



PARIS — As passengers flying out of London Heathrow Airport endured a sixth day of disruption Tuesday, airlines said they were considering whether to seek tens of millions in compensation from the airport operator and possibly the British government, in a bid to avoid passing costs on to air passengers.

New restrictions on hand baggage and increased body searches of passengers continue to wreak havoc with some airline schedules after the British government announced a full-scale terror alert Thursday. BAA, the operator of Heathrow and six other British airports, including Gatwick and Stansted near London, scrambled to comply with the new regulations, but lingering congestion has forced airlines to cancel hundreds of flights.

At a time when many European airlines have been struggling to cope with high oil prices and fierce competition, industry executives expressed frustration with the mounting bills resulting from ticket reimbursements and hotel accommodation for stranded passengers, as well as the expense for additional staffing and overtime payments to employees.

Some carriers are worried that they might be asked to bear the brunt of the burden for a situation that they see as beyond their control.

"Where airlines and airports are constrained to comply with regulations imposed on them by governments then they should be free to seek compensation from governments," said John Hanlon, the spokesman for the European Low Fares Airlines Association. "If there is any fallout in financial terms, then governments should foot the bill."

Hanlon warned that without some form of compensation, the costs could ultimately be borne by air passengers in the form of higher fares, a result that he described as "unfair."

"The airlines have lost that revenue forever," said Michael Carter, an analyst in Milan at ING, the Dutch financial services company. "If you had several hundred flights canceled, you are never going to be able to put that revenue back in there."

Government compensation to airlines is not unprecedented. After the Sept. 11 terrorist attacks on New York and Washington, Congress rushed through a \$15 billion financial rescue package for the country's airlines, which included \$5 billion in cash and \$10 billion in loans, Carter noted.

British Airways, which operates about 40 percent of all flights out of Heathrow, said

Tuesday that it was "seriously considering" seeking compensation from BAA. The airline's chief executive, Willie Walsh, criticized BAA in an interview in *The Daily Mirror* for having "no plan ready to keep Heathrow functioning properly."

The airline, which has been forced to cancel 1,100 flights out of Heathrow and Gatwick since Thursday, said that in addition to ticket reimbursements, it was forced to pay hotel rooms for 10,000 stranded travelers and had hired trucks to transport baggage that did not make it onto flights to Europe.

Ryanair, the low-fare carrier, also accused BAA of having failed to respond to the crisis with sufficient security personnel, particularly at London Stansted Airport, where Ryanair maintains a large presence.

BAA called the criticism unfair, saying: "No organization can hold sufficient staff in reserve against such a significant and sustained increase of activity."

Andrew Fitchie, an analyst at the Collins Stewart brokerage in London, forecast that the total losses to British Airways so far were about £50 million, or \$94 million. However, he said, "I think the bleeding will probably stop within the next 24 hours," as the airport congestion clears.

Roseanne Crossey, a British Airways spokeswoman, declined to comment on that estimate, saying that the airline had not yet produced an estimate of the financial impact of the crisis on its operations.

Some industry analysts said that the ultimate cost could be much higher. "I think that you could get to a figure of £10 million a day quite rapidly," said Peter Morris, chief economist at Ascend, an aviation industry consultancy in London. "Nobody is taking it on the chin as much as the carrier that has London as its home hub."

Virgin Atlantic Airways and the regional British carrier BMI said they were also considering their options in terms of recouping financial losses.

"There needs to be a sensible debate between the airlines and BAA about how these costs should be shared," said Paul Charles, a Virgin spokesman. "They should not be passed on to customers."

Charles said the options airlines might pursue included direct compensation from the British government or "some sort of contribution from BAA," either in the form of a rebate on airport charges or perhaps the creation of a central fund for airline compensation.

He said that Virgin was not sure yet how to proceed but that he expected the debate to take place with BAA and government within the coming days.

Fitchie of Collins Stewart noted that once the initial processing delays were sorted out, the fact that the new security changes might be made permanent or at least persist indefinitely should not make much difference to airlines in the near term.

"The airlines already pay a flat fee to the airport," which covers ground services like baggage handling and security, he said, adding, "so that cost stays the same whether passengers carry the bags with them in the cabin or if its checked in the hold."

He conceded that higher security costs incurred by BAA could eventually be passed back to the airlines in the form of higher airport charges down the road.

But such an increase in airport charges, if it were to happen, will not occur anytime soon. As a regulated monopoly, the fees BAA charges airlines are fixed every five years by Britain's Civil Aviation Authority and the current rate schedule runs through 2008.

BAA received a total of £893 million in aviation charges from airlines in the year to March 31.

Morris of Ascend predicted that it would likely take several more days before airlines would be able to assess the extent of their losses, after which they would be in a position to begin negotiations with BAA and the British government.

"You've got a pig moving through a python for at least another week," Morris said. "The only thing that is certain is that costs are going up and time is going up" for processing passengers, Morris said, adding, "Until you see what the steady state is, it remains very difficult to predict."

Eric Pfanner contributed reporting from London.

- - -