

London Heathrow and the Problem of Not Being Able To Move

Source : OAG

It's been a very tough few years for the whole aviation industry and much of the attention has been focussed on the airline industry where record losses have been reported and Government bailouts a regular occurrence. There was flexibility for some airlines who were able to redeploy aircraft to other parts of their networks or indeed start new routes in an attempt to stimulate demand. After all, aircraft are portable, airports generally are not!

Airports are a classic fixed asset, heavy on capital equipment and typically always investing in new projects (even if some of those never get to see the light of day). Today's results from London Heathrow are no surprise; fewer passengers than in 2020 when at least there were a few months of "normal" demand at the beginning of the year. Losses of £3.8 billion are therefore not surprising and the airport has certainly not endeared itself to airlines with some hefty increases in fees in the last few months. Pride has also been wounded by other airports in Europe recovering faster than Heathrow, and indeed based on current data for March 2022 the airport will rank in 11th place on the global list - however, if only international traffic is counted it moves to second position, but with nearly a million fewer seats than will be operated at Dubai; that's some gap to close in the coming months!

Things Can Only Get Better

For Heathrow brushing the 2021 performance under the carpet makes sense because things can only get better, and indeed they already are! The easing of all Covid-19 restrictions in the UK from tomorrow is the biggest sign that the industry is recovering, although Heathrow like every other airport remains at the mercy of overseas authorities easing their entry requirements even further.

So, how is the summer shaping up at Heathrow?

The Summer 2022 IATA season commences on Sunday 27th March and typically airlines add more and more capacity so that by early June the peak operating programme is in place and airports are crammed with both business and leisure travellers. Unlike previous years there will be some uncertainty from airlines as they watch for any new variants of Covid-19 impacting travel but it looks like Heathrow will be getting back to something near normal levels, at least from a capacity perspective. Current planned capacity for Summer 2022 is 29.2 million versus 29.6 million in Summer 2019, a shortfall of less than 2% although we should expect that to shake down a bit. Compared to Summer 2020, capacity will have increased fourfold and against last Summer nearly tripled...great sound bites for the optimist.



Source: [OAG Schedules Analyzer](#)

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Country Destinations from LHR

Looking at the data by country market many of the major destinations have come back strongly, especially the longer haul markets such as the United States where pent-up demand has been waiting for nearly three years in some cases to travel. Even markets such as France and Italy

that would normally be the domain of low-cost carriers from other airports are looking positive against the last few years.

Top 10 Country Destinations from London Heathrow Summer 2019 – Summer 2022

Departing To:-	Summer 2019	Summer 2020	Summer 2021	Summer 2022	% Change Summer 2022 Vs Summer 2019
USA	6,106,607	920,273	1,863,127	6,257,341	2.5%
Germany	2,181,794	412,885	442,634	2,082,168	-4.6%
United Kingdom	1,789,306	379,593	864,473	1,665,444	-6.9%
United Arab Emirates	1,159,738	298,554	528,560	1,070,581	-7.7%
Spain	1,079,979	349,179	659,561	1,141,605	5.7%
France	1,020,115	219,475	341,455	1,151,061	12.8%
Italy	1,005,959	419,005	315,295	1,170,265	16.3%
Ireland Republic of	957,410	162,202	243,246	915,291	-4.4%
Switzerland	934,649	151,104	242,023	853,461	-8.7%
Canada	851,125	163,247	235,982	779,398	-8.4%

Source: [OAG Schedules Analyzer](#)

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Top Airlines at LHR

Amongst the top airlines operating at Heathrow only two carriers are planning to operate less capacity than Summer 2019, Air Canada and Qatar Airways although in the case of Qatar expansion into London Gatwick with twice-daily services and changes in equipment type explain away most of that capacity change. Virgin Atlantic are the largest carrier in terms of growth in 2019, completely driven by the airline, despite being based at Gatwick, now having moved their entire operation to Heathrow; with an expanded operation and some new destinations added to Pakistan it will be interesting to see if the carrier ever returns to Gatwick, aside from a maintenance visit!

Top 10 Scheduled Airlines from London Heathrow

Summer 2019 – Summer 2022

Departing Airline	Summer 2019	Summer 2020	Summer 2021	Summer 2022	% Change Summer 2022 Vs Summer 2019
British Airways	13,733,824	2,739,803	4,549,570	13,785,512	0.4%
Virgin Atlantic Airways	1,342,373	171,072	569,227	1,747,725	30.2%
American Airlines	1,254,993	193,836	554,074	1,342,501	7.0%
Aer Lingus	833,960	205,285	284,309	835,916	0.2%
United Airlines	790,211	158,111	242,807	906,680	14.7%
Lufthansa German Airlines	727,328	162,451	213,612	743,932	2.3%
Emirates	614,402	186,532	294,097	654,776	6.6%
Air Canada	573,836	138,230	139,182	517,008	-9.9%
SAS Scandinavian Airlines	552,502	79,224	127,479	603,804	9.3%
Qatar Airways	484,867	239,957	208,892	419,842	-13.4%

Source: [OAG Schedules Analyzer](#)

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So, at a high level it would look like Summer 2022 could be a good season for Heathrow but of course there is an important factor to consider, demand. However hard the airlines try demand is likely to be softer than in previous years, especially if the cost of fuel begins to soften demand as airfares rise. And whilst every passenger pays the same airport charges for Heathrow what looks like being at least another seven or eight months without Chinese visitors spending hundreds of pounds in the retail outlets the bottom-line numbers for the airport will remain soft for some time, although perhaps not as soft as the forecast from the airport.

Whilst Heathrow may not expect a full recovery until 2025 or 2026 with a fair wind the full recovery could be achieved by 2024, but for some purposes stretching out the recovery a little longer both manages shareholder expectation and supports the recent increases in charges to airlines.