

Paul Smith
Group Director of Consumers and Markets
Civil Aviation Authority

Sent by email to:
paul.smith@caa.co.uk
stewart.carter@caa.co.uk
economicregulation@caa.co.uk

3 March 2021

Dear Mr Smith,

Thank you for the opportunity to respond to the CAA's consultation CAP2098.

The core of Air France KLM's argument is that the increase charges proposed by HAL is not in its passengers' interest. Passengers are the livelihood of airlines now more than ever and airlines will need a long time to regain passengers' confidence in flying and therefore bring in revenue. Now is not the time to levy more charges on these passengers or on airlines when their revenues are at an all-time low. The CAA's principal role is the protection of passengers.

We accept that the CAA has other roles, one of which is to ensure that HAL is operating in an economical manner. One of the areas, which we would like the CAA to look into relating to this last point, is that HAL have made substantial cost savings in 2020 during the pandemic and we support LHR AOC and IATA's detailed response in this respect. HAL has also shown it has strong liquidity, and has repeatedly stated to investors that is not at risk of breaching covenants

The service to its passengers is core to any airline. In response to HAL's comments that "Pressure to cut costs could jeopardize quality of service and future investment", in agreement with the AOC, Air France KLM believes that this allegation is unfounded. As illustrated by LHR AOC and IATA's findings *'Punctuality performance with the reduced levels of movements seen in 2020 and 2021 has been very good and significantly better on average than that experienced over the whole of Q6. (For the month of December 2020 Scheduled Flight departures punctuality was 75% (source: CAA website)'*. HAL's statement that punctuality may drop to 60% and security queue times may increase by 5 minutes due to the need to cut costs further in 2021 does not appear logical.

In summary, Air France KLM supports the LHR AOC and IATA arguments and believes that in order to regain some of the losses incurred in 2020 and 2021, HAL should approach its investors and the Government to inject some dividend to the HAL business rather than rely on the struggling airline industry to bail them out. It should not be the airlines to bear the responsibility of their losses, which are a result of a worldwide pandemic.

Yours sincerely,



Bénédicte Duval

General Manager

Air France KLM, United Kingdom