BRITISH AIRWAYS
Procurement

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Mr Stephen Gifford
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Sent by email to NATSoceanic@caa.co.uk

Dear Mr Gifford

REF: NATS OCEANIC CHARGES – PROPOSAL FOR 2015-2019

British Airways ("BA") welcomes the opportunity to respond to the questions posed in the Civil Aviation Authority's ("CAA") consultation paper published in July 2014 for NATS's Oceanic Charges for 2015-2019.

Is it appropriate to continue to regulate Oceanic charges so long as that control is simple and easy to administer? If not, why not?

BA believes that due to the strong market power that NATS enjoys in its Oceanic business it is essential that Oceanic charges continue to be subject to economic regulation.

Do you agree with the proposed form of regulation for Oceanic services? Mindful of the degree of market power, do you consider a different regulatory approach would be more proportionate given the scale of the business? If so, what would that approach comprise?

BA supports the continuation of the current, relatively simple, form of price cap regulation for NATS's Oceanic business.

Should the timeframe for an Oceanic charge control be aligned with the timeframe for the RP2 controls for Eurocontrol and terminal services? If not, why not?

In support of the improved efficiency of process and consistency of planning assumptions, forecasts etc, BA supports the alignment of Oceanic charges with the timeframe for RP2 controls both for en route and terminal services.

Should the basis of indexation of charges be changed from RPI to CPI (subject to the value of X in a CPI-X charge cap being expected to generate the same amount as the value of Z in an RPI-Z cap)?

BA supports the adoption of CPI as the basis of indexation, as per other regulatory models and adoption by government, however we would urge the CAA to migrate swiftly away from adjusting the value of X to reflect the difference between CPI and RPI, i.e. indexation should truly reflect CPI rather than RPI.

Is the approach proposed by the CAA to revise the Oceanic charge cap where the conditions set out in paragraphs 3.16-3.20 apply acceptable? If not, why not?

BA supports the concept of re-opening the charge cap, should there be agreement from airspace users to do so, dependent on the details then prevailing, including but not limited to a positive business case for such a capital investment.

Is it reasonable to apply assumptions consistent with those adopted in the UK-Ireland FAB Performance Plan for NERL's Eurocontrol business? If not, why not?

In principle, BA supports the use of the CAA's assumptions adopted for the regulation of the Single European Sky services to apply to NATS's Oceanic business.

Do you have any comments on the building block assumptions described in paragraphs 4.12-4.28 above?

While BA broadly supports the assumptions used by the CAA in building the proposed settlement, we still believe that NATS's slow response to address its emerging pension deficit is now unduly impacting its cost base and hence the proposed Oceanic charges, therefore we believe that a higher percentage of this opex should be disallowed.

Is it reasonable to apply profiling to arrive at a simple CPI-X charge control? If not, why not?

Profiling, while simplifying the regulatory formula and giving airspace users greater cost certainty, unfortunately causes airspace users in one year to subsidise, potentially different, airspace users in a different year, therefore BA does not support the use of profiling in this instance.

Yours sincerely

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cc Peter Jukes, Manager User Charges, BA