

Note submitted by BA on its potential response to the loss of the CityFlyer franchise—example scenario

1. This note outlines a potential BA response to the loss of the current CityFlyer operation from the BA-branded network at Gatwick. It should be emphasised that this is principally an attempt to identify the *immediate* consequences to BA in that event. In the longer term, for the reasons given at the end of the note, the number of routes lost from Gatwick or other airports may well be much greater.

CityFlyer routes to be picked up

2. The following CityFlyer routes are too important for feed purposes to be lost from the network. They would therefore be picked up by BA mainline. Other routes do not justify cancellation of BA mainline services and, if not sustained by CityFlyer as an independent operator, would be lost. This would result in the complete loss of BA-branded services on the Cork, Bremen, Guernsey and Rotterdam routes.

	<i>LGW slots</i>	<i>Other implications</i>
LGW–Amsterdam	30/wk	Cancel Manchester–Amsterdam service to fund slots at Amsterdam
LGW–Dublin	40/wk	
LGW–Zürich	<u>21/wk</u>	Zürich slot problems will make this difficult
	91/wk	

3. These routes would be flown by a combination of Brymon and BA mainline aircraft (for certain peak services), using slots freed from cancellation of mainline services.

BA mainline Gatwick route cancellations

4. The following BA mainline services would need to be cancelled to provide the slots required to fly the Amsterdam, Dublin and Zürich routes.

LGW–	<i>Details omitted. See note on page iv.</i>	}
LGW–		
LGW–		
LGW–		
LGW–		
LGW–		
LGW–		
LGW–		
LGW–		
LGW–		
LGW–		
		<u>93/wk</u>

5. We have not carried out a full reconciliation of slot timings of cancelled services against required slot times. In practice, more services would need to be cancelled and the timings of other existing services compromised due to mismatch of slot timings.

Cancellation of other marginal Brymon routes to fund aircraft

6. In order to minimise the additional aircraft purchases necessary to allow Brymon to fly the routes from Gatwick to Amsterdam, Dublin and Zürich, the following existing Brymon routes, which are only marginally profitable, would be cancelled:

$\left(\begin{array}{l} \text{Details omitted. See} \\ \text{note on page iv.} \end{array} \right)$	21/wk
	7/wk
	10/wk
	<u>7/wk</u>
	45/wk

7. If insufficient aircraft time was released by these cancellations, then additional aircraft would be purchased for Brymon.

Implications for BA's network at Heathrow

8. In response to the loss of BA-branded services from Gatwick to Cologne, Luxembourg and Düsseldorf, BA would increase frequency to these destinations from Heathrow (adding to existing service provided by BA mainline). To provide the slots to permit this, BA's services from Heathrow to [\approx] (which have been consistently the worst performing routes at Heathrow and generate small amounts of feed traffic) would be cancelled or reduced in frequency.

Implications for viability of Gatwick hub

9. Gatwick is already only marginally profitable for BA and it is only viable for BA to continue to invest in Gatwick's development (in terms of infrastructure and route network) on the basis that, in time, financial performance will improve.

10. The loss of CityFlyer feed traffic on to BA's other Gatwick services would reduce further the economic viability for BA of the Gatwick hub. As well as the immediate loss of feed revenue, the loss of CityFlyer feed traffic—which would otherwise be expected to continue to increase at the high growth rates seen in recent years—would be even more significant in terms of the long-term returns which BA could expect from LGW. The reduction in the combined size of BA and partner networks at Gatwick would also damage the long-term international competitiveness of Gatwick with other hubs in terms of connectivity.

11. Therefore, in addition to the specific changes previously outlined, BA would be forced to re-evaluate its strategy of developing Gatwick as a hub airport, offering long-haul combined with a comprehensive range of short-haul destinations.

12. Any decision to reverse the current strategy of developing Gatwick as a hub airport would involve reductions in BA's short-haul network from Gatwick, with a direct impact in terms of lost services. Any Gatwick long-haul routes which rely heavily on short-haul feed could also, as a result, either be cancelled or moved back to Heathrow (reversing BA's previous service transfers), leading to a loss of other destinations or frequency from Heathrow in order to provide slots to permit this.