



BA THREATENS TO PULL JETS AT LONDON CITY

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British Airways is threatening to pull most of its aircraft out of London City airport if the hub's new owner raised airline charges to cover the £2bn price tag.

The move could jeopardise the sale of the London airport beloved by executives, which was put on the market last August by its US owners and has already attracted offers from at least three groups.



@Bloomberg A BA jet at London City airport

BA is the largest airline at London City, transporting about 40 per cent of the passengers going through the airport each year.

Willie Walsh, chief executive of International Airlines Group, BA's parent, told the Financial Times he had serious concerns about the owner's £2bn valuation, which would represent a multiple of 44 times London City's earnings before interest, tax, depreciation and amortisation in 2014.

"If the owners succeed in selling this for £2bn we cannot see how a buyer will be able to recover or make any return on that investment unless they make a significant increase in airport charges," he said.

He called the sale tag a "foolish price", and warned that IAG will significantly reduce its aircraft at the airport if higher landing charges were introduced.

"We will not stay in London City at the levels we are today if these charges increase," said Mr Walsh. "Quite honestly the margins we make at London City would not support any increase in charges."

London City has won the affection of business travellers because of its proximity to Canary Wharf and the City of London compared to Heathrow and Gatwick airports. Almost two-thirds of London City's passengers are business travellers.

A symbol of London's resilience as a global business capital, London City has seen passenger growth numbers double over the past decade from 2m in 2005 to an estimated 4.3m last year despite the financial crisis.

Oliver Sleath, analyst at Barclays, said it would seem odd for BA to suddenly leave London City.

“Having built up a number one position at London City, they would be handing valuable revenue to competitors, especially given the large financial community in Canary Wharf,” he added.

“But I think the introduction of Crossrail in 2018, which will cut down the journey time from Canary Wharf to Heathrow, could tip the balance and make it more of a real threat.”

22 FEBRUARY 2016

SOURCE: ADVICE VOICE

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