



BRITISH AIRWAYS
Procurement

8th January 2014

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British Airways Plc
Tony Buss
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Sent by email to rod.gander@caa.co.uk

Dear Rod

REF: UNITED KINGDOM TERMINAL AIR NAVIGATION SERVICES IN RP2

British Airways ("BA") welcomes the opportunity to respond to the Civil Aviation Authority's ("CAA's") consultation for terminal air navigation services ("TANS") during the Single European Sky ("SES") Reference Period 2 ("RP2"), that runs from 1st January 2015 to 31st December 2019, that were published by the CAA on 11th December 2013.

BA believes that the study undertaken by Capita on behalf of the CAA takes an appropriate approach that should provide the CAA with a valuable insight into the competitiveness of TANS provision by NATS (Services) Ltd ("NSL") at the United Kingdom's airports with more than 70,000 instrument flight rule annual movements, both versus each other and versus comparator European airports. We must, however, state that the Capita report is so heavily redacted that it becomes rather meaningless and we request that the CAA releases further information to inform the subsequent debate.

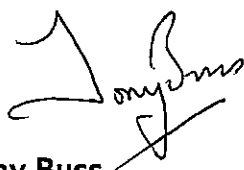
The cost efficiency target assumed in the consultation paper of RPI-2% (driven by total determined costs remaining constant in comparison to the forecast outturn for 2014, while terminal service units are forecast to increase by 2%), doesn't appear to be very challenging, especially when compared with NATS (En Route) Ltd's ("NERL's") current cost efficiency proposals for RP2. We would expect that following the release to airspace users of the benchmarking data from the Capita study that it will be confirmed that RPI-2% will be insufficient to deliver competitive TANS provision and that a suitably stretching target will be set.

The consultation paper states that airspace users will only be given TANS cost information at a system level, therefore we will not be allowed to understand the cost effectiveness of the individual airports that we may be more exposed to, i.e. Heathrow and Gatwick airports. Therefore, without being provided with the granularity of data at an airport-by-airport level we will be unable to fully support any targets set by the CAA at a system level.

NSL's forecasts for delays during RP2, as shown in Figure 1 on page 20 of the CAA's consultation paper, don't demonstrate sufficient ambition. The forecast performance for RP2 is broadly the same as the average for the 2008-2012 period, however more importantly it is a significant deterioration in performance versus the forecast outturn for 2013. In particular, an RP2 Predicted Outcome at Heathrow Airport of 0.74 minutes of delay/flight is simply unacceptable.

We recognise that TANS will be a fundamental part of the UK and Ireland Functional Airspace Block ("FAB") plan, and hence we would expect to receive a more comprehensive report on TANS provision, including cost benchmarking data from the CAA and its consultants, to enable a fully informed review of NSL's Business Plan by the airspace users. Furthermore, in the context of the FAB plan and the targets that it contains, we would like to understand how the CAA is planning to determine the accountability for delivery, or the failure thereof, of the targets that may be contributed to by both NSL and NERL, e.g. ensuring that failure to deliver cost efficiency targets for en route cannot be 'blamed' on the acts or omissions of NSL, or indeed the Irish Aviation Authority.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Buss', written over a horizontal line.

Tony Buss
Procurement Manager
Airports & ATC

cc Peter Jukes, Manager User Charges, BA
Dave Wood, Manager ATC Services & Punctuality, BA
Vicki Schupke-Ranson, Manager Economic Regulation, BA