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Regulatory Policy Group  
CAA House  
45-59 Kingsway  
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Dear Sir's

**Economic Regulation at Gatwick from April 2014**

The following is the Monarch Airlines response to the final proposals consultation for Economic Regulation for Gatwick from April 2014.

With specific reference to Part B - **THE APPROPRIATE FORM OF PRICE REGULATION FOR GATWICK FROM APRIL 2014 AND THE CAA'S EVALUATION OF THE VARIOUS OPTIONS**

Monarch believes that the combination of commitments plus bilateral contracts, with the airlines operating from Gatwick airport can be developed to be a suitable mechanism for pricing from April 2014. The move to the blended price is broadly supported by Monarch Airlines and it is seen that the greater flexibility proposed by GAL should flow through to passenger benefits in the long run. The voluntary decision to forgo bonuses payable to GAL by the airlines is also welcomed. However, there are still doubts as to whether this can be achieved in time for the period in question, when those bilateral agreements are not yet agreed.

There is however one significant concern: The framework structure, as applied through the commercial bilateral agreements, will influence the blended price. Therefore, the various agreements may actually produce a blended price, which is lower than that indicated in the consultation and some bilateral agreements actually being more at variance with the blended rate than anticipated when the agreement was reached initially. This is especially a concern where larger airlines use their dominant position to leverage a better bilateral agreement than the smaller airlines. Some reassurance is required during the framework discussions to ensure that smaller UK based airlines are not disadvantaged in this way.

Monarch believe that the CAA role in enforcing the terms of the licence is critical to ensuring that the framework is implemented in the way envisaged in the final proposal. Therefore, oversight of the various contractual arrangements, in conjunction with monitoring GAL performance must go hand in hand. This includes the CAA oversight of the Operational costs at Gatwick, which are expected to increase by more than RPI yet do not have adequate provisions for benchmarking, to ensure that the airlines are not simply the recipients of higher charges imposed by Gatwick.

Yours faithfully



Adrian Tighe

Director Commercial Partnerships and Business development