

YOUR LONDON AIRPORT

Gatwick

2 JUNE 2017

Bronwyn Fraser
Consumer and Markets Team
Civil Aviation Authority
CAA House, 45-59 Kingsway
London WC2B 6TE
Kingsway

Dear Bronwyn,

RE: CAP1511 Strategic outcomes for the economic regulation of NERL 2020-2024

Gatwick Airport Limited (GAL) welcomes this opportunity to comment on CAP1511 “Strategic outcomes for the economic regulation of NERL 2020-2024: Discussion document”. As a background to this response we note that over the past three years the operational environment facing UK airports and airlines have become increasingly challenging. This has been driven primarily by increasing demand for airspace, in particular on the continent, however from time to time the London Terminal Manoeuvring Area (TMA) have also faced operational challenges.

GAL has therefore supported the Government’s policy towards airspace modernisation, with the objective of enabling airspace changes to be designed and delivered in a timely and efficient manner to provide for greater aviation capacity, taking account of the views of those affected by aircraft noise. GAL’s recent response to the Government’s policy consultation on this topic is published at: <https://www.gatwickairport.com/contentassets/01bd7d955b1e4521963eb9660ba88d51/gatwick-airport-ltd---response-to-uk-airspace-policy-consultation-250517.pdf>

With this in mind we offer the following comments.

Accountability

Following the experience of recent delays in the London TMA and the potential knock on effect of airspace performance on operations at Gatwick, we believe that NERL’s engagement should be broadened from its airline customers to include other stakeholders as well, notably airports. Such broader engagement should inform NERL’s Consultation on its initial business plan, but will also affect its wider investment planning process.

Previously, the key issue affecting the London TMA was the poor resilience and performance of Heathrow; we note that both Time Based Separation (TBS) and Enhanced Arrival Management (XMAN) have been introduced there. Recent experience does however suggest that over the next period more attention needs to be put on the challenges facing the wider London TMA rather than just Heathrow. We would like to see greater transparency on how NERL identifies, scopes, prioritises and funds improvement projects.

We fully support ensuring that effective accountability mechanisms are included in the future regulation of NERL. This should include accountability to direct customers and to other stakeholders whose operational performance and growth potential can be directly affected by NERL’s own service delivery, capacity planning and future investments. We furthermore believe that recent experience

shows that additional transparency on performance (and its underlying drivers, such as the closure of sectors or restrictions due to ATCO availability) is needed to assist in holding NERL accountable and to inform investment consultations.

The consultation also seems to consider that NERL as an industry party should be accountable for the 'airspace architecture' with an obligation to develop a master plan and the accountability for delivering it. There should be clarity around the regulator and Government role for developing and delivering an airspace masterplan. Airspace is a critical part of UK infrastructure. Given the scope and scale of change necessary the Government should provide strategic leadership and a policy framework for the significant airspace change in the RP3 timeframe. Without such leadership there is a risk that potentially beneficial strategic airspace changes could founder and lose momentum if they are not seen to be in alignment with a clearly stated Government policy in the national interest.

Pricing

It is imperative that the economic regulation framework achieves consistency between the UK's strategic priorities and the revised EU regulations. NERL investment in long term infrastructure programme, such as airspace design, should not be inhibited by European Commission revisions to the charging regulation for RP3 which aim to drive reductions in the en-route charge.

Stakeholders should guard against apparently attractive near term cost reductions which will bring tangible benefits from 2020 versus airspace modernisation which may require significant upfront investment but which have the potential to deliver significantly greater benefits over time.

Service Quality

It may also be appropriate to consider whether the present balance of incentives drives NERL to focus on short term service quality at the expense of actions with longer term benefits. The CAA highlights the potential risk that delivering airspace change means that NERL unnecessarily loses focus on service quality. We would wish to see this addressed through balanced incentives that address both consistent near term service delivery and longer term airspace and operational changes.

GAL considers that it may be appropriate to introduce some form of service standards with regular performance reporting, and potentially with penalties for failures. Such service measures could include:

- Maintaining defined capacity levels on Approach Functions and/or Sectors. This might address shortfalls in performance where staffing issues cause Approach Functions and/or Sectors to close (i.e. where NERL has failed to resource the function sufficiently, resulting in closure of an airport Approach Function because of lack of staff). This could operate in a similar way as the congestion term which operates as part of the Gatwick and Heathrow airports service standards.
- Delay minutes caused by overloaded sectors (to include causing delays on stands)
- Infrastructure failures (e.g. technology outages and reduced system response times).
- Fair and equitable application of Minimum Departure Intervals (MDIs) with transparent metrics (e.g. reason for MDI, duration of MDI, volume of traffic affected) showing how they have been applied across the whole TMA.

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We would expect a continued focus on NERL's delay/capacity performance for the RP3 regime.

Although flight efficiency in the en-route environment is considered, NERL is not measured or held to account for whether and how it considers other environmental factors, such as noise. NERL's incentives relating to environmental matters should be broadened to include local noise as well as carbon emissions. We note for example that the NERL environmental KPI (3Di) - which is used to incentivise NERL delivery of optimal flight paths in order to reduce airline fuel burn - may militate against noise solutions which may reduce horizontal flight efficiency.

Finally we note that it is important that the FAS Deployment Facilitation Fund - which was established in the RP2 performance plan - should continue to be funded to help enabling programmes; including those that support Gatwick initiatives. This is currently funded through the NERL component of the en-route unit charge.

We trust that you find these points helpful and please do not hesitate to contact me if you require further information.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Mattias Bjornfors', with a stylized flourish at the end.

Mattias Bjornfors
Economic Regulation Manager