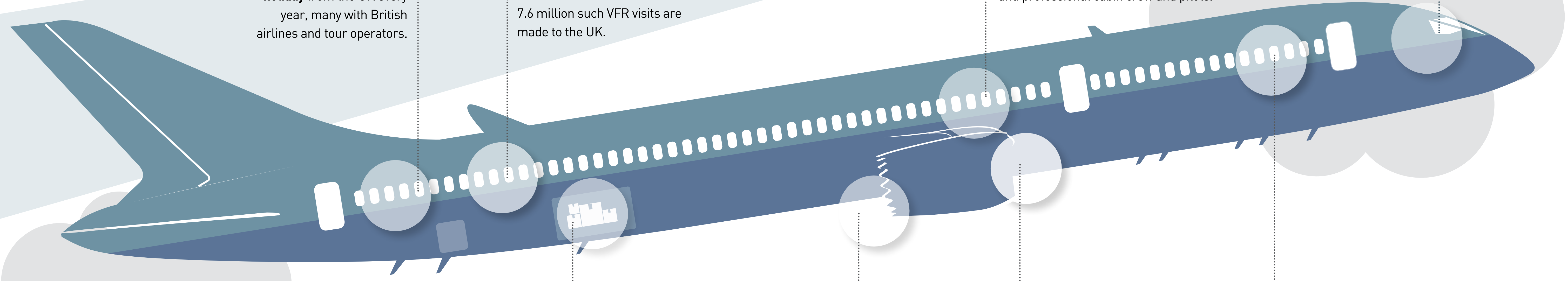
BATA airlines serve 39 airports across the UK and between them carried 19.2 million passengers on domestic flights in 2013. Given the crucial role they play in meeting the UK's connectivity needs, UK airlines will continue to meet demand and support growth at these airports. Many airports make an important contribution to their regional economies, providing domestic and international connectivity, supporting freight services, and offering convenient flights for leisure travellers. Government and local authorities should work together to provide better surface access and public transport links to our airports.

One flight. Many journeys.

30 million people fly off on holiday from the UK every year, many with British airlines and tour operators.

One of **10.3 million trips** by air made to **visit friends and relatives** overseas. 7.6 million such VFR visits are made to the UK.

BATA members employ over 74,000 people – including highly trained and professional cabin crew and pilots.



Since 2005, UK airlines have introduced more than **470 new aircraft** into service, representing an **investment of over $49 billion.**

Part of the **1.1 million tonnes of cargo** carried each year. Goods worth £116 billion are shipped by air between the UK and non-EU countries.

An aircraft today is **75% quieter** than its equivalent from 50 years ago.

Sustainable aviation fuels can contribute to a 24% reduction in CO_2 emissions from UK aviation by 2050 compared with 2010 levels.

This business traveller will **pay £142 in APD** to leave the UK.

UK transport sector's greenhouse gas emissions

22% of the UK transport sector's greenhouse gas emissions were attributable to aviation

This compares to

- **40%** emitted by cars
- **14%** by heavy goods vehicles and
- **8%** by domestic and international shipping

21% of UK greenhouse gas emissions **in 2013** were attributable to transport

6% of all UK greenhouse gas emissions were due to **domestic** and **international** aviation

0.1% of global man-made CO_2 is due to UK aviation

2% of global CO_2 emissions are due to aviation – aviation is responsible for 11% of global transport emissions while road transport is responsible for 72%

Aircraft noise

An aircraft today is **75%** quieter than its equivalent from 50 years ago

In the UK, nearly **3 times** as many people are affected by **noise from railways** and **12 times** more affected by **road traffic**, than by aircraft

Fleet investment

Since 2005, UK airlines have introduced more than **470 new aircraft** into service, including the Boeing 737-800 and 787 Dreamliner and the Airbus A320-200 and A380, representing an investment of over $49 billion. Hundreds more new aircraft are on order and due to enter the UK fleet in the coming years

Sustainable aviation fuels

£265m boost to the UK economy by 2030

SA estimates that sustainable aviation fuels could **generate 4,400 jobs** and a £265 million boost to the UK economy by 2030, as well as a 24% reduction in CO_2 emissions from UK aviation by 2050 compared with 2010 levels

Sustainability

Support sustainable aviation fuels and control development near airports

We recognise that aviation growth must go hand-in-hand with action to tackle carbon emissions and noise.

BATA belongs to Sustainable Aviation (SA) – a unique alliance of the UK's airlines, airports, aerospace manufacturers and air navigation service providers working together to deliver cleaner, quieter, smarter flying.

Carbon

Airlines are investing in new aircraft, fuels and procedures to improve efficiency, reduce fuel burn and minimise carbon emissions.

The SA CO_2 Road-map shows that UK aviation can accommodate significant growth to 2050 without a substantial increase in absolute CO_2 emissions, and we support its call for the reduction of net CO_2 emissions to 50% of 2005 levels.

The EU Emissions Trading Scheme was an important first step in addressing aviation emissions at an international level, but by its very nature aviation requires a global solution. The UK Government should be a leading voice in negotiations at ICAO in support of the creation of a global framework based on market-based measures.

UK airlines are leading the world in supporting the development of sustainable aviation fuels. Some of these low-carbon solutions are proven to be viable and have achieved certification. We need government support to scale up to full commercial operations, for example by sourcing and underwriting private sector investment and creating a level playing field in policy incentives to encourage sustainable fuels across all transport modes, including air transport.

Government should support further airspace reform in the UK and the full implementation of the Single European Sky plans. Improvements in air traffic management and operational practices have the potential to improve the fuel efficiency of UK aviation by around 13.5% by 2050 relative to 2010.

Noise

UK aviation has a strong track record in reducing noise, but we recognise that it remains the biggest concern for communities near airports.

The SA Noise Roadmap shows that the development and introduction of quieter aircraft, alongside the implementation of better operating procedures, and improved land-use planning, means that noise from UK aviation will not increase with greater flights over the next 40 years.

Government can help by strengthening and supporting local authorities' ability to enforce land used planning controls around airports in order to reduce the number of people affected by aviation noise in the future.

UK airlines will continue to invest in new aircraft and work with the CAA and air traffic control providers to trial quieter arrival and departure procedures at UK airports.

Number of visitors to the UK arriving by air

In 2013, **23,722,000 visits** were made to the UK by air – out of 32,813,000 total visits, or about **72%**

This compares to

4,560,000 visits by Sea, **14%**
4,441,000 visits Channel Tunnel, **13.5%**

Spending by inbound visitors

Visitors arriving by air spent **£17.752 billion** in 2013 – out of a total of £21.012 billion spend, or about **84%**

Outbound flights

There were **46,543,000** visits abroad by air by UK residents in 2013 – 30,009,000 of these visits were for a holiday

Top 10 UK airports by passenger numbers in 2013

1.	Heathrow	72,367,054
2.	Gatwick	35,444,206
3.	Manchester	20,751,581
4.	Stansted	17,852,393
5.	Edinburgh	9,775,443
6.	Luton	9,697,944
7.	Birmingham	9,120,201
8.	Glasgow	7,363,764
9.	Bristol	6,131,896
10.	Newcastle	4,420,839

Cost of UK visa vs Schengen

A Schengen visa costs **€60** (about £45) for travel through any combination of the 26 European countries that make up the Schengen state

A UK visa for a Chinese tourist costs the equivalent of **£83**

£45 v **£83**

Schengen visa | UK visa

Border & visas

Keep Britain open for business and tourists whilst protecting the border

We want to ensure the UK is an attractive and safe place to visit and do business, within a globally competitive environment.

We work with government to help ensure queue times at the border are minimised and support the introduction and efficient use of technology such as e-gates and Advanced Passenger Information.

The Government should work with us to build on the existing infrastructure for managing the border. Airlines and the taxpayer have invested millions in IT systems and new processes over the last ten years to support border improvements and provide passenger data to meet government requirements. We believe that a robust, world-leading approach is almost within reach and further improvements can be delivered through existing systems. Going back to the drawing board and developing brand new systems and border and immigration requirements would be a costly and wasteful exercise.

Border Force, the organisation that manages our border, is facing increased budget pressures. New working practices and greater use of technology should deliver savings, but Border Force must have the financial resources it needs to deliver a safe and secure border while meeting passenger and airline expectations for queue times and customer service. There must be no relaxation of current targets for queue times at the border and these targets should be regularly benchmarked against our competition.

The Home Office and UK Visas & Immigration should build on recent progress in making visas more accessible and competitive. Application processes, wait times, requirements and costs should be regularly reviewed and adjusted to be competitive with other visa regimes, such as Schengen. If visiting the UK involves extra cost and hassle for foreign nationals compared with other countries, there will be an impact on visitor numbers. This is especially true for visitors from important growing economies such as China and India.

A number of airlines have financially contributed to the Visit Britain 'Great' campaign, investing their own money in promoting the UK overseas. If Visit Britain is to remain an effective national tourism board it must continue to receive adequate public funding to enable it to compete with the tourist boards of our competitors, many of whom benefit from higher levels of government support.

133 million passengers were carried by BATA members in 2013

In the same period, the CAA received **20,188** complaints from passengers about these airlines

Around half of all adults in the UK take at least **one flight a year**

85% of air passengers report that they are very or fairly satisfied with the experience on board

£63.31 = example of airline revenue per seat for a short-haul flight in 2014

€250 (about £183) = EC 261 compensation per passenger for delays of more than three hours for a short-haul flight

Protecting passengers

Secure reform of European law to deliver clearer consumer rights

Passenger protection, security and safety are integral to an airline's business and reputation.

The safety and security of their passengers and employees is always the number one priority of BATA airlines. We work closely with government and the CAA to ensure that the very highest levels of safety and security are maintained. We encourage full consultation with industry before changes to measures are made to ensure that they are introduced in the most efficient and effective manner.

UK airlines need to provide great customer service to attract passengers in the highly competitive markets in which they operate. We support the principle of passenger protection when things do go wrong and recognise that regulation has a role to play in ensuring minimum standards. However, the rules should be clear, affordable and proportionate for the sake of passengers and airlines. The current European regulation (EC 261/2004) fails these tests.

We support the original intent of the regulation, which was designed to discourage poor practice and set minimum standards of care and compensation for passengers in the event of disruption and denied boarding. However, the regulation was badly drafted, leaving it open to interpretation and causing significant uncertainty. Successive legal decisions by the European Court of Justice and UK courts have rendered the original regulation unrecognisable, extending its scope, disproportionately increasing its burden on our industry, putting pressure on fares and damaging the single market. There isn't a genuine level playing field in Europe as different legal interpretations apply in different jurisdictions.

We support the efforts made by the Department for Transport and the CAA, alongside other EU Member States, the European Commission and the European Parliament to secure sensible and pragmatic reform of EC 261. This is now required more urgently than ever yet progress is stalled in Brussels because of the disagreement between the UK and Spain over the treatment of Gibraltar airport in EU aviation legislation. The new Government must overcome this hurdle and secure effective and lasting reform of this regulation.

UK airlines are committed to further improving the carriage of disabled passengers and persons with reduced mobility. Since the introduction of the EU regulation 1107/2006, UK airlines and airports have worked closely together to improve the facilities and passenger experience for persons with reduced mobility (PRM). But more could be done. Both airlines and airports see the benefit of encouraging PRMs to pre-notify their requirements, ahead of their journey. However, we need to agree a procedure that would then allow the PRM service providers at airports to prioritise those that have pre-notified their requirements. This is something we believe could be encouraged with support from both government and the regulator. UK airlines have a good record in the number of passengers pre-notifying their assistance needs to airports, but we can still improve this further. These positive improvements demonstrate the level of commitment and investment that has been put into this important area.

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BATA

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