



**Lufthansa**

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Civil Aviation Authority  
Group Director of Consumers and Markets  
Attn: Mr. Paul Smith

Sent by email to: paul.smith@caa.co.uk  
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Ihr Zeichen/Your Reference

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Datum/Date  
4. März 2021

**Re: CAP2098 Economic Regulation of Heathrow Airport Ltd: Response to its request for a Covid 19 related RAB adjustment.**

Dear Paul,

On behalf of Austrian Airlines, Brussels Airlines, Eurowings, Lufthansa and SWISS International Air Lines we thank you for the opportunity to comment on “CAP2098 Economic Regulation of Heathrow Airport Ltd: Response to its request for a Covid 19 related RAB adjustment”.

The Lufthansa Group shares the airline industry’s view that HAL’s request is not in the consumer interest, justified or reasonable and should be rejected in full.

Of the four assessment options proposed by the CAA, section 5.1 Option 1: “Adjust 2022-2026 H7 price control package to account for Covid-19 risk in some form” is the only option we could support. It is clearly appropriate to consider the impact of the pandemic on risk and also on the ability to reliably forecast passenger numbers over the H7 period. If volume risk is removed in H7 then the agreed WACC must fall substantially to reflect that. It is important in order to ensure clarity to all stakeholders, that the CAA detail what the WACC would be with and without HAL bearing traffic risk.

For a more detailed explanation, please refer to the comprehensive response by AOC/LACC, which we continue to fully support and endorse, as well as to our correspondence of November 5th, 2020.

Like in November 2020, please regard the statements of AOC/LACC as part of this statement. In this context, may we emphasize:

- The overall Covid-19 pandemic related situation remains unchanged respectively has worsened for the entire aviation industry



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- Meanwhile, more and more airlines, including Lufthansa and its group carriers, are at significant financial pressure. Therefore, it is mandatory for companies like HAL and its owners to consider and exhaust all other sources of funding before demanding that its customers and their (future) passengers cover most of the revenue impact – especially, as the Q6 settlement assigned a passenger volume risk throughout the period including a downward adjustment to passenger forecasts (“a shock factor”) at HAL’s insistence.
- We want to highlight that in the recently reported full year financial figures, HAL was able to present a positive EBITDA and has a healthy liquidity backlog. As HAL was able to stock-up the liquidity by 148%, this should be proof enough to the regulator that investors are still having confidence in a positive continuation of the business. Interest rates anticipate all risks associated with the business and airport users were already financing those risks via cost of capital, which resulted in dividends for HAL’s owners. Therefore it should now be the owners of HAL to offset the losses due to pandemic and not the users.
- An increase in charges will not drive demand for the recovery in the extent that might be possible once travel restrictions are broadly lifted.
- We agree with the CAA’s own analysis presented in CAP 2098 that increasing the RAB by £2.8bn does not improve HAL’s finance-ability, will increase charges and is therefore not in the consumer interest.

If there are any questions or remarks regarding our statement, please do not hesitate to contact us.

Yours sincerely

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