

GAL's finalised, extended Commitments

27 January 2020

Summary

Gatwick Airport Limited (GAL) operates under a set of 'Commitments', a legally binding contractual undertaking between GAL and its airline customers, which was put in place in April 2014 and runs until March 2021. This is underpinned by an economic licence granted by the UK Civil Aviation Authority (CAA) under the Civil Aviation Act 2012.

In December 2018, GAL set out proposals to update and extend the Commitments for the period April 2021 to March 2025. Following extensive consultation with passenger representatives and airlines, and informed by the latest passenger research, GAL published for consultation an updated set of proposed commitments in October 2019. This document sets out GAL's updated and finalised Commitments for the period 1 April 2021 to 31 March 2025.

Following feedback from airlines and passenger representatives to the October 2019 consultation¹ GAL has made a number of enhancements that are reflected in these finalised Commitments. These include:

- Undertakings to work with the airline community to develop the security and airfield metrics further.
- Enhancements to the runway availability measure, the terminal departure lounge seating QSM and outbound baggage measure.
- An increase to our minimum capital investment commitment from £100m to £120m per annum on average in 2018/19 prices.
- An enhancement to the capital consultation commitment to enable users to track progress of identified capital project;
- Clarification that, whilst the over and under recovery mechanism within the existing commitments is no longer relevant, GAL still intend to ensure that users are not disadvantaged in the unlikely scenario that an inadvertent over-recovery against the price ceiling occurs (e.g. when there is a difference between forecast and out-turn gross yields).
- Guidance regarding how we believe the net yield is likely to develop over the Commitments period relative to gross yield.

These changes within the finalised Commitments represent a further enhancement of Gatwick's contractual undertakings to users. GAL has also decided to accelerate the pricing benefit inherent in these finalised Commitments to be effective from 1 January 2020.

¹ Our amendments to the consultation response are reflected throughout these finalised Commitments. For convenience a summary of the responses can be found in section 13.



Summary of finalised extended Commitments

For avoidance of doubt, GAL will remain subject to its existing Commitments until 31 March 2021.

Aspect	GAL's extended Commitments
Term	A new, extended Term for the Commitments from 1 April 2021 to 31 March 2025.
Price	<p>Gross yield: the maximum average annual rate of increase in gross yield would reduce from RPI+1% to RPI + 0%, referencing the achieved gross yield for the year ending 31 March 2019. In addition, the gross yield ceiling has been simplified to be a year-by-year limit rather than an average measured over the Commitments Term.</p> <p>The new, simplified gross yield ceiling will give greater certainty to passengers and airlines about the maximum level of future charges.</p> <p>GAL will accelerate the pricing benefit inherent in these Commitments to be effective retrospectively from 1 January 2020, bringing pricing benefits to airlines sooner. This benefit is expected to be delivered to airlines operating under the airport tariff through the issuance of appropriate credit notes (for the period 1 January to 31 March 2020) and adjustments to the published airport tariff (for the period 1 April 2020 to 31 March 2021).</p>
Service	<p>GAL commits to maintain excellent service delivery for its passengers and airlines, and will remain financially incentivised to do so, both through continuation of the charges rebate regime and as the airport continues to seek to grow. Recognising the need to meet the specific requirements of all passengers, and informed by in-depth consultations with airlines and passenger representatives, and by the latest passenger research, GAL has developed an updated set of Core Service Standards. These have been further enhanced following the October 2019 consultation. The changes are included in the service appendix.</p> <p>The new Core Service Standards include tighter targets on some existing measures and the inclusion of some new metrics across a wider range of GAL's service delivery, and are significantly enhanced relative to the existing Commitments. This gives assurance to airlines and passengers of continuing good service outcomes at Gatwick through to the middle of this decade.</p> <p>These service Commitments will be implemented from 1 April 2021 when the existing Commitments expire. However, GAL will seek to start publishing results against the new set of service Commitments as soon as practicable. Continued engagement from the airline community will be required to finalise the detail for measuring some of the changed standards.</p>



Aspect	GAL's extended Commitments
Investment	<p>Further to the October 2019 Consultation, GAL has increased the minimum investment commitment from £100m per year to at least £120m per year on average over the six year period from 2019/20 to the end of the extended commitments period (i.e. 2024/25) (at 2018/19 prices). In its 2019 Capital Investment Programme, GAL is currently projecting to invest £1.11bn over period 2019/20 to 2023/24, at an average rate of £220m per year. GAL will continue to consult annually with airlines and passenger representatives on the rolling 5 year Capital Investment Programme.</p> <p>Following constructive dialogue with airlines regarding the process by which GAL consults its users annually on the 5 year Capital Investment Programme, GAL proposed in its October 2019 paper to make further improvements to its capital consultation arrangements. These are designed to provide earlier insight and greater clarity for airlines and passenger representatives on emerging projects, and a clearer focus for discussions on the future strategic direction of GAL's Capital Investment Programme.</p> <p>Further to the consultation on its October 2019 proposal, GAL has worked with the airlines to develop a further process to enable users to track progress of identified ongoing capital projects.</p>
Operational initiatives	<p>To increase the focus of GAL, its airlines, ground handlers and air traffic control provider on delivering resilient and punctual services, GAL will set itself formal targets for average on time departure punctuality to be at least 70% in the summer season and 75% in the winter season. GAL will invest in a portfolio of operational initiatives and financial incentives for airlines and/or their ground handlers, with the aim of enabling airlines to achieve these punctuality targets. GAL will consult with airlines annually on the proposed on-time departure programme. GAL will report to airlines and their ground handlers on the punctuality performance of each season shortly after its conclusion. If seasonal punctuality drops below the relevant target, then GAL will consult with the airlines, their ground handlers and the passenger representatives on a root cause analysis of the airport's and airlines' collective performance over the season, and then develop with airlines a punctuality improvement plan. This plan will be updated following subsequent seasons until performance improves above the target.</p> <p>This Commitment is unchanged from the December 2018 proposal.</p>
Capacity growth	<p>GAL commits to seek to increase the resilient capacity of its airfield infrastructure, and to continue for the present to bear the cost of developing these plans, securing necessary political and planning approvals, and implementing the project. This includes potential projects to maximise the use of the existing main runway and to bring into routine use the Northern runway.</p>



Aspect	GAL's extended Commitments
	<p>This Commitment is unchanged from the December 2018 proposal.</p> <p>On 18 July 2019, GAL published its Master Plan, including its intention to undertake further work in order to prepare an application for a Development Consent Order (DCO) for the routine use of the Northern Runway. Consistent with GAL's December 2018 proposals, GAL is not adjusting its price commitment in response to the additional capital expenditure which GAL may incur in this period in preparation for obtaining the DCO or in implementing the resulting infrastructure projects.</p>

What happens next?

GAL will implement early the pricing benefit inherent in these Commitments effective from 1 January 2020. We are furthermore undertaking to continue to work with the airlines over the coming months to agree suitable ways forwards on two specific topics:

- Airfield asset metrics; and
- Security queue measurement metrics.

As we have already indicated the default start date for the new Service and investment Commitments is 1 April 2021; however:

- In relation to the service Commitment GAL will seek to publish indicative results against the new standards during 2020, although the exact timescales for individual metrics will vary.
- In relation to the Investment Commitment GAL is already forecasting capital investment in 2020/21 in excess of the new minimum commitment of £120m. In addition, we will also make use of the new Capital Consultation process for the purpose of the CIP, as well as the newly developed project tracking process for new projects.

This means that the majority of user benefits from the new Commitments could start during 2020/21.

GAL anticipates that the CAA, as its economic regulator, will assess the outcome of the consultation undertaken by GAL over the last two years and make its own statement on how it intends to review and update GAL's economic licence.



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Foreword by Stewart Wingate, Chief Executive Officer

In 2014, Gatwick embarked on a unique and innovative approach to delivering great passenger service and good value to our airline customers. Gatwick Airport Limited (GAL) set out its Commitments to users in terms of price, service and investment for a 7 year period, from April 2014. Our regulator, the Civil Aviation Authority (CAA), endorsed these Commitments by incorporating them as conditions to our economic licence to operate.

We believe that the Commitments framework has more than fulfilled the expectations that we, our airline customers and the CAA had when setting out on this path. It has encouraged us to structure our charges to encourage growth in traffic at the airport, thereby helping to meet the rising demand for air travel to and from the UK. We have worked hard with a wide range of airlines to attract new routes into Gatwick, in particular broadening our long haul network, thereby giving passengers more choice and opening up new opportunities for British business to access overseas markets. In October 2018, we set out for consultation our updated ambitions for the future in our Draft Master Plan, showing how Gatwick could further meet the demand for air travel in the coming decade by making best use of the existing main runway and, potentially, bringing the Northern runway into routine operation. In light of the widespread support we obtained for our growth plans, we announced on 18 July 2019 our updated Master Plan and our intention to prepare to apply for a Development Consent Order, to enable the regular operation of our Northern Runway. These updated and extended Commitments, set out in this document, are fully consistent with this longer term development of the airport in line with our new Master Plan.

The Commitments framework also continues to provide the conditions for GAL to develop more productive commercial relationships with many of our airline customers, through bilateral contracts. These contracts have helped us to work closely with individual airlines to understand their specific ambitions for growth at Gatwick, and to tailor our investment and service offerings to meet their needs. They have led to better and more focused delivery of facilities and services, better coordination and improved relationships with them to the benefit of passengers.

We have delivered both improving service and rising traffic. We have been incentivised to maintain consistently high levels of passenger service. The CAA recognised this in their 2016 review of the Commitments framework by observing that over the period April 2014 – October 2016 Gatwick had passed 1195 of 1240 possible service targets – a pass rate of 96.4% (compared to 92.4% in the period 2008-2014). Since then we have improved this further and since October 2016 we have passed 1508 out of 1520 metrics – a pass rate of 99.2%. These benefits flow through to all passengers and airlines using the airport.

To support safe and resilient operations, passenger experience and future growth, we have been able to plan and deliver a high level of capital investment since 2014. Under the Commitments framework and the contracts that it has enabled, we have much greater insight into airlines' future plans at Gatwick, and better commercial channels for working together to achieve growth in traffic. There are also benefits from a more flexible 5-year rolling programme of capital investment which evolves through consultation every year in light of changing passenger and airline priorities.



The success of the Commitments framework can be seen in terms of overall traffic increasing to record levels, increasing market share, the expanding network of long haul and short haul routes available from Gatwick, and rising levels of passenger satisfaction. The CAA's interim review of the Commitments framework in 2016 concluded positively about the benefits achieved, while identifying areas for improvement. Since then we have made further progress on building closer relationships with our airline customers, and working collaboratively to help all our airline customers deliver improvements in the punctuality of flights.

As the commercial and capital planning horizons for ourselves and our airline customers now stretch well beyond the March 2021 end date of the current Commitments, we have entered into bilateral contracts with several airlines which extend some years beyond that date, and are discussing extensions with others. We now consider that all other airlines would benefit from the additional certainty of these updated and extended Commitments. This will give airport users access to the benefit of lower airport charges sooner than would otherwise be the case, together with our Commitment to a broader set of service targets, and a refreshed and enhanced Commitment by Gatwick to invest to underpin future growth. We believe that our Commitments will assist our airline customers by providing a clear and stable baseline of pricing, service delivery and investment, against which they can develop their own plans for serving passengers at Gatwick. Our updated and extended Commitments will provide stability and certainty through to the middle of the next decade against a range of future economic scenarios facing the aviation industry at present.

Following our initial set of proposals in December 2018, we have held extensive productive discussions with airline customers and representatives of our passengers. We have also benefited from the latest independent research on what our passengers think about Gatwick's current services and potential future developments. This was followed by a consultation on a revised set of proposed Commitments in October 2019, including a range of significant improvements – not least to service. In light of this consultation and evidence, we have made a number of further improvements to our Commitments in this document, which sets out our finalised Commitments for the period until 31 March 2025.

We look forward to delivering these refreshed and extended Commitments for the benefit of our airline customers and passengers. By continuing to make improvements at the airport, our aim is to encourage more and more passengers to make Gatwick their London airport of choice.



Stewart Wingate

Chief Executive Officer



1 Introduction

Gatwick Airport Limited (GAL) operates under a set of ‘Commitments’, a legally binding contractual undertaking between GAL and its airline customers, which is underpinned by an economic licence granted by the UK Civil Aviation Authority (CAA) under the Civil Aviation Act 2012. Following extensive consultation with passengers and airlines, and informed by the latest passenger research, GAL has set out its updated and finalised Commitments for the period up to 31 March 2025.

The paper is structured as follows:

- Section 2: Key features of the current Contracts and Commitments framework.
- Section 3: GAL’s rationale for updating and extending the Commitments.
- Section 4: The airport market context .
- Section 5: Term for extended Commitments.
- Section 6: Pricing Commitment.
- Section 7: Service Quality Commitment.
- Section 8: Investment Commitment.
- Section 9: Extending Commitments - Gatwick’s potential for growth in capacity.
- Section 10: Other aspects of the Commitments framework.
- Section 11: GAL’s Economic Licence.
- Section 12: Next steps.
- Section 13: Summary of Responses

2 Key features of the current Contracts and Commitments Framework

On 13 February 2014, the Civil Aviation Authority (CAA) published its final decision on the economic regulation of GAL for the period April 2014 to March 2021. The CAA concluded that Gatwick Airport satisfied the Market Power Test and that GAL required a licence under the Civil Aviation Act 2012. The CAA granted GAL a licence which underpins GAL’s ‘Commitments’ framework.

The Commitments are a 7 year legally binding contractual undertaking between GAL and its airline customers, running from April 2014 through to March 2021. Under this framework, default tariff and service standards continue to be set out in GAL’s Conditions of Use with scope for GAL to enter into bilateral contracts with individual airlines, including modifications to elements of the published tariff (both price and service levels). GAL has so far entered into bilateral contracts with airline customers which currently handle approximately 92% of passenger traffic at Gatwick, so in practice the Commitments provide a baseline for negotiation of such contracts and default pricing and service standards for airlines which have not negotiated contracts.



Under the Commitments framework, there is a limit on the aeronautical revenue per passenger (yield) that GAL may generate over the 7 year term:

- Underlying Gross Yield: RPI+1%, based on GAL's published tariff with no account taken of discounts and marketing support due under bilateral contracts.
- Underlying Net Yield: RPI+0%, based on GAL's published tariff and taking into consideration any discounts and marketing support due under bilateral contracts.

There is scope for the charges to be higher or lower than the price path in any given year, with the price Commitment relating to the overall price profile across the 7 years.

In considering the price Commitment offered by GAL, the CAA provided a 'fair price' benchmark for the Net Yield of RPI-1.6%, and indicated that it would be monitoring GAL's actual net yield against this benchmark.

In addition to a price Commitment, GAL also provides the following other Commitments to airlines:

- Service Standards Commitment
- Continuity of Service Plan, Operational and Financial Resilience Commitment
- Investment and Consultation Commitment
- Financial Information Commitment

The Commitments framework contains provision for GAL to modify the price and service Commitments, within the 7 year term, subject to the modification provisions contained in GAL's Conditions of Use. It also requires that GAL shall bring forward by no later than April 2019 its proposals for the extension of Commitments beyond the end of March 2021.



3 GAL's rationale for updating and extending the Commitments

3.1 Passenger and Airline Benefits since 2014

GAL considers that the current Commitments framework has served the interests of passengers and its airline customers well, enabling and encouraging GAL to deliver fair and reasonable outcomes for all airport users in terms of price, service and investment to sustain future growth. GAL is pleased that it has been able to deliver consistently for passengers and airlines since the Commitments framework was established in early 2014, significantly exceeding what is required:

- Both the gross yield (based on tariff charges) and the net yield (taking account of discounts to individual airlines within their respective contracts) have been materially below the indicative price levels set out in the Commitments.
- GAL has had a very strong record in delivery of core service standards over the period. Recent performance has been particularly good, with 100% success rate on all measures in the financial years 2017/18² and 2018/19 and only ten shortfalls in 2019/20³.
- GAL has invested consistently in maintaining and enhancing its airport infrastructure. GAL's Capital Investment Programme is currently projected to deliver investment of around £1,690m (2018/19 prices) in the 7 years from 2014/15 to 2020/21, double the Commitment to invest at least £700m (£810m in 2018/19 prices) during this period. This investment has been much more focused and airline-responsive than capital expenditure under the previous regime which linked charges to the regulatory asset base (RAB). A prime example of this new approach is GAL's investment in the North and South Terminals, to facilitate airline moves, capacity expansion and service improvement – a major project not defined at the time of the 2014 regulatory review.

These positive outcomes have underpinned GAL's growth in traffic since 2014, as more passengers and airlines have taken advantage of the fair-priced and good-quality service and facilities which Gatwick has offered. Passenger traffic has now reached 46.4m⁴, growing at annual average rate of 5.3% over the Commitments term. Passengers' response to GAL's performance has been very positive over this period, with the overall passenger satisfaction score for the airport rising from an annual average of 4.20 in April 2014 to 4.24 by June 2019⁵, and the passenger Net Promoter Score rising to 40.5% from 30% over the same period. This performance is described further in section 4 below.

3.2 Working in passengers' interests

Throughout the organisation, GAL is strongly focused on understanding and meeting passengers' needs, to enable us to deliver better service ourselves directly, and also to enable airline customers to serve their own

² While Gatwick achieved all its Core Service Standards in 2017/18, it issued a rebate relating to the outbound baggage metric in May 2017.

³ The CSS failures in 2019/20 were: a 30 minutes security queue in May, the aerodrome congestion term in May, July, August and October, and Outbound Baggage (Daily) performance in July and September.

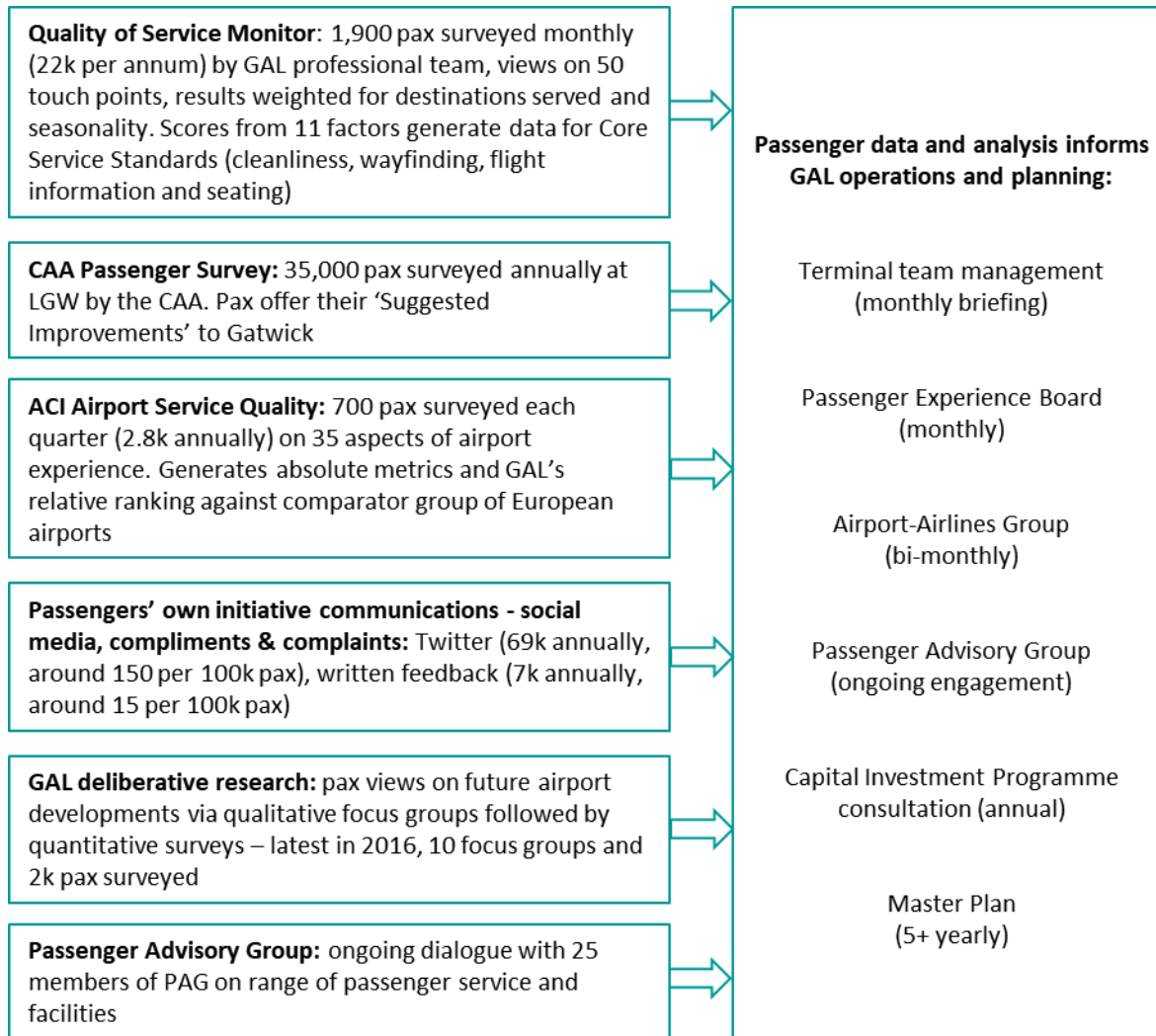
⁴ In the year to March 2019, which compares with 35.9m in the year to March 2014.

⁵ Passenger response measure on a scale out of 5. Scores are moving annual averages for the preceding 12 months.



passengers more effectively at Gatwick. This objective underpins the Gatwick Family initiative, in which GAL is working with all organisations active on the airport campus to create a collaborative working ethos amongst operators, thereby supporting the delivery of consistently good passenger outcomes.

GAL’s actions are informed by a comprehensive research strategy, which systematically collects and analyses passengers’ views on all aspects of their journeys to and through the airport, at each of 50 ‘touch points’ where passengers interact with airport services and facilities. This intelligence is then fed into GAL’s decision-making on service delivery, operational planning and capital development.



Through these different channels, GAL is able to take account of the views of over 180,000 passengers each year (sources summarised in Figure 1 below), together with the more detailed feedback from periodic in-depth research focus groups and associated surveys.

The Passenger Advisory Group (a sub-group of the formal airport consultative committee GATCOM) provides invaluable ongoing advice to GAL executives and consultation forums (such as the Joint Operations Group

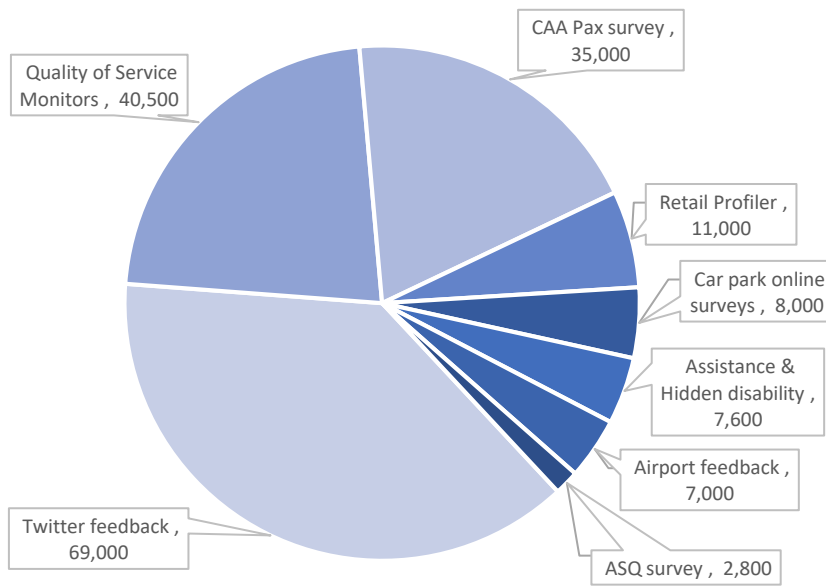


and the Capital Investment Programme consultative process). PAG is able to bring its experience and expertise to bear in helping GAL understand different passenger perspectives and relative priorities. This complements the intelligence provided by the range of surveys which GAL undertakes itself or procures from survey providers.

GAL also shares data on passengers' views with its airline customers. To help inform the proposed extension of Commitments and the associated review of Core Service Standards, GAL has reached out to airline customers to request relevant passenger survey results that they may be willing to share with GAL. The data made available by airline customers to GAL are consistent with the broadly positive passenger response which GAL finds from its own surveys:

- Gatwick is considered by passengers to be the best of the large UK airports which are served by one major airline. Although it is one of the busier airports, it is viewed as spacious and can accommodate the high volume of passengers. Passengers welcomed its quick processes, space and cleanliness of terminals, good retail and catering facilities, and good transport links.
- Passengers surveyed by one airline rated Gatwick's shops and restaurants, cleanliness, travel through passport control, and travel through security all good (above 4 on a 5 point scale).

Figure 1: Gatwick's passenger data sources (annual pax response)



3.3 Positive regulatory assessment

During 2016, the CAA undertook a mid-term review of the Commitments framework and new regulatory approach. **The CAA concluded that the new arrangements were working well for passengers and airlines,**



and that “none of the airlines we spoke to argued for a return to the form of regulation we previously applied to GAL (and continue to apply to Heathrow Airport Limited)”⁶.

The CAA did highlight three areas of potential concern which warranted further monitoring:

- **Airfield infrastructure:** whether the pace of investment was sufficient to meet airline demands and to support improvement in operational resilience.
- **On time performance:** CAA highlighted concerns with both levels of punctuality and the lack of shared understanding between GAL and some airlines on the root causes, possibly including the pace of airfield infrastructure investment.
- **Relationships with airlines:** CAA were concerned about apparent strains in GAL’s relationships with airlines and their representative bodies on operational issues.

The CAA indicated that, in the absence of any new concerns arising and assuming GAL made progress on the highlighted areas, it would be likely to commence the process of reviewing GAL’s economic licence by around 2019, with a view to making any modifications before March 2021.

GAL has made significant progress since 2016 on the three areas highlighted by the CAA interim review:

- **Airfield infrastructure:** the investment programme has been further developed, in close consultation with airlines, with the aim of delivering a resilient airfield operation and achieving the target level of pier service for those airlines which request this. A number of individual projects are moving from design to delivery, such as the c. £200m North Terminal pier service project, including the extension of pier 6. The initial stages of this project, including the opening of stand 103 and the new A380 stand on pier 5 have already been completed. In addition, the reconfiguration of Pier 4 completed in 2018 provided 3 additional pier-served stands for Code C aircraft, and the main runway surface improvement works were completed in September 2018. We have also completed the investment in facilities on pier 1 to again enable arriving passengers from the Common Travel Area to use pier served stands.
- **On time performance:** airlines at Gatwick collectively achieved a significantly better punctuality performance in 2017 and 2018 than in 2016, supported by stronger collaborative planning and operational coordination by GAL with airlines and their ground handlers. GAL has also invested significantly in financial incentives for airlines and handlers (totalling around £20m in 2017/18) to encourage all parties to meet on time targets. Such operational investment was not financially incentivised under the former RAB-based regulatory model. GAL and airlines have focused on consolidating and improving on these gains in 2019, and beyond. While operational dynamics, such as ground handling performance and airspace constraints, makes this challenging, it can be observed that some airlines are able to deliver significantly better punctuality than others.

⁶ [Economic regulation: a review of Gatwick Airport Limited’s commitments framework – findings and conclusions, CAP 1502, CAA, December 2016](#)



- **Relationships with airlines:** GAL aims to maintain productive commercial and operational relationships with all of its airline customers, in order to enable the airport and airlines together to deliver a great service to passengers. GAL has responded to feedback by revising the way it consults with airlines, particularly on operational issues, and is working closely with airlines and their handlers on improving punctuality performance. The Joint Operations Group (JOG) has provided a productive forum for GAL and its airlines to resolve emerging issues; successful joint outputs from JOG include the selection of Gatwick’s new provider of passenger assistance services, improvements in the provision of de-icing materials, and improvements in airfield road traffic.

The effectiveness of GAL’s regulatory framework was also confirmed by the European Commission, in the December 2017 evaluation study of the 2009 Airport Charges Directive study it commissioned from consultants Steer Davies Gleave⁷. The case study of Gatwick Airport in this report found⁸ that:

“The Commitments framework at Gatwick airport provides an interesting model for airport-airline relationships. The vast majority of parties (all airlines consulted and the airport) in the industry believe that what the CAA, the airport and the airlines are achieving at Gatwick airport is close to best practice. There are some issues that need to be addressed, for example in relation to operational resilience and service quality, but these can be seen as relatively minor compared to some issues faced at other airports.”

3.4 Comparison of Gatwick’s performance versus Commitments, 2014-2018

The table following summarises the Commitments given by GAL for the period April 2014-March 2021 and its actual performance to date. This highlights the extent to which GAL has gone above and beyond the targets it set for itself, and which were backed up by the regulatory licence.

⁷ [Support study to the Ex-post evaluation of Directive 2009/12/EC on Airport Charges, Steer Davies Gleave for European Commission, December 2017](#)

⁸ Paragraph 3.53, Steer Davies Gleave report



Commitment	Achieved performance
Price	
<p>Underlying Gross Yield: RPI+1%, based on GAL’s published tariff with no account taken of discounts and marketing support due under bilateral contracts.</p> <p>Underlying Net Yield: RPI+0%, based on GAL’s published tariff and taking into consideration any discounts and marketing support due under bilateral contracts.</p> <p>Charges can be higher or lower than the price path in a given year, with the Commitment relating to the overall price profile across the 7 years. In considering GAL’s pricing, the CAA provided a ‘fair price’ benchmark for the Net Yield of RPI-1.6%.</p>	<p>Gross yields have increased in real terms by 0.8% per annum versus an allowed yield growth, taking account of the permitted security cost adjustments, of 1.1%. The gross yield in 18/19 was 1.6% lower than the level implied by the Commitments profile of RPI+1%.</p> <p>Net yields have declined in real terms by 1.8% per annum versus an allowed yield growth, taking account of permitted security cost adjustments, of 0.1%. The net yield in 18/19 was 9.4% lower than the level implied by the Commitments profile of RPI+0%.</p>
Service standards	
<p>GAL committed to deliver a comprehensive suite of Core Service Standards (CSS), subject to financial penalties in the event that individual monthly targets were missed, and to publish monthly its performance against the CSS and other aspects of service delivery for passengers and airlines.</p>	<p>GAL has passed its CSS targets 98% of the time (April 2014-December 2019). This compares with a lower pass rate of 92.4% in the previous regulatory period, 2008-2014. GAL has achieved a rising trend in overall passenger satisfaction, growing from 4.19 (out of 5) in 2014 to 4.24 in 2019.</p>
Capital investment	
<p>GAL committed to deliver at least £700m of investment over the 7-year period (equivalent to £813m in 2017/18 prices). GAL’s business plan for the period, subject to CAA review, forecasted core investment at £1,377m over the period (2017/18 prices).</p>	<p>GAL is currently projecting to invest around £1,690m over the 7-year Commitments period, more than twice the level of the Commitment and £270m (19%) over the 2014 forecast.</p>
Operational initiatives to enhance service	
<p>GAL committed to develop an operational resilience plan which sets out how it intends to operate an efficient and reliable airport to the levels required by the Core Service Standards and how it will secure the availability and continuity of airport operation services, particularly in times of disruption.</p>	<p>In addition to implementing its operational resilience plan, GAL has invested significantly in a range of operational initiatives and financial incentives for airlines and ground handlers which collectively are aimed at securing more resilient and punctual operations at the airport. GAL invested £19.6m in 2017/18 including: £5.0m in check-in/terminals, to</p>



Commitment	Achieved performance
	deliver better service for passengers with reduced mobility and better wayfinding; £2.2m in security to create more resilience and lower queue times; £7.4m on airfield projects, including financial incentives on ground handlers to meet target aircraft turn times and more GAL staff working with airlines and handlers to achieve resilient operational performance; and £5.0m of financial incentives to airlines to achieve on-time departure targets.



3.5 Commercial planning horizons to mid-2020s

As a successful growth-oriented business, GAL continuously looks to the future with its leading airline customers, in order to ensure that we can continue to meet the growing and changing needs of passengers in the coming decade.

As recognised by the CAA when issuing GAL’s licence in 2014, “bilateral contracts ... can allow service quality, capital investments, operational practice, volume commitments and price to be better tailored on an integrated basis to the needs of individual airlines and their passengers”⁹. This assessment has been borne out by experience since 2014. GAL currently has contracts in place with airlines which serve 92% of passengers. Each contract is bespoke, reflecting the specific needs and growth potential of the airline concerned. Given differing commercial planning cycles and horizons among different airlines, the contracts currently in place have differing durations. Several have already been renegotiated and revised since they were first struck, in order to reflect new requirements from airlines and updated assessments of their growth potential at Gatwick. This flexibility to respond quickly to new information is one of the key advantages of the Contracts and Commitments framework. In terms of contract duration, several now extend well beyond the March 2021 end point of the current Commitments framework. Airlines with contracts that extend to 2024 or later currently serve around 60% of Gatwick’s passengers, and GAL is engaged in ongoing negotiations with other airlines about extending their respective contracts.

In the context of capital planning, GAL has developed a five-year rolling Capital Investment Programme (CIP), on which it consults with passenger representatives and airline customers on an annual basis. The latest CIP covers the period 2019/20 through to 2023/24, three years beyond the March 2021 end date of the current Commitments framework, and includes cost estimates for some major projects (such as terminal departure lounge expansion) which extend beyond March 2024. Airlines and passenger groups are thus currently fully engaged with GAL in helping to shape the investment priorities for a period reaching several years after the end of the current Commitments.

Given this background of extensive commercial contracting and capital planning already extending some way beyond 2021, **GAL considers that its airline customers will benefit from greater certainty becoming available soon regarding Commitments in the period from 2021 onwards**. This would enable all airlines to plan their respective future operations at Gatwick in the context of a revised and updated offer from GAL of price, service and investment. Future planning should not be unnecessarily constrained by the fixed dates embedded within GAL’s regulatory framework, and GAL considers it important to avoid the potential of an artificial hiatus or pause in commercial and capital planning by all stakeholders in the period running up to March 2021, pending a revised Commitments offer from GAL and regulatory scrutiny of that by the CAA. This sort of hiatus, which can be a feature of more rigid economic regulatory approaches, would not serve the interests of passengers and airline customers.

⁹ [CAP 1152: Economic regulation at Gatwick from April 2014: Notice granting the licence, CAA, February 2014](#), Executive summary, paragraph 8



3.6 Passenger benefits from extending Commitments sooner

As described later in section 4, GAL has worked closely with its airline customers, their ground handlers, and GAL's other commercial partners increasingly to deliver consistently good service for passengers. This is recognised by passengers in their good and improving ratings of their airport experience and in the extent to which they would recommend the airport to others. This outcome has been fundamentally underpinned by the current Commitments framework. **This extension of Commitments will allow GAL to continue to plan for the continuation and enhancement of good service performance to the benefit of future passengers.**

In extending the Commitments now, GAL has taken this early opportunity to refresh and enhance the current suite of Core Service Standards which are at the heart of the airport's service offering to passengers. As discussed in section 7 below, GAL will improve further its passenger service promise by widening the range of measures for which it sets targets for itself, and raise the service targets in a number of areas. This is in response to the productive dialogue with airlines and passenger representatives since October 2017 on the evolution of Core Service Standards. It is also supported by the latest passenger research which GAL commissioned in early 2019, also in partnership with airlines. GAL will also set a target for punctuality, which should help frame its ongoing efforts with airlines and ground handlers to improve the on-time performance of flights from Gatwick.

With greater clarity from GAL about its future pricing to airline customers, including a more attractive airport charge profile, as discussed in section 6 below, passengers should benefit directly where airlines pass on their own cost reductions in lower ticket prices. Airport charges will be set at less than would be the case under the current Commitments. Extended Commitments would also provide a clearer backdrop for each airline to consider extending its existing bilateral contract with GAL, or entering into a contract for the first time. More passengers should then benefit from long term contracts, which would incentivise airlines to grow their Gatwick traffic by offering attractively priced seats. To the extent that contracts focus on expanding route networks, passengers would also benefit from greater choice of destinations from Gatwick.

With a firmer planning horizon beyond 2021 in place, the airport and its airline partners can better assess the investments in capital infrastructure and operational practices which may be required to underpin ongoing improvements in passenger experience. Passengers will continue to benefit from an effective capital planning process in which airlines can be confident about the price, service and investment Commitments which GAL is offering, and thus are better able to articulate their own requirements for future facilities. This in turn enables GAL to plan and deliver investment projects more effectively - with benefits in terms of cost efficiency, speed of delivery and service to passengers.



3.7 Early extension of Commitments

Given the background discussed above, GAL considers that it will be helpful now to all airline customers, and by extension to their future passengers, to extend the Commitments framework. This will enable GAL to bring forward benefits to airlines and passengers: to provide a better price, service and investment package for all airlines which operate on GAL's tariff, and a price improvement for those airlines with contracts linked to the tariff charge.

GAL will accelerate the pricing benefit inherent in these Commitments to be effective from 1 January 2020, bringing pricing benefits to airlines sooner than otherwise. This benefit will be delivered to airlines operating under the airport tariff through the issuance of appropriate credit notes (for the period 1 January to 31 March 2020) and adjustments to the published airport tariff (for the period 1 April 2020 to 31 March 2021).

The service Commitments will be implemented from 1 April 2021 when the existing Commitments expire, however GAL will seek to start publishing results against the new set of Commitments as soon as practicable.

Subject to reasonable transition and implementation periods, GAL is willing to work with the airline community to implement some of the service commitments earlier than 1 April 2021 if there is broad support to do so. This would be subject, however, to the change provisions in the existing Commitments and by necessity a separate consultation process during 2020.

This gives assurance to airlines and passengers of the continuation of fair and reasonable prices and service outcomes at Gatwick through to the middle of the next decade.

3.8 Assurance for passengers and airlines from continued regulatory oversight

The extended Commitments become contractual obligations from January 2020. This provides a valuable degree of certainty to airlines about price, service and investment outcomes. The extended Commitments may also, as now, be underpinned by an economic licence, if the CAA were to modify the current licence accordingly for the period from 2021 onwards.

GAL has assumed that the CAA would retain an economic licence regime for GAL. In these circumstances, GAL would assume that the extended Commitments, for the period 2021-2025, as now, be incorporated as terms in a slightly modified economic licence. GAL assumes that the CAA will now conduct its own assessment of the new extended Commitments, and the extent to which these should form part of the licence, considering all available evidence against its own statutory duties in the context of furthering the interests of passengers.

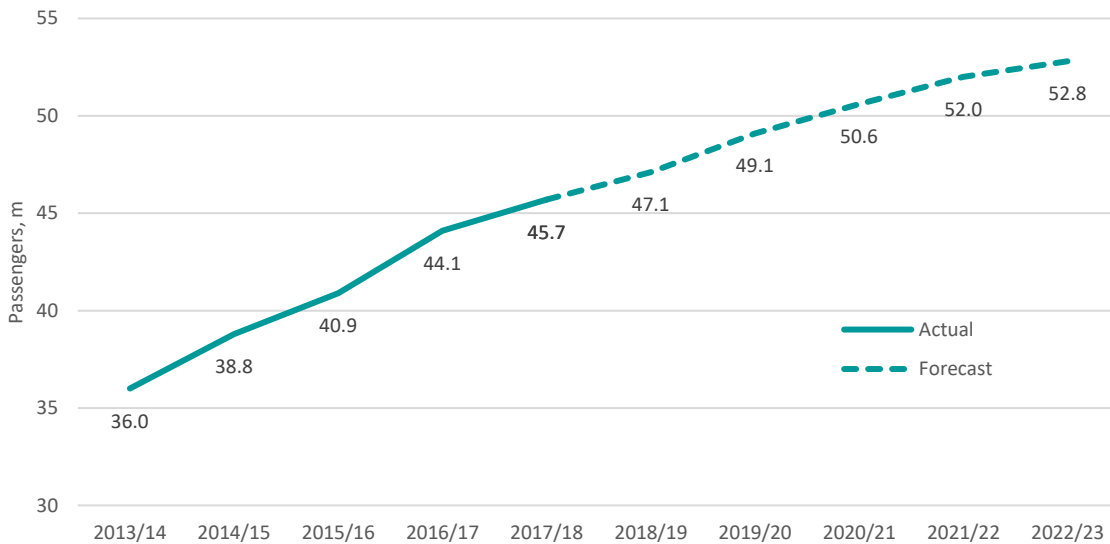


4 The airport market context

4.1 Traffic growth

Gatwick has achieved sustained high levels of growth in traffic in the period since 2014. The annual increase in passenger numbers has averaged 5.3% since April 2014, growing from 36.0m to 46.4m¹⁰. GAL’s forecast (shown in Figure 2 below, incorporated in the draft Master Plan October 2018 and unchanged in the final Master Plan Published in July 2019) shows continuing growth through the period to 2025, albeit at a slower rate. Passenger numbers are projected to increase from 45.7m in 2017/18 to 52.8m by 2022/23, at compound average annual growth rate of 2.9%. This growth is predicated on continuing trends at the airport of more long-haul flights, increasing flights in the off-peak and shoulder seasons, continuing high load factors, and deployment of larger aircraft by Gatwick’s major short haul carriers. For the period beyond 2022/23, the Master Plan included traffic forecasts for 2027/28, at 56-59 million passengers per annum in a scenario where we make best use of the existing main runway, rising to 67-69 million passengers per annum in a scenario in which the Northern runway is in routine use.

Figure 2: Gatwick passenger traffic – actual and forecast



GAL is positive about the growth plans shared with us bilaterally by our airlines and the forecast of overall demand in the London market as provided by our aviation forecast advisor ICF. However, we are also mindful of the significant downside risks which exist to this traffic forecast. These include but are not restricted to, the impacts on air travel of recent terrorist incidents in Europe and the Middle East, the potential economic slowdown in the face of European political and economic uncertainty, the impact of

¹⁰ Compound annual growth rate from year ending March 2014 to year ending March 2019.



Brexit, re-emerging geo-political uncertainties in the Middle-East, growing global concern over climate change and the uncertainties of the long-haul market. Whilst acknowledging these risks, GAL’s central traffic case does not attempt to quantify the likelihood and potential impact of such risks. However, we note that since this forecast was prepared the traffic outlook has softened significantly. Traffic in 2018/19 was 46.4m passengers (compared to a 47.1m outlook). In light of the insolvency of Thomas Cook Airlines, economic uncertainty, and the ongoing challenges in relation to 737 max and 787 aircraft, 2019/20 traffic is likely to be around 46.6m (compared to a 49.1m outlook), and it is reasonable to expect that such a traffic shortfall will extend into 2020/21.

GAL’s extended Commitments should be robust to a wide range of different economic scenarios than that represented by the central traffic forecast. As the CAA has noted, “the aviation industry is facing a period of significant uncertainty, reflecting the possible impacts of Brexit, Heathrow expansion and GAL’s updated Master Plan, and as well as macroeconomic and aviation industry developments”¹¹ GAL considers that its Commitments have been based upon a realistically positive assessment of future demand for air travel via Gatwick, and that its Commitments as to price, service and investment will continue to deliver value for money for its airline customers, and ultimately for its passengers, across a range of economic scenarios.

4.2 Gatwick’s competitive performance

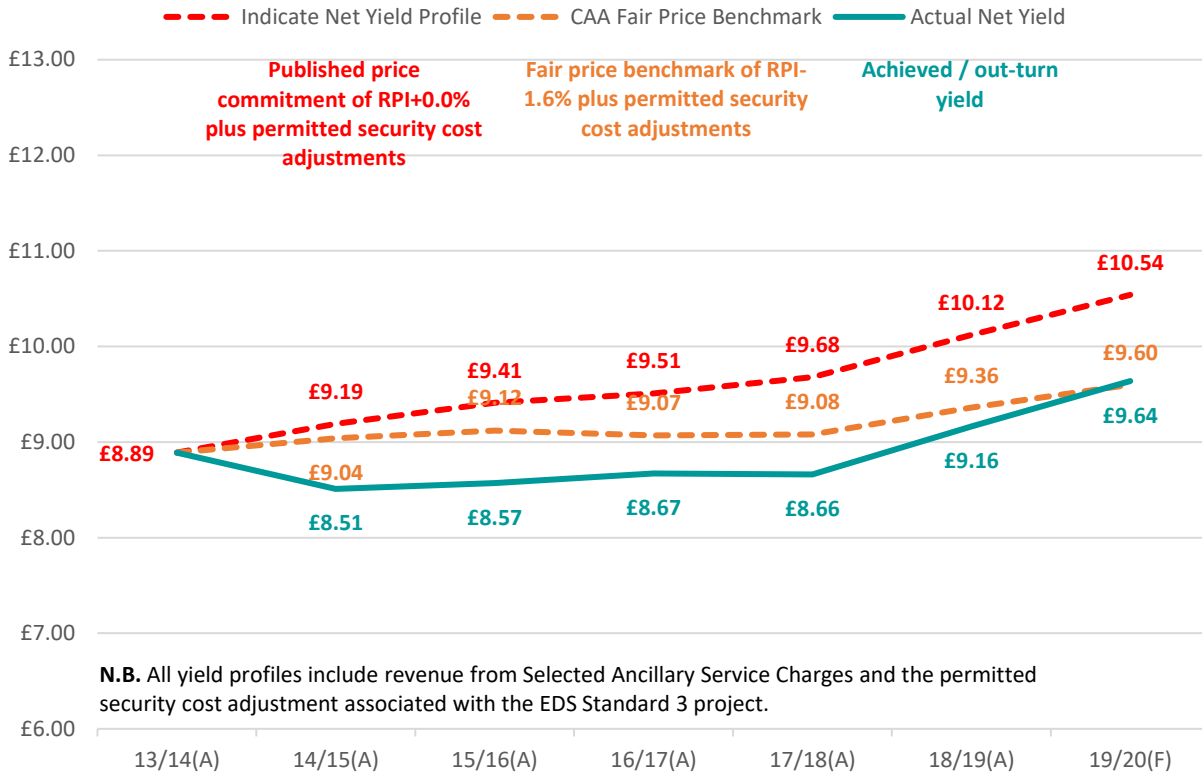
GAL has demonstrated consistent delivery of good outcomes for passengers and airlines under the Commitments framework, with fair and competitive pricing, excellent service and investment ahead of regulatory projections. This section provides an overview of available evidence which places GAL’s performance in the context of the European airport market, within which GAL competes for airline and passenger growth.

GAL’s airport charges are below the ‘fair price’ monitoring benchmark established by the CAA in 2014 when it granted the economic licence which underpins GAL’s Commitments framework. As demonstrated in GAL’s consultation material for the 2019/20 airport charges tariff (and illustrated in Figure 3 below), the net yield has been consistently lower than the CAA ‘fair price’ benchmark (RPI-1.6%) and will have followed a profile equivalent to RPI-2.7% by 2019/20. This pattern reflects the contractual arrangements agreed with airlines which, in line with GAL’s own commercial drivers, incentivise traffic growth and mean that airlines share in the benefits as soon as that growth materialises.

¹¹ CAA update letter regarding the future economic regulation of Gatwick Airport, 8 October 2018



Figure 3: Net yield (post discounts, nominal prices) of airport charges – actual versus Commitments versus CAA ‘fair price’ path



GAL has already provided pricing guidance to the end of the current Commitments period in March 2021. In 2016 and 2017, GAL provided longer term enhanced price guidance to airlines, confirming that it intends to price to a level no higher than the CAA’s fair price benchmark of RPI-1.6% for the Net Yield over the 7 years of the Commitments term, on the following basis:

- Put in revenue terms, the net revenue (i.e. revenue after discounts and marketing support) that GAL intends to recover over the 7 years of the Commitments term will be no higher in present value terms (when discounted at a real pre-tax weighted average cost of capital of 5.7%) than the revenue which would have been generated if GAL had increased its blended (net) yield by RPI-1.6% per annum for the duration of the Commitments term.
- Any permitted security cost adjustments which satisfy the definition in the published price Commitment will apply over and above the price guidance of RPI-1.6%. For the avoidance of doubt, this includes adjustments relating to the EDS Standard 3 project; the costs associated with this project were excluded from the CAA’s calculation of its fair price benchmark.

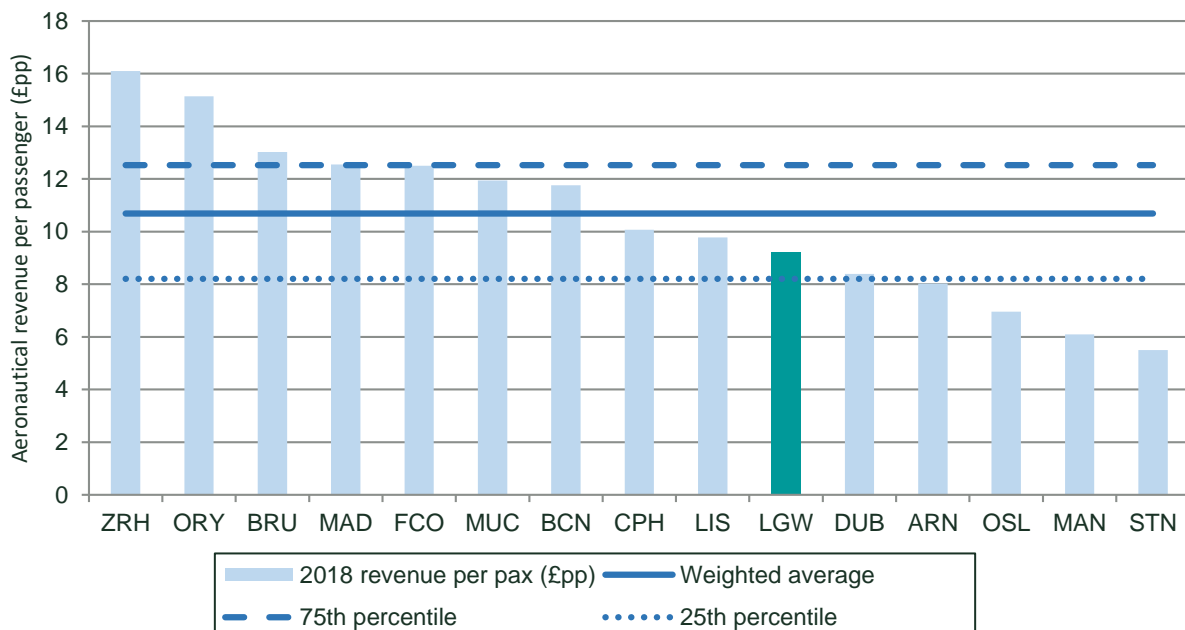


GAL’s airport charges are set at a competitive level against its European comparator airports. Updated analysis for GAL by economic consultants Oxera, based on published data, shows that GAL’s airport charges in 2018 were 14-16% below the mean of charges at comparator airports, and 10% below the median airport in the comparator group, as illustrated in Table 1 and Figure 4 below. The comparator group includes European airports with broadly similar scale of operations to Gatwick, serving a similar mix of airline customers, and which thus face comparable underlying cost drivers. (Oxera’s updated report for GAL, produced in July 2019 and based on annual data for 2018, is available on GAL’s airline consultation web pages).

Table 1: Airport charge comparison findings, 2018

	Reported aeronautical revenues per passenger (£, 2018)	
Gatwick Airport	9.2	
Comparators		
Mean	10.5	
Pax-weighted mean	10.7	
Median	10.1	
GAL difference from:	£	%
Mean	-1.3	-14%
Pax-weighted mean	-1.5	-16%
Median	-0.9	-10%

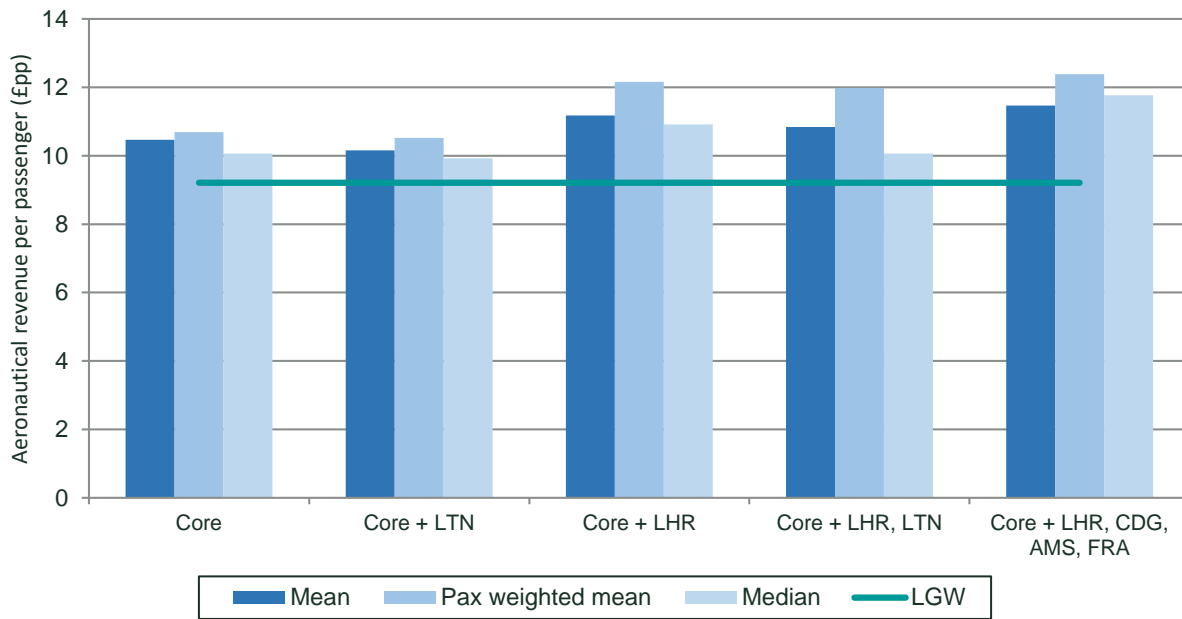
Figure 4: Net aero charge per passenger



Gatwick also observes that of the airports that are closest in size to Gatwick – i.e. those that are within +/- 10m passenger of Gatwick, which includes Barcelona, Munich and Rome all have higher charges than Gatwick and above the sample average, and all the airports with lower charges than Gatwick are at least 10m passengers smaller.

Gatwick’s charges are also competitive when measured against modified comparator groups which include some or all of GAL’s main direct competitor airports in the London and South East England market. Figure 5 below shows that Gatwick’s charges remain well below those of all comparator groups and that when Heathrow and Luton are included, they remain well below the mean of £10.80 and the median of £10.10.

Figure 5: Net aero charge per passenger: sensitivity to comparator group selection



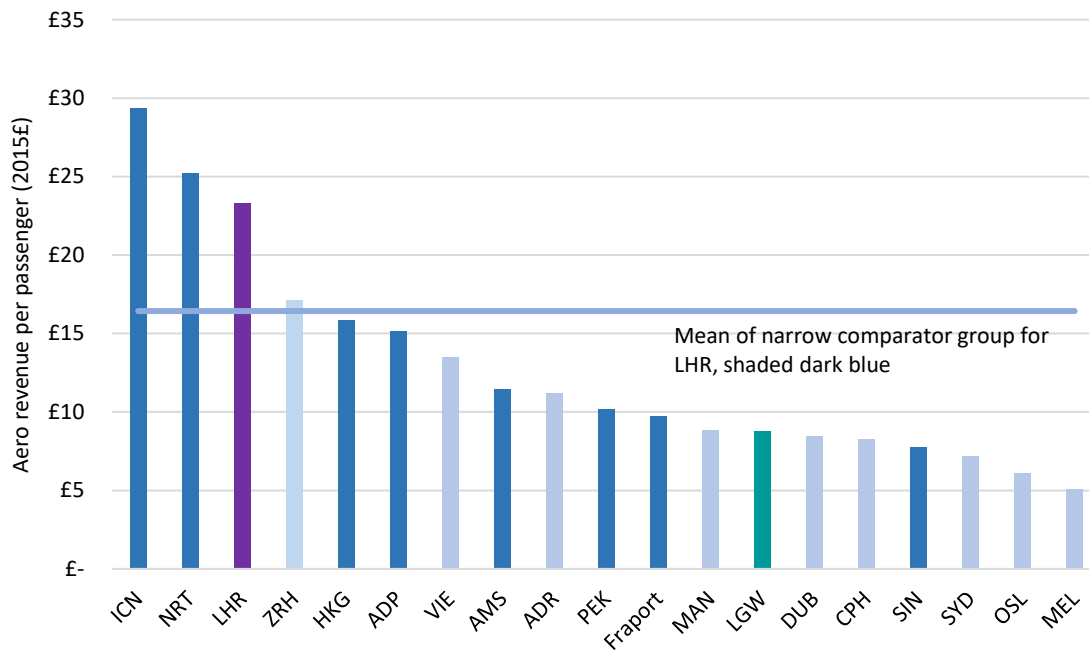
(In the figure above, core refers to the comparator group illustrated in Figure 4, CDG Paris Charles de Gaulle, AMS Amsterdam Schiphol, FRA Frankfurt.)

GAL’s keen pricing relative to a broader geographical range of comparator airports has been confirmed by the CAA. In analysis to inform the ongoing Heathrow price control review, benchmarking for the CAA by PA Consulting¹² shows that Gatwick’s airport charges per passenger were 7th lowest, alongside Manchester airport, out of the group of 19 airports chosen as the broad comparator group for Heathrow, as illustrated in Figure 6 below.

¹² [Benchmarking of High Level Economic and Financial Metrics of Heathrow Airport, PA Consulting Report for CAA, June 2017](#)



Figure 6: Aeronautical revenue per passenger, 2014¹³



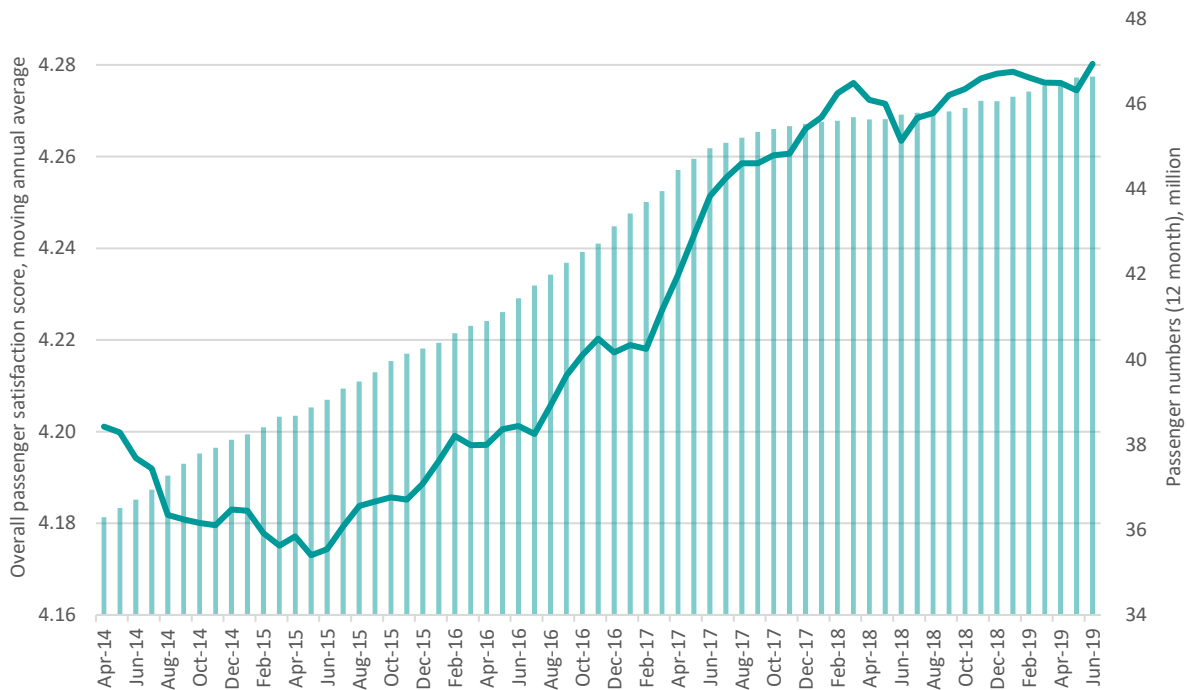
GAL has delivered high levels of service to passengers and airlines, achieving rising measures of passenger satisfaction. Under the Commitments framework, the airport faces strong financial and reputational incentives to deliver each month against Core Service Standards covering a wide range of passenger and airline-facing services and facilities. There are 40 individual metrics, for which GAL has met or exceeded targets 98.2% of the time in the period April 2014 to June 2019.

As a result of success in achieving individual service targets, combined with the broader approach which GAL takes to understanding passengers’ needs and responding to them effectively, there has been a rising trend in passengers’ overall satisfaction with the airport. Since 2014, the overall Quality of Service Monitor score of passenger satisfaction has increased from an average of 4.19 in 2014 as a whole to 4.29 in the year to March 2019. The trend in this passenger score is shown in Figure 8 below. Gatwick has achieved rising passenger satisfaction alongside significant growth in passenger numbers.

¹³ Figure 20, page 38, PA Consulting Report for CAA. Airports shaded dark blue are the most relevant comparators for this metric, for which the mean on the chart was calculated.



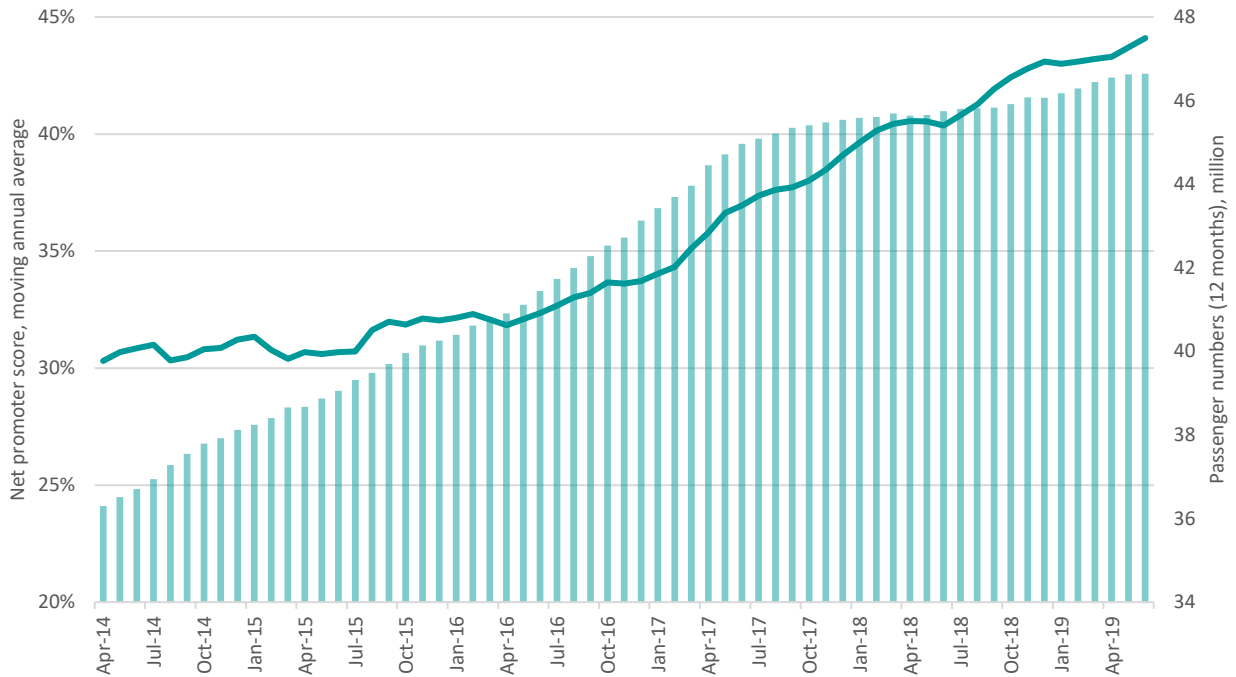
Figure 7: Gatwick's overall passenger satisfaction score



Gatwick passengers are increasingly positive about the service and experience they receive at the airport, as measured by the Net Promoter Score (NPS). This metric shows the percentage by which passengers who would positively recommend the airport to their friends and family exceeds the percentage of those who would not. GAL's score has been on a rising trend since 2014, increasing from 32% in 2014 to 44% for the year to March 2019, as shown in Figure 9 below. Gatwick's performance compares favourably against scores for other London airports and other customer-facing businesses.



Figure 8: Gatwick's Net Promoter Score



5 Term for extended Commitments

GAL's new Commitments will be in place from 1 April 2021 to 31 March 2025, with the new pricing Commitment available from 1 January 2020.

The new term will provide a valuable period (of 5+ years) of certainty and stability for passengers and airline customers, through to the middle of this decade.

Details of the new Commitments are set out in the sections following.



6 GAL's Pricing Commitment

6.1 Gross yield

Under the extended Commitments, **the gross yield per passenger from airport charges on the published tariff will be no higher than a price ceiling which is constant in real terms over the whole period, and set at the level of the out-turn gross yield per passenger in 2018/19.** This starting price level (in 2018/19 terms) is £10.29 and excludes permitted security adjustments and revenue from ancillary services¹⁴. In other words, the cumulative impact of annual changes in the gross yield will be no higher than the cumulative impact of the UK-wide inflation rate, measured as now by the Retail Price Index (RPI). This compares to the current Commitment of average (measured over the 7 year term) annual increases in gross yield of no more than RPI + 1.0%. The price Commitment will, as now, allow for any permitted security cost adjustments which satisfy the definition in the published price Commitment to be applied over and above the RPI + 0% price ceiling for the period 1 April 2021 to March 2025¹⁵.

The new gross yield Commitment supersedes the long term pricing guidance which GAL has previously provided in 2016, 2017 and 2018 as part of its annual consultation on airport charges. In the 2017 guidance, GAL noted that annual tariff increases of RPI+2.5% in 2019/20 and 2020/21 would be consistent with both its 2016 guidance and with the terms of the current Commitments and the operation of the Cumulative Gross Revenue Difference (CGRD). In its updated 2018 guidance, GAL signalled that (in the absence of agreement during 2019 on an extension of Commitments) the tariff would increase by RPI + 2.5% in 2019/20 and gave guidance towards an increase of RPI + 2.5% in 2020/21.

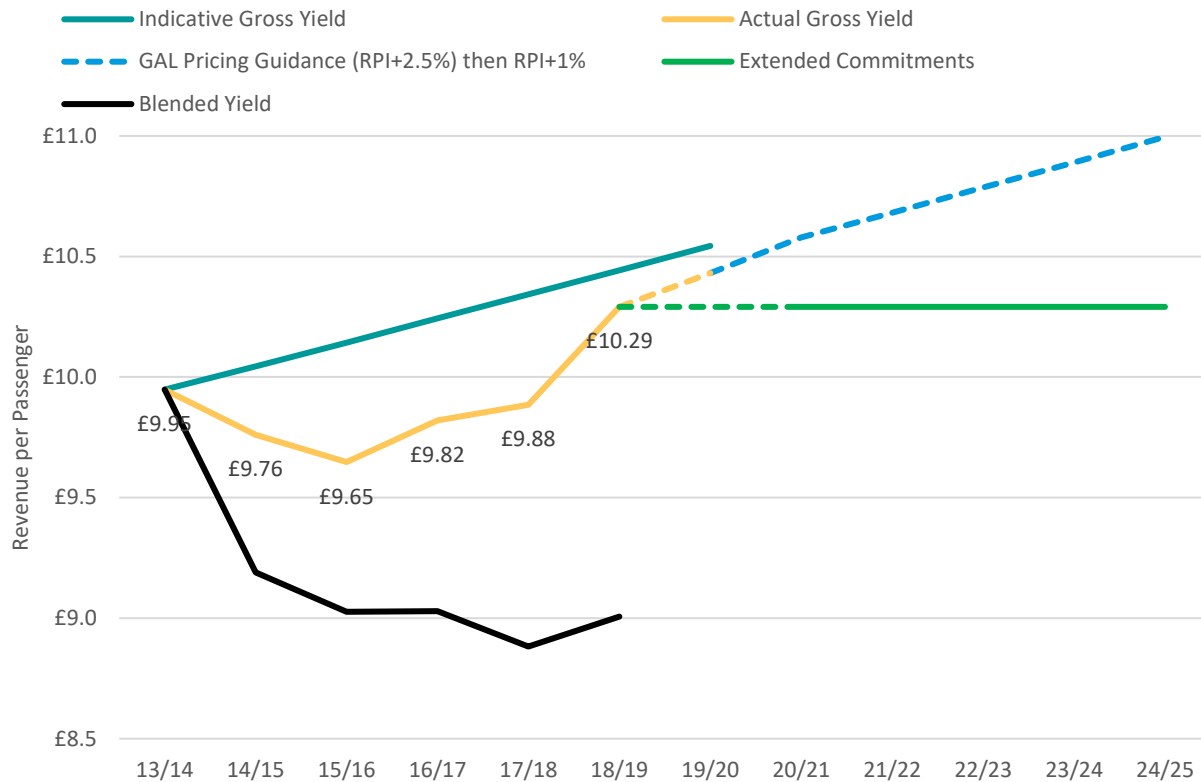
The new gross yield Commitment provides a material pricing benefit, delivered sooner, compared with the price path indicated under the current Commitments for 2019/20 and 2020/21 and its extension at the same RPI + 1.0% rate of increase for 2021/22 onwards, as shown in Figure 10 below. The upper limit on gross airport charges per passenger would be 6.5% lower in real terms by 2024/25 under the proposed extended Commitments than if GAL's current longer term pricing guidance were implemented followed from 2021/22 by 4 years of tariff increases at 1% above inflation. The average saving over the period 2020/21 to 2024/25 would be 5%. This means that airlines generally will share earlier than they would otherwise in the benefits of the growth that Gatwick has generated.

¹⁴ Including the revenue from the services previously known as selected ancillary services

¹⁵ For avoidance of doubt, this provision includes the pre-existing adjustment for hold baggage screening and would cover any adjustment for the cost of implementing the recently communicated DfT mandate for Next Generation Security Checkpoints which includes new requirements for passenger and staff security scanners and passenger and staff cabin baggage screening.



Figure 9: Extended Commitments in the context of recent and projected gross yield (in 2018/19 Prices)



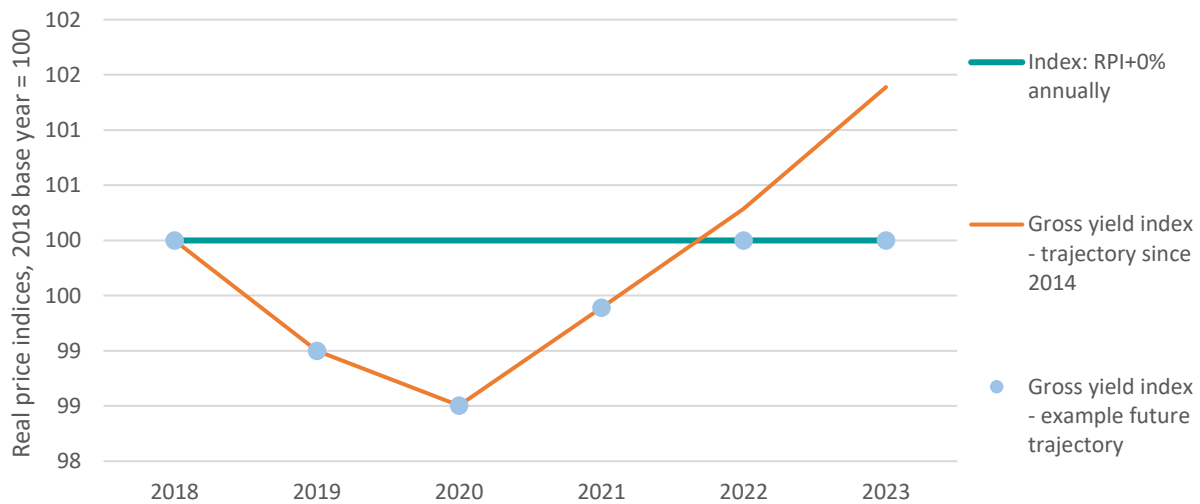
Under the current Commitments, there is scope for the charges to be higher or lower than the gross yield price path in a given year, with the Commitment relating to the overall price profile across the 7 years. This allows GAL to recover, with interest, discounts in charge revenues through pricing below the RPI + 1% ceiling which are given to airlines in one or more years, by increasing prices above the RPI + 1% threshold in other years. The extent of this discounting and revenue recovery is specified in the Commitments through the Cumulative Gross Revenue Difference (CGRD) mechanism.

GAL’s new Commitment provides a firmer price Commitment to passengers and airlines by removing its ability to recover, with interest, any reductions in airport charge revenues from cutting the tariff in any one year below the proposed cumulative RPI + 0% ceiling. In other words, if GAL reduced its tariff in one year below the ceiling, it would only be able to increase the tariff in subsequent years up to the defined RPI+0% ceiling. It would not, as now, be able to increase the tariff in later years above the RPI ceiling (up to the point that the net present value of the airport charge revenue generated by the tariff is no higher than the annual changes in tariff implied by the gross price Commitment).



The potential impact of these new Commitments is summarised in Figure 10 below, which shows illustrative evolutions of the gross tariff charge per passenger in real terms. The green line illustrates GAL’s Commitment for the period from 2019/20, of gross yields increasing no faster than general inflation, RPI+0%. The orange line illustrates one theoretical trajectory, using the profile of the gross yield trajectory since 2014 (excluding security cost adjustments). The blue markers show how such trajectory would change under GAL’s new Commitment: tariff prices could fall in one or more years and then rise faster than RPI in subsequent years (as currently), but they would not be able to increase above the absolute ceiling determined by the RPI+0% trajectory.

Figure 10: Illustrative trajectories for gross yield in real terms



This change will bring advantage to passengers and airlines from greater certainty about the maximum level of airport charge tariff levels over the whole of the extended Commitments period. It will result in a tighter constraint on GAL’s pricing than at present. It will also deliver a simplification in the price Commitment, by removing the need for the Cumulative Gross Revenue Difference (CGRD) calculation. GAL’s pricing will be more directly constrained each year of the Commitments, not just by the final year (as is currently the case).

GAL will, as now, set charges for the following financial year by means of a consultation with airlines conducted in the previous autumn. This will enable GAL to set out transparently the forecast on which it has based its charging proposal for the next year, and to report on the extent to which previous forecasts for the planned gross yield had diverged from the actual core yield achieved in practice. GAL’s forecasting record in recent years has been good: the out-turn yield has on average varied by less than 1% relative to the forecast in the period from 2014/15. Under the current Commitments, any gap in yield between forecast and out-turn is combined with the planned cumulative over- or under-recovery in the CGRD



calculation. As noted above the CGRD calculation is no longer relevant, enhancing simplicity and certainty for airlines from the extended Commitments. In addition to the removal of the CGRD, there is no longer a need for the associated calculation to carry forward any gap between forecast and out-turn. If the out-turn were lower than forecast, GAL would not be able to recover the revenue foregone by adjusting the RPI+0% ceiling in subsequent years. If the out-turn gross yield were higher than forecast – but below the price ceiling - there would be no automatic adjustment to the following years planned gross yield. However, if the gross yield did, contrary to forecast, inadvertently exceed the RPI+0% price ceiling in any one year, this would trigger an adjustment to the current or future charges to transfer any over-recovery relative to the price ceiling back to airlines in the form of rebates. Airlines could continue, as now, to scrutinise and challenge the basis of GAL’s forecasting of traffic levels and aircraft mix, and the resulting planned gross yields, as part of the annual consultation on airport charge tariffs.

GAL has also implemented a further simplification to the pricing Commitment by focusing the scope of the Commitment on aeronautical charges, and removing the revenue from Selected Ancillary Service Charges from the scope. The revenue from Selected Ancillary Service Charges in 2018/19 was £3.7m, at an average of around £0.08 per passenger. GAL will continue to consult with airlines annually on the cost base and proposed level of these Selected Ancillary Service Charges, consistent with the treatment applied to other ancillary service charges.

6.2 Net yield

Under the extended Commitments there will be no specific limit on the rate of increase in net yields, which take account of discounts to tariff provided to airlines via their respective bilateral contracts. Under the current Commitments, the net yield per passenger annual increase is set at no higher than RPI + 0% (averaged over the whole period with a Cumulative Net Revenue Difference mechanism to balance deeper discounts in one year with higher increases in other).

GAL considers that the net yield Commitment was an additional assurance to passengers and airlines at the start of the current framework in 2014, before there was experience of airline contracting within a regulated environment. In practice, however, as evidenced by the extent of contracting and contract renegotiation and extensions since April 2014, GAL has demonstrated that it is fully incentivised commercially to make competitive price proposals to individual airlines which in turn offer growth in volume and/or route networks for the airport. The overall result of these bilateral contracts is that the average net yield per passenger has been around 8% below the gross yield per passenger. The net level will continue to fluctuate due to commercial factors and the effect of incentives. On average the difference between the gross and the net yield has ranged from 6% to 12%, with an average of circa 8%. GAL does not see this difference narrowing systematically over the upcoming period as we still see plenty of areas where closer cooperation is possible with the airlines, including further up-gauging and resilience.

GAL now has a clear track record of fair dealing in bilateral contracting, with more than 92% of passenger flying on airlines with a contract, delivering average net yields lower than required by the original Commitments and lower than the CAA’s own ‘fair price’ path, combined with the continuing protection



for all passengers and airlines from the gross yield Commitment and the non-discrimination requirements of the Airport Charges Regulations 2011. In light of this evidence, GAL considers that a net yield Commitment will no longer serve a useful purpose in the extended Commitments period.

6.3 Price transparency

GAL will continue to provide airline customers, as now, with comprehensive information and consultation on the evolution of charges on an annual basis. This will enable airlines to continue to monitor GAL's adherence to its pricing Commitments. GAL will also continue to publish information on its net yield albeit this metric will not, be the subject of a specific quantified price Commitment.

GAL would note, however, that while contracts deliver longer term price predictability for airlines, the year by year movement in the overall net yield has the potential to become less predictable, as a result of the interaction of a number of overlapping contracts with different airlines. Depending on a range of factors, such as early years discounts, traffic growth incentives, airline fleet mix and incentives to deliver good punctuality, the net yield in any one year could rise or fall sharply. An increase in net yield in any one year should be viewed in the wider context of the overall evolution over time of the net yield, set within the envelope of the gross yield trajectory, which itself is constrained by the constant real terms price ceiling.

Following the changes to ownership of shareholdings in GAL in May 2019, GAL has amended its financial reporting cycle from a financial year ending 31 March to a calendar year basis. GAL will continue to provide the same level of financial transparency to comply with its financial information transparency commitment, albeit on a calendar year basis, along with statements of airport charges aligning with the charging year.

6.4 Summary of Price Commitments

GAL considers that these price Commitments will provide valuable additional benefits to passengers and airline customers, over and above the fair deal which they enjoy under the current Commitments:

- Earlier reductions in prices, under the extended Commitments than would be achieved through the normal regulatory cycle which might bring about such changes only from 2021/22;
- Charges set at a competitive level when compared against UK and European comparator airports;
- Customers benefiting by GAL giving up the pricing potential in the current Commitments, which could have led tariffs to increase by a further 2.5% in 2020/21;
- A lower permitted level of charge increases, fixed over the period by a ceiling set by the general level of economy-wide inflation;
- Greater certainty for customers about the future path of airport charge tariffs, through GAL accepting less flexibility to recover below-inflation price reductions in later years of the extended Commitments period; and



- Continued assurance for passengers and airlines that GAL is pricing fairly and transparently through annual publication of pricing data and full consultation on future tariff levels and structures.



7 GAL's Service Quality Commitment

7.1 Service Standards - overview

GAL's approach to service is relentlessly focussed on ensuring that the service Commitments made to airlines and passengers are fulfilled, on a daily basis, and in such a way that the overall user experience improves over time. This means looking at Core Service Standards in the broader context by looking at each element of the passenger journey through the airport, understanding the connections between them and seeing where improvements can be made that would enhance the overall passenger experience. In this way, GAL not only delivers the individual outputs it has committed to but can generate more positive reactions that are captured, for example, in the Net Promoter Score. It is assisted in this by the continuous research it undertakes and the assistance of GATCOM's Passenger Advisory Group (PAG) in interpreting the results, enabling the airport to translate findings into deliverable actions, including in the implementation of investment programmes.

While this is a continuous process, it is prudent, periodically, to ensure that the measurable service standards themselves continue to meet passengers' needs. With this in mind, GAL has undertaken extensive consultations with the PAG and our airline customers from October 2018 through to October 2019, with the aim of ensuring that, for the extended Commitments period, the Core Service Standards and the Airline Service Standards remain relevant and focused in support of GAL delivering the services and facilities which airlines and passengers value. **GAL will update the Core Service Standards in light of the results of this consultation, which offers a more comprehensive range of service measures, better attuned to the current needs of passengers and airlines, with, in some cases, higher service targets than at present.**

The new Service Commitment retains in very many respects the current framework of Core Service Standards, including the associated measurements, targets and financial rebates to airlines if targets are not achieved. This framework has served passengers and airlines well, by incentivising GAL to focus on consistent delivery of the services and facilities that matter most. The updated Commitment builds on this framework by broadening the scope of service outcomes which are to be measured and financially incentivised, stretching some targets, and aligning the detailed operation of some existing service metrics with the current operating patterns and priorities of Gatwick's airline customers.

7.2 Airline Service Standards

GAL will retain, unchanged, all elements of the current Airline Service Standards.

7.3 Core Service Standards – key changes

This section highlights the main changes to the Core Service Standards embedded in the updated Commitments. The full details of the proposed changes, along with supporting commentary and evidence from research and engagement with airlines and passengers, are contained in the accompanying Core Service Standards document.



Quality of Service Metrics

Passenger research is at the core of how Gatwick operates the airport. We routinely monitor many service metrics through our **Quality of Service Monitor (QSM)**, as well as performance relative to other airports through the Airports Council International Airport Service Quality (ACI-ASQ) monitor.

A subset of the metrics we collect are identified as relating to aspects of the passenger journey under the airport's control that are so critical to the passenger journey that failing them would imply a material degradation of the passenger experience. These are the metrics of Departure Lounge Seating, Cleanliness, Wayfinding and Flight Information.

Our passenger research suggests that these elements remain very important to passengers. Two other elements have also emerged as being particularly important:

- **Ease of using WiFi:** Connectivity has risen in importance. This is due in part to the rapid proliferation of smartphones and social media over the past decade, but it is also now being relied upon both by passengers for journey information, and by airlines, for example to facilitate passenger re-booking in case of disruption. We consider it appropriate now to monitor passenger satisfaction with the GAL WiFi service via a formal QSM measure.
- **Special Assistance service:** Over recent years the proportion of passengers using this service has grown significantly faster than our overall passenger numbers and over time expectations of this service have increased. It is also clear that this passenger group have many needs and views that are distinct from those of other passengers. While Gatwick already publishes performance against the CAA's monitoring framework, we consider it appropriate now also to monitor end user satisfaction with the service via a formal QSM measure.

The QSM targets (with the exception of cleanliness in North Terminal for a 9 month period in 2014/15) have been met in the Commitments period to date despite passenger numbers increasing by around 30% from 35m per annum to over 46m per annum. To achieve this GAL has invested in a wide range of initiatives including new seating, upgraded flight information screens, and new toilet blocks and has continuously worked to manage signage.

Our recent passenger research has confirmed our view that the inclusion of QSM measures of Departure Lounge Seating, Cleanliness, Wayfinding and Flight Information Screens remains appropriate and provides the right incentives for us to continue to maintain a good service and to invest in these core passenger facilities. Reflecting on targets for these measures, we believe that it is important for passengers to receive a consistent and predictable service across the seasons. **We therefore agree with the airlines that these targets should no longer be calculated on a Moving Annual Total but will instead be calculated on a Moving Quarterly Total (MQT) basis, thereby encouraging a consistently good performance for all passengers, throughout the year.** This is a material enhancement to the standard of service – volatility in the sampling and data is such that a reduction in the sample size (as a result of changing the calculation from annual to quarterly) requires a higher level of performance to ensure that the targets are met. To



challenge ourselves further recognising the feedback from the Passenger Advisory Group, GAL will also adopt 4.00 as an aspirational measure for departure lounge seating and start reporting any score between 3.80 and 4.00 as amber, rather than green.

Security search queue times

Passenger Security Search at Gatwick is widely recognised as already among the best security products in Europe. Our QSM results consistently rate passenger security highly. The most recent research has not identified any need or justification for tightening the queuing targets.

We agree with the airline community that, with improvements in technology, it may now be possible cost-effectively to improve the sample rate of passengers passing through security; we are committed to investing in new measurement technology to achieve this. We also agree with the airline community that where automated technology is deployed there is no longer any need only to monitor core hours, and instead queues should be measured whenever security is open.

We do, however, note the airline feedback that some airlines would like to move from a security metric based on 15-minute time-slices that ensures the delivery of a consistent security performance throughout all periods of each day within a month, to one where the measurement is focused on ensuring that a defined proportion of passengers each month queues for less than a certain time. And that this will enable a single passenger security measure to be adopted per terminal rather than the three currently used (<5 mins, <15 mins, <30 mins). We are assured that the intention is not for the new measurement system to be tighter (by design or inadvertently), and there is recognition that any new metric will need to be carefully calibrated.

We continue to believe that measuring security queues based on 15-minute segments has been demonstrated to generate a consistent and predictable security experience for passengers at Gatwick. However, GAL is willing to explore a single per passenger security target for each terminal (and similarly for staff security). As no data has been recorded on this basis to date, it is not possible to know what the performance or targets will be until the new measurement system has been installed and has been run in parallel with the existing system. Furthermore, we note that there are significant impending changes to security due to Government regulation changes which will apply during the period and these will necessitate changes to how we operate our security. We consider that it would be prudent to coordinate the operational impacts of these two changes.

Staff Search: We note that the queue target for staff search (95% <5min) is already significantly tighter than the 95% <10min target that operates at Heathrow and we have consistently met this exacting target. Nevertheless, certain airlines have expressed a wish to enhance this service further, and we recognise that for air crew, because of their key role in punctuality, staff search is critical. Accordingly, we will be



raising our standard further to 97% <5min for the Atlantic and Jubilee house control posts (which are those primarily used by crew transitioning to aircraft). Staff search posts within the terminal, which cater for a far wider range of airport staff, will continue to be measured at 95%<5min.

Control posts: We agree with the airline community that, given their importance to efficient operations, the control post targets could be tightened for operationally important vehicles¹⁶. We will be reducing queue times for operationally important traffic to a new standard of 95% <10min from today's target of <15mins by April 2021.

Southern Approach: Queue times at the southern control post are currently not measured. We will introduce a security search queue time metric of 95% <10min for operationally important traffic, in line with the northern control post. However, Southern Approach is capacity constrained and was designed for specific activities and not general use. The introduction of the target will therefore be accompanied by usage restrictions and be limited to core hours.

Flight Connections: The Flight Connections facilities are used by approximately 2% of Gatwick passengers. Inbound flight patterns create peaks and troughs in passenger demand for the facilities through the operating day, but we consider that this product works well. We therefore feel a reduction in the queue time target is not warranted. We do however acknowledge that traffic schedules have evolved over time, which has resulted in a shift in timing of peak demand for the connections facility. In South Terminal Flight Connections, automated measurement is not feasible due to physical constraints and therefore core hours will continue to operate. These will however be updated to reflect current schedules. In North Terminal, automated queue measurement is already operational and queues will be measured all the time security is open.

Passenger-sensitive equipment

The objective of these service standards is to ensure that key infrastructure, such as lifts and escalators, collectively termed passenger-sensitive equipment (PSE), is available for use by passengers and crew during the busiest times of the day. They therefore incentivise most maintenance to be undertaken at night-time, and for GAL to bring the infrastructure back into service as quickly as possible (subject to safety constraints) if failure should occur.

The current system based on core hours remains fit for purpose for PSE and provides an elegant and simple way to allow our engineering teams to manage asset availability through the working day/night, consistent with expected patterns of use.

¹⁶ For avoidance of doubt we anticipate the definition of critical operational vehicles to include catering, fuel vehicles and ground handling, but to exclude non time critical construction traffic. GAL will bring a proposed definition for discussion at the Service Quality Group.



Some of our airlines have suggested that the system of core hours could, in the extreme, allow GAL to stop all assets outside the core hours. Gatwick has never done so and would never plan to do so. While this is only a theoretical risk, GAL nevertheless proposes to address the airlines' concern by amending the metric to allow only a maximum of 6 assets to be maintained at any one time (outside core hours) in addition to any which are excluded as part of the annual maintenance plan.

We will tighten the standards by adding in excess of 30 to the list of priority assets to better reflect the current pattern of passenger usage. For example, the escalators offering passengers access to/from the Pier 6 link-bridge have not so far been included as priority assets.

Reflecting on target levels for these measures, we do not believe there is a case for changing the current performance metrics. The standards represent the level below which passenger experience should not drop without penalty. We consider that 99% availability, which equates to just 11 minutes outage per day (18 core hours), across a range of more than 320 assets, to represent 'very good' performance.

We will continue with the operation of an annual maintenance plan which appears to be working well and has been well received by the airlines.

Airfield assets

The objective of the suite of airfield metrics is to incentivise Gatwick to schedule the maintenance of airfield assets effectively, thereby minimising any adverse impact on passenger experience and airlines' ground operations. The measure seeks to reduce the impact on users while operating a maintenance schedule that delivers resilient airfield assets.

The existing targets and metrics deliver good outcomes. We agree with the airline community, though, that 'core hours' is a less useful concept for airfield assets than for passenger-facing assets. Stands are technically busiest overnight when aircraft are parked on every pier-served stand and many remote stands, but their availability is also critical during the day to facilitate pier service, smooth turnaround performance and to enable airlines and their ground handlers to achieve punctual operations.

GAL's updated Commitments offer a simplified approach to the asset metrics (compared to the current core hours approach), by setting a maximum number of assets which GAL can have unavailable at any one time, in order to facilitate ongoing maintenance and refurbishments. The new target would be raised to 99.5% as some outages for repairs are still expected¹⁷. Major maintenance and investment projects would continue to require exemptions from the standards, as it would not be efficient to build and operate the airport with the type of headroom required to accommodate significant investments such as a pier extension or major reconfiguration. This simplified approach, with tighter targets is the basis for GAL's finalised Commitments.

¹⁷ This is due to a many outages for FEGP and airbridges being of short duration, and often due to safety system activations due to incorrect use (such as moving an airbridge outside of its parameters).



The airline community have recently floated a new conceptual approach to measuring service delivery in contrast to the long-established asset availability measure. In essence, a stand allocated to an airline must be equipped with serviceable FEGP (or GPU) and jetty (where a jetty is provided) - if this is not the case, the metric records a failure. If there is no demand for a stand, the stand or its assets may be out of service at any time (as it will not be included in the measure of availability/unavailability). We believe that the refinements we had proposed to the existing system – which already delivers excellent outcomes – are fit for purpose. However, we welcome the ACC’s invitation to continue to develop an alternative airfield asset measure and, as we highlighted in the October 2019 document, we do see some possible attractions in this. We will start a process to examine the concept tabled by the ACC with the aim of coming to an agreement by April 2020.

Airfield resilience measures

Runway Availability: We agree with the airline community that the current Aerodrome Congestion Term (ACT) could evolve into a Runway Availability metric, which would more closely match GAL’s core responsibility for making the runway and associated airfield infrastructure safely available for use during operational hours. We note the ACC’s request that the penalty be linked to the duration of no runway is available. GAL would observe that it already has a strong financial incentive to ensure the availability of the runway, and believe that a minute-by-minute time-based penalty could be seen as incentivising the wrong safety behaviour, placing speed in tension with safety considerations. GAL therefore initially proposed a tiered system with a penalty starting at £30,000 after 15 minutes and rising to £60,000 for an event that is longer than 45 minutes. This is double the current £30,000 maximum under the ACT. Nevertheless, based on feedback¹⁸ to the October 2019 Consultation, GAL has decided to increase the penalty levels to £50,000 for unavailability of between 15 min and 45 min and to £100,000 for outages of more than 45min. This represent an increase of more than three times the maximum penalty under the existing service Commitment.

¹⁸ We furthermore note an observation from a respondent regarding the interpretation of runway availability. We have reflected on this and consider that:

- The metric addresses a request for simplification from the current system of the ACT which is based on a concept of “deferred movements”.
- The existing measure, while more complicated, does however consider the broader picture of the ability of the runway system to handle its anticipated throughput. This is why our revised Commitments also include the publication of travel times on the airfield to provide additional transparency on congestion.

We have therefore decided not to amend this aspect of the measure further.



Airfield Travel Time: We recognise the criticality of a free-flowing airfield to the achievement of flight punctuality and resilient airline operations. We therefore agree with the airline community that we should develop metrics to measure airfield congestion. One option could be to measure and report upon time from actual start request time (ASRT) to wheels up. This would, however, capture time spent in the ground hold area, which is primarily driven by air traffic control sequencing of aircraft due to airspace congestion and the concentration of flights going to similar destinations at any particular time (i.e. factors outside GAL's control). We therefore suggested a more focused metric to measure airfield travel time from ASRT to when the aircraft enters the Hold (last Ground Movement Control). As this is a metric under development it is proposed that it be published for reporting purposes only at this time.

Baggage

Baggage carousels: The objective of this metric is to ensure that key infrastructure is available for use by passengers during the busiest times of the day. However, we agree with the airline community that core hours is a less useful concept here and acknowledge a concern expressed by some of our airlines that the system of core hours could, in an extreme case, allow us to take all the reclaim carousels out of service outside the core hours. Gatwick has never done so and would never plan to do so. While this is only a theoretical risk, GAL nevertheless will meet the airlines' concern in two ways. First, by expanding the time coverage of this metric to the whole of the operational day in return for a marginally lower target (98.5%) to allow for the maintenance which would normally be done outside of core hours. Second, we also commit to take a maximum of three belts out at any given time in each terminal. As before, GAL will continue to coordinate outages between our terminal and baggage functions so that any impact on passengers is minimised.

Outbound baggage: Having invested heavily in baggage system resilience, we agree with the airline community that it is appropriate to remove core hours from the metric for outbound and transfer baggage.

We recognise that there have been times when a failure of the baggage system has caused a demonstrably poor passenger outcome, despite the daily outbound baggage measure having been technically passed. In these circumstances, GAL has historically highlighted the day as a failure in our reporting and made ex gratia payments as if it had failed to meet the appropriate targets. GAL will continue to take this approach in the future and to this end it has provided guidance on its future approach. i.e. in such an event, GAL will investigate the circumstances and the impact on passengers. Examples of the types of incident would include, but not be limited to:

- Network issues affecting check in;
- Hold Baggage Screening Matrix failure; and
- Power supply interruption.

If appropriate, GAL will then report the daily event as a failure against the CSS and issue a rebate to the airlines that were affected by the event.



One respondent to the October 2019 Consultation commented that the daily Outbound baggage metric of 97% meant that 3% of bags could not travel and GAL would still pass the target – as such the metric should be raised.

The daily outbound baggage standard was introduced by GAL in the current Commitments period and has been very successful in driving performance in the operation of our baggage system. The new Commitment already improves on the existing metric in a number of ways, including the removal of core hours, the expansion of the categories of bags covered, and to consider events affecting the availability (as well as throughput) of the system.

It is incorrect to assert that a 97% target means that 3% of bags could not travel i.e. be “short-shipped” and that Gatwick would still pass its target. The baggage metric does not measure whether a bag travels or not, as this is also critically dependent on the availability of airline ground handling resource to transport the bags to the aircraft and load them in a timely fashion. The metric measures whether the GAL operated baggage system delivered or attempted to deliver bags into the baggage chutes more than 25 minutes before the aircraft’s estimated time of departure to support timely aircraft turn performance.

Nevertheless, GAL has considered the outbound baggage metric further and, recognising the importance of this service, we believe that it is appropriate to further improve the outbound baggage standard by increasing the daily metric to 98%.

Information technology

The continued importance of **Flight Information Display (FID) screen** availability to our passengers was highlighted by the recent YouGov research and was also a priority in the feedback from our GATCOM’s Passenger Advisory Group (PAG), which specifically requested a service measure for the availability of FID screens.

We will introduce a new metric which complements the more perception-based FID screen QSM measure. This will be based on the availability of the FID systems, measured by Priority 1 incidents, i.e. events that have a material operational impact. The availability and effectiveness of individual screens will continue, as now, to be measured by passenger perception of FIDs in the QSM measure.

Rebate levels and weighting

The improvement of Gatwick’s service performance since separation from BAA in late 2009 demonstrates that GAL has a strong incentive to deliver a compelling service offering to our passengers. With the introduction of the Commitments we enhanced this by introducing a challenging daily outbound baggage measure. This recognised the importance to passengers and airlines of this service. The incentives provided by competition are supplemented by the financial penalties under the CSS scheme. GAL aspires to continue to innovate and improve our service, but there is significant financial exposure to GAL if our service drops below a good level.



GAL considers that the aggregate financial exposure of 7% of annual aeronautical revenue continues to drive the right behaviours within our business and it provides a material incentive for us to maintain a good service level, even under challenging conditions. We have however reflected on the discussions with the ACC in relation to the various airfield performance metrics, noting that the weight on the Aerodrome Congestion Term (now replaced by the improved runway availability metric) is very high whilst the weight on the Stands and FEGP metrics are very low. We have to rebalanced the weight on each of these three metrics to reflect the relative importance that has been highlighted as part of the review.

Similarly, the passenger research also highlighted the importance of Flight Information Display Screens to passengers and we have therefore split the penalty level previously assigned to FIDS perception (QSM) metric equally between the FIDS system availability and FIDS perception metrics.

An updated schedule of rebates is provided as an annex to this document.

Finally, GAL is proposing to simplify the drafting of the rebates incorporated in the Conditions of Use, specifically by removing from Schedule 3 the 1.25 multiplier applied (in certain limited circumstances) to selected Passenger Facing Measures.

7.4 On time performance

The London air traffic system and European airspace are projected to become more congested in the coming decade, as demand for air travel continues to rise. As a responsible airport, GAL will continue to seek ways to expand our capacity, resiliently, to meet the growing demand through innovation, investment and process improvements. GAL also recognises that on-time performance is an important issue for our airline customers and our passengers. Punctuality is a product of efficient delivery from many organisations; airlines, ground handlers and air traffic controllers, as well as airport operator. GAL believes that airport operators should nevertheless provide leadership and focus in the drive for on-time performance.

Accordingly, **GAL proposes to introduce new service targets to underpin its continuing focus on improving punctuality and operational resilience:**

- GAL will set itself formal targets for average on time departure punctuality to be at least 70% in the summer season and 75% in the winter season. (Punctuality is defined as the percentage of scheduled flights which depart from their stand no more than 15 minutes and 59 seconds after their scheduled departure time.) GAL’s latest performance was 63.9% in summer 2019, and 76.2% in winter 2018-19.
- GAL will invest in a portfolio of operational initiatives and financial incentives for airlines and/or their ground handlers, with the aim of enabling airlines to achieve these punctuality targets. GAL will consult with airlines annually on the proposed on-time departure programme.



- GAL will report to airlines and their ground handlers on the punctuality performance of each season shortly after its conclusion, and publish results on its website. If seasonal punctuality drops below the relevant target, then GAL will consult with the airlines, their handlers and PAG on a root cause analysis of the airport's and airlines' collective performance over the season, and then develop with airlines a punctuality improvement plan. This plan will be updated following subsequent seasons until performance improves above the target.

As a coordinated airport, capacity declarations at Gatwick will continue to be governed by the operation of the coordination committee, comprising GAL, airline users, GAL's air traffic service provider, and the slot coordinator.

In response to our October 2019 consultation and at an AAG meeting users asked if GAL could provide a view of what the operational initiatives GAL will be working on to make OTD improvements.

There are a number of operational initiatives already supported by GAL and this will likely evolve over time in response to changes in punctuality, the outcomes of the seasonal reviews, and the relative performance of different airlines. Without being prescriptive, the portfolio might include elements such as:

- Incentive schemes (for airlines and/or ground handlers)
- Seasonal resource/recruitment validation
- Standby resource
- Collaborative recruitment e.g. Gatwick job fairs,
- Capital projects such as:
 - Pier 6
 - Rapid Exit Taxiway
 - Ground Movement Control position 2
 - Integrated Controller Working Position
 - Time Based Flow Management
 - Reduced Departure Separation
 - Automation of push back
 - Turn event detection
 - Taxiway enhancements
 - Push and hold stands

For clarity, GAL's intention is that this mechanism should drive the right behaviours. It is the responsibility of airlines operating at Gatwick to ensure that they procure sufficient ground handling resources to enable them to operate their schedule and deliver baggage to their customers in a reasonable time. We will design any measures to not disadvantage those airlines who already run a resilient operation at Gatwick.



7.5 Periodic review of Core Service Standards

In order to ensure that the scope and definition of Core Service Standards continue to reflect the evolving requirements of passengers and airlines, GAL will conduct a periodic review with the airlines and passenger representatives. Following the current review started in 2018, GAL will initiate by 2023 its next comprehensive review and consultation with the Airport Consultative Committee (ACC) and GATCOM's Passenger Advisory Group regarding the structure and content of the Service Commitments, to ensure these remain appropriate and relevant. The review will be informed by relevant passenger research and evidence. Any changes will be subject to the already laid down change process. To inform the consultation, GAL will commission an audit of the robustness of the service measurement process and rebate calculations. This would be similar to the one we undertook in 2015/16.

8 GAL's Investment Commitment

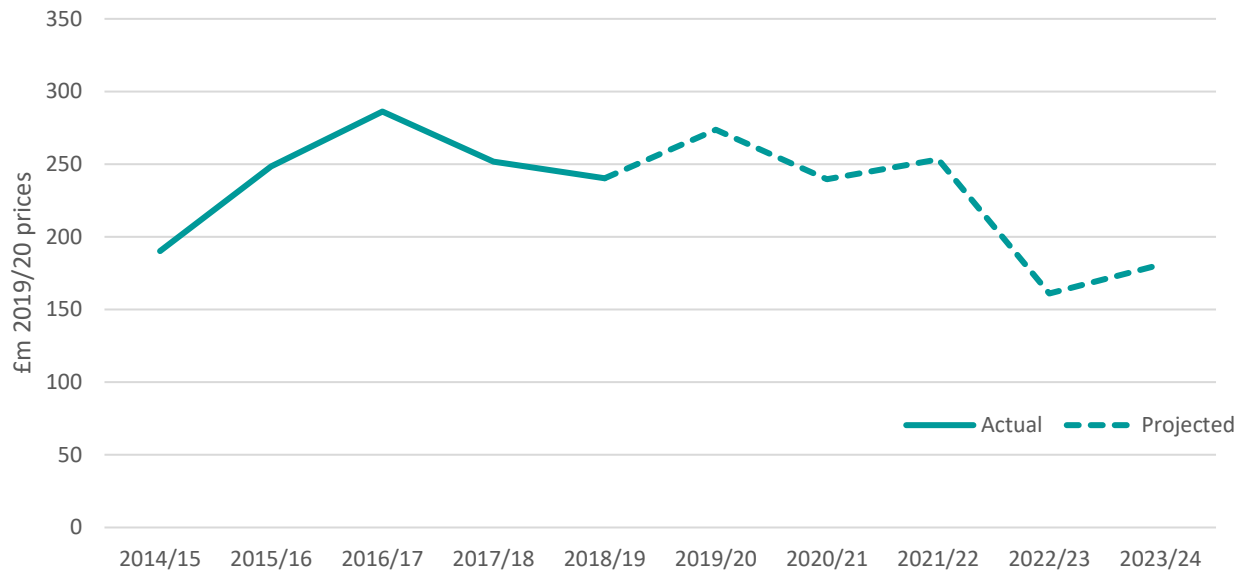
8.1 GAL's Capital Investment Programme to date

Under the Commitments framework, GAL has invested to develop the airport to meet the growing needs of its passengers and airlines. GAL has invested consistently ahead of the minimum level embedded in the existing Commitments, which require an average rate of investment of £100m per year. Investment in the period since 2014 has reached circa £1,200m, at an average rate of around £240m per annum¹⁹. Investment is projected to continue at just below this average annual rate over the next five years to 2022/23.

¹⁹ 2019 Capital Investment Programme, spend from 2014/15 to 2018/19, 2019/20 prices.



Figure 11: Capital Investment Programme, based on 2019 CIP



The ability to review and adapt our Capital Investment Programme annually to meet the dynamic requirements of our airline customers and passengers has proved to be one of the key benefits of our Contracts and Commitments regulatory framework. This flexibility has enabled GAL to respond more rapidly to the changing needs of users since 2014.

GAL has also continued to develop its programme of consultation with airlines and the Passenger Advisory Group, to enable users to understand the evolving drivers of the investment programme and to provide their views into the capital planning and delivery process. GAL’s current investment Commitment is as follows:

“8.1 Gatwick Airport Limited shall maintain the airport to comply with all applicable safety and environmental requirements and to maintain and develop the infrastructure of the airport to enable the Core Service Standards to be met. In complying with the immediately preceding obligation Gatwick Airport Limited shall invest at least £700m (Seven Hundred million pounds) during the Term.

“8.2 Gatwick Airport Limited will undertake consultation in relation to the capital investment to be undertaken during the Term in accordance with the provisions of Schedule 4.”

8.2 GAL’s capital investment Commitment

GAL proposes to retain its core Commitment to invest to deliver a safe, resilient airport which meets the growing needs of passengers and airlines at a consistently good level of service. It is this objective to deliver resilient service quality to both passengers and airlines that is the key driver of GAL’s investment programme. This is as it should be for a customer focussed commercial business and is a key differentiator



from RAB-based approaches which seek directly (often with counterproductive effects) to incentivise the level of investment. GAL recognises that the level of investment driven by its service requirements is likely, as it has since 2014, to exceed that stipulated in the current Commitments. The investment Commitment should therefore be viewed as more of a backstop than a driver of the level of investment. **Further to the October 2019 Consultation, GAL has increased the minimum investment commitment from £100m per year to at least £120m per year (in 2018/19 prices) on average over the six year period from 2019/20 to the end of the extended commitments period (i.e. 2024/25).**

GAL's consultation with airlines and passengers on its capital plans has largely worked well in the period since 2014. GAL is required under its current Commitment to consult with airlines and passenger representatives, in accordance with the provisions of Schedule 4 to the Commitments. Following a productive exchange with airlines on how the current consultation processes might be further improved, GAL has now agreed to enhance the current arrangements, while retaining the existing structure and governance of consultation, as follows:

- Structured data sheets for emerging projects submitted by either GAL and/or the ACC and/or the PAG are to be shared on all projects with budgets of at least £5m, and on ad hoc smaller projects with particular impact on customer service, operations or of strategic significance. (Smaller projects affecting operations will be consulted through normal operational channels).
- Data sheets will explain the project purpose (What problem are we trying to solve? What opportunity are we trying to take?), scope, budget, timescales, and business owner.
- Initial consultation will take place at the 'initiate' stage (tollgate 0). GAL and the airlines will agree at that point what level of engagement any airline(s) wish to have on each project. Datasheets may be reviewed again at tollgate 2 (design) and tollgate 4 (construction decision) if required by the airline community.
- An overview of GAL emerging projects, along with ACC initiatives will be reviewed and considered at the start of the Capital Investment Programme (CIP) consultation, annually. In the event that new initiatives arise during the year, datasheets will be tabled at the bi-monthly Airport and Airlines Group (AAG).
- A parallel engagement process will take place annually with passenger representatives via GATCOM's Passenger Advisory Group (PAG).

Further to the consultation in October 2019 GAL has worked with the ACC to develop a further process to enable users to track progress of identified ongoing capital projects. This is in addition to the enhancements already proposed, all of which will be adopted as part of the finalised Investment Commitment.



9 Extending Commitments: Gatwick’s potential for growth in capacity

9.1 Summary

This section outlines GAL’s options for expansion in airport capacity and how these are reflected in GAL’s current and proposed extended Commitments.

9.2 Gatwick’s growth ambitions

GAL published on 18 October 2018 an updated Gatwick Airport Draft Master Plan. This has two purposes: first, to bring our wide range of stakeholders up to date with our present thinking on how we see Gatwick developing over the next 5 years. Second, in a situation where demand for air travel continues to outstrip capacity, to look ahead a further 10 years to 2032 and present three potential growth scenarios for the airport’s longer term future:

- one where it remains a single runway operation using the existing main runway;
- one where the existing Northern runway is routinely used together with the main runway, and;
- one where we continue to safeguard for an additional runway to the south.

9.3 Making the best use of existing airport infrastructure

On 18 July 2019, GAL published its new Master Plan, following extensive consultation. In this, GAL confirmed that it intended to take forward the work necessary to prepare an application for Development Consent Order (DCO) for the proposal to use the Northern runway on a routine basis for flight departures. If it is then decided to take this scheme forward in the form of a DCO application, this would be supported with a wide range of detailed information which would be subject to a further full public consultation. If a DCO application were made in late 2020 / early 2021, then development consent could be granted some 18 months later. This would then enable construction to begin, and be largely completed in the middle years of the decade. The Northern runway could then be brought into routine use by the late-2020s.

9.4 Current Commitments

The current Commitments, set in 2014 in the context of the review then ongoing by the Airports Commission into future runway development, provide some limited flexibility for GAL to change the level of airport charges in order to recover the early development costs associated with a second runway.

Schedule 2 Price Commitment, section 6 provides that:

“6 Any amendment to the Indicative Gross Yield Profile may be made by Gatwick Airport Limited if: ...

6.2 following the completion of the work of the Airports Commission the Government support the development of a second runway at Gatwick Airport, to allow for the recovery of the reasonable costs (capital, operating and financing) of applying for planning permission for a second runway and the subsequent development of the second runway and associated airport infrastructure. Any amendment to the Gross Yield Profile for recovery of such costs will follow any



policy guidance that may be issued by the CAA in relation to the recovery of costs of new runway development for price regulated airports.”

Section C1.5 of the Commitments provides that the maximum amount of second runway development costs which may be recovered in any one year, under Schedule 2, section 6.2, is set at £10 million.

For recovery of amounts greater than £10 million per annum, section C1.8 provides that any amendment of the price Commitments necessary to achieve this would be subject to the statutory licence modification process, as defined by section 22 to 30 of the Civil Aviation Act 2012.

9.5 Extended Commitments

Additional runway to the south

GAL has incurred a material degree of cost and risk to date in developing plans for its additional runway to the south of the current main runway, and advocating for this development with Government, Parliament, business and local stakeholders. The costs of this work have been borne entirely by GAL’s shareholders. GAL considers that it is best placed to continue to manage such costs and risks.

Gatwick is no longer actively pursuing plans for an additional runway, but there nevertheless remains the possibility of building and operating one in the future. Should this, or a future, Government decide to support an additional runway at Gatwick, we would be ready to take this forward with a view to seeking development consent. Should such policy support materialise, then it would be feasible to open the additional runway towards the end of the 5 to 15 year period (2023-2033). It is for this reason that we have included the additional runway in the Master Plan.

GAL is willing to continue for the present to bear the cost risks of developing these plans and, if and when policy support materialises, securing necessary political and planning approvals. For the extended Commitments period (through to March 2025), in the event that Government were to support the development at Gatwick of an additional runway to the south, **GAL proposes to absorb the costs (capital, operating and financing) of applying for planning permission and the subsequent development of the second runway and associated airport infrastructure, where these do not exceed £10 million per year.**

In such circumstances, it would maintain its price Commitment for the maximum limit on the gross airport charge tariff to be constant in real terms. If annual costs necessary for planning, development and delivery of the second runway were projected to exceed £10 million per year, GAL could, as now, apply to the CAA for a modification of the licence to enable an appropriate increase in the gross airport charge tariff.

To effect such changes, Schedule 2 Section 6.2 and section C1.5 of the current price Commitments would no longer apply. Section C1.8, which provides for licence modification under the terms of the Civil Aviation Act 2012, would remain in force.

Making the best use of the existing Northern runway

With the publication of its new Master Plan, GAL has decided to take forward the work necessary to prepare an application for Development Consent Order (DCO) for the proposal to use the Northern



runway on a routine basis for flight departures. This will involve a further period of time for planning, design and consultation to inform GAL's subsequent decision on whether and, if so, when to seek the necessary legal consent for development. Given the inevitable uncertainties at this early stage, GAL considers that it is best placed to manage the ongoing costs and risks associated with moving any such airfield project(s) towards delivery. **GAL is therefore willing to maintain its price Commitment that the maximum gross tariff will not increase in real terms, through to 2024/25.** Under the proposed extended Commitments, **GAL would bear all the planning, development and delivery costs associated with additional airfield development project(s) through this period, with no impact on the price protection for airlines and passengers.**

GAL anticipates that it would bring forward proposals no later than April 2023 for the further extension of its Commitments into the period from 2025/26 onwards. GAL's proposals for 2025/26 and beyond would be informed by much clearer projections of the capital and operating costs of any additional airfield development project(s) which had been taken forward from the Master Plan, and of their potential for increasing traffic capacity and operational resilience.



10 Other aspects of the Commitments framework

Limitations of liability

GAL will amend the wording of its limitation of liability clause to make it clear that GAL has no liability to airlines for losses incurred by airline operators arising out of or in connection with the performance of the Core Services beyond the CSS rebates.

Other provisions

GAL intends to retain, unchanged, all other aspects of the current Commitments framework. Specifically, these include the Commitments to maintain and develop the following plans:

- **Continuity of Service Plan:** this describes the legal, regulatory, operational and financial information that an administrator, receiver, or new management might reasonably be expected to require, in addition to the aerodrome manual and other statutory or regulatory documents which GAL is required to maintain, in order for it to efficiently carry out its functions and to remain compliant with its aerodrome licence;
- **Operational Resilience Plan:** this sets out how GAL intends to operate an efficient and reliable airport to the levels required by the Core Service Standards or otherwise agreed with users and, in particular, how it will secure the availability and continuity of airport operation services, particularly in times of disruption; and
- **Financial Resilience Plan:** this is an annual confirmation from the Directors of GAL that the company has adequate financial resources to operate the airport and provide the Core Services.

The current framework also includes GAL's Financial Information Commitment:

- **Financial Information Commitment:** to ensure continued provision of sufficient information for airline customers to understand whether charges are reasonable, GAL will ensure that throughout the Term it provides either through its statutory accounts or through a separate audited statement a level of disclosure in relation to operating costs, revenues, fixed asset base, depreciation and capital expenditure equivalent to the level of disclosure in its statutory accounts for the year ended 31 March 2012. During each year of the Term, GAL shall publish a statement of its assessment of the value of its asset base. This will set out the underlying assumptions and calculations, including: the initial asset based (carried forward from the end of the prior year);



depreciation; additions; disposals; indexation factors; other adjustments that may be relevant; and the closing asset base (carried forward to the start of the next year).

The publication of its annual statutory accounts has been the means through which GAL has satisfied its obligations under both parts of this Financial Information Commitment. It is proposed to retain the Commitment to maintain through its statutory accounts (or other audited statements) the level of disclosure it currently provides in relation to operating costs, revenues, financial assets, depreciation and capital expenditure. The Conditions of Use will be amended accordingly.

Following the changes to ownership of shareholdings in GAL in May 2019, GAL has amended its financial reporting cycle from a financial year ending 31 March to a calendar year basis. GAL will continue to provide the same level of financial transparency to comply with its financial information transparency commitment, albeit on a calendar year basis, along with statements of airport charges aligning with the charging year.



11 GAL's Economic Licence

11.1 Commitments and GAL's economic licence

The Commitments currently exist as contractual undertakings within GAL's Conditions of Use and are underpinned by being conditions to the economic licence granted by the CAA to GAL under the Civil Aviation Act 2012. The Term of the current Commitments runs to 31 March 2021. The CAA granted this licence having found that GAL met the market power tests in the Civil Aviation Act 2012. The CAA indicated in its January 2014 Notice of its market power determination²⁰ that:

"The Government has also put on hold the expansion of the main London airports ... The CAA considers that any change in Government policy after the release of the Airport Commission's final report may take some time to be implemented and that any significant capacity expansion would not be expected until after 2025. Over the Q6 period, due to improving economic conditions and the lack of significant capacity expansion, the CAA considers that GAL's SMP will endure."

While GAL continues to believe that our conduct during the existing Commitments period illustrates that we do not have significant market power and that an economic licence is redundant at Gatwick, these Commitments assume that the CAA would be likely to maintain an economic licence for the airport for the period from April 2021, modified as need be for a new Commitments period and for other changes to the content of specific Commitments.

GAL assumes that it will continue to operate under an economic licence for the period April 2021 through to March 2025. GAL will participate fully in any consultation conducted by the CAA regarding the content of a modified and extended licence.

11.2 Regulatory oversight

GAL's finalised Commitments represent the outputs of the process that has been ongoing since October 2017. They will inform the CAA's future regulatory scrutiny of GAL's economic licence. The CAA has set out in its initial consultation 'Future economic regulation of Gatwick Airport Limited: initial consultation', CAP 1684, that it "would welcome a process that is both designed and implemented by agreement between the airlines and GAL" (paragraph 8). In the joint response from GAL and the ACC, we set out our agreed process and timeline for the work programme which we considered provided a robust and realistic path towards negotiating a new set of arrangements in a collaborative manner. GAL and the ACC looked to reach consensus, but recognised that it might not be achieved, and that individual airlines and/or their associations might wish to raise further matters for consideration by GAL and/or the CAA.

²⁰ Market power determination in relation to Gatwick Airport: statement of reasons, CAP1134, CAA, January 2014, paragraph 2.7



GAL recognises that the CAA’s review of the outcomes delivered under the licence to date and the options for modifying the licence are likely to commence in 2020, in light of GAL’s own consultation with users. The CAA may conclude its licence review and modification process later in 2020. While GAL has worked hard to secure support from users for these finalised Commitments, we consider that the presence of the economic licence makes explicit agreement on all aspects of arrangements – particularly price – realistically beyond reach. As set out in section 5, we are confident that our finalised pricing Commitment represents a proportionate approach, which provides material benefits to our users and certainty to both us and them. We now anticipate that the CAA will evaluate these finalised Commitment to ascertain whether they are sufficient to address the market power concerns they have in relation to Gatwick. In this, GAL recognises that the CAA may itself mandate changes which differ from those GAL proposed. GAL will contribute to the CAA’s own regulatory review to inform the licence modification process.



12 What happens next

With respect to the early pricing benefits inherent in GAL's decision and in particular, the decision to price to RPI+0% instead of RPI+2.5% for the period January to March 2020, GAL will issue credit notes to airlines by the end of April 2020. The credit will reflect a 2.3% discount to the published tariff rates set out in the Conditions of Use; the permitted security cost adjustment which is embedded in GAL's tariff is unchanged by GAL's pricing decision.

We are furthermore undertaking to continue to work with the airlines over the coming months to agree suitable ways forwards on two specific topics:

- Airfield asset metrics; and
- Security queue measurement metrics.

As we have already indicated the default start date for the new Service and investment Commitments is 1 April 2021; however:

- In relation to the service Commitment GAL will seek to publish indicative results against the new standards during 2020, although the exact timescales for individual metrics will vary.
- In relation to the Investment Commitment GAL is already forecasting capital investment in 2020/21 in excess of the new minimum commitment of £120m. In addition, we will also make use of the new Capital Consultation process for the purpose of the CIP, as well as the newly developed project tracking process for new projects.

This means that the majority of user benefits from the new Commitments could start during 2020/21.

GAL anticipates that the CAA, as its economic regulator, will assess the outcome of the consultation undertaken by GAL over the last two years and make its own statement on how it intends to review and update GAL's economic licence.



13 Summary of responses

We received a range of responses to our October 2019 proposals. These included responses from individual airlines, the Gatwick airlines' consultative body, the Airport Consultative Committee (ACC) and GATCOM's Passenger Advisory Group (PAG). In addition, a number of clarifications were sought by airlines at the Airport Airlines Group (AAG) meeting in November 2019. The topics are summarised in the table below. In some cases, airlines have already accepted the extended Commitments and are now operating under them.

Issue raised	GAL response
<i>Service</i>	
<p>Several respondents commented that security should be measured based on individual passengers, not time slices</p>	<p>Gatwick already has an award-winning security operation that delivers excellent passenger outcomes. This is evident from a range of data sources, including our security queue time metrics, the Quality of Service Monitor (QSM) and the ACI Airport Service Quality (ACI-ASQ) survey. We are also encouraged that this view is shared by our airlines.</p> <p>We have already committed to enhance the rigour of the security service standards by making sure that the measured queue time is based on a greater proportion of passengers in each 15-minute time segment. It is expected that the required new technology will be installed by April 2021.</p> <p>We do however note that some airlines would like us to move from a security metric based on 15-minute time-slices that ensures the delivery of a consistent security performance throughout all periods of each day within a month, to one where the measurement is focused on ensuring that a defined proportion of passengers each month queues for less than a certain time. And that this will enable a single passenger security measure to be adopted per terminal rather than the three currently used (<5 mins, <15 mins, <30 mins). We are assured that the intention is not for the new measurement system to be tighter (by design or inadvertently), and there is recognition that any new metric will need to be carefully calibrated.</p> <p>We continue to believe that measuring security queues based on 15-minute segments has been demonstrated to generate a consistent and predictable security experience for passengers at Gatwick. However, GAL is willing to explore a single per passenger security target for each terminal (and similarly</p>



	<p>for staff security). However, as no data has been recorded on this basis to date, it is not possible to know what the performance or targets will be until the new measurement system has been installed and has been run in parallel with the existing system. Furthermore, we note that there are significant impending changes to security due to Government regulation changes which will apply during the period and these will necessitate changes to how we operate our security facilities. We consider that it would be prudent to coordinate the operational impacts of these two changes.</p> <p>GAL is very proud of its achievements in driving higher standards in passenger security. Our current performance reflects what we believe is required to achieve the current 95% / <5 min standard. We will consider an alternative metric to replicate this standard.</p>
<p>Several respondents noted in relation to airfield assets – that they did not support some aspects of GAL’s proposed measure but are happy to continue to talk to GAL about alternatives</p>	<p>The existing scheme for airfield assets (covering Stands, FEGP, Jetties) already delivers excellent outcomes. Nevertheless, following dialogue with airlines throughout 2019, GAL has already proposed a series of refinements - these were reflected in our October 2019 document and are the basis for the finalised Commitments we are now publishing.</p> <p>However, we welcome the ACC’s invitation to work with them to continue to develop an alternative airfield asset measure and, as we highlighted in the October 2019 document, we do see some possible attractions in this. We will start a process to examine the concept tabled by the ACC with the aim of coming to an agreement by April 2020.</p>
<p>Several respondents commented on the proposed Runway availability measure, noting that the proposed penalty level does not reflect the rebate levels the airlines believe should apply. Respondents further noted that further discussion was needed around interpretation of runway availability (for example reduced</p>	<p>The updated Commitments contains significant improvements to the aspects of performance currently covered by the Aerodrome Congestion Term (ACT). This includes both a simplified and more transparent runway availability metric (combined with a doubling of the maximum level of penalty), and to start publishing Airfield Travel time to provide a more meaningful measure of airfield congestion to users.</p> <p>Nevertheless, based on the feedback, GAL has decided to increase the penalty levels to £50,000 for unavailability between 15 min and 45 min and to £100,000 for outages of more than 45min. This represents an increase of more than three times the maximum penalty under the existing service Commitment.</p> <p>We furthermore note an observation from a respondent regarding the interpretation of runway availability. We have reflected on this and consider that:</p>



<p>lighting, shorter runway).</p>	<ul style="list-style-type: none"> • The revised metric addresses a request for simplification from the current system of the Aerodrome Congestion Term which is based on a concept of “deferred movements”. • The existing measure, while more complicated, does however consider the broader picture of the ability of the runway system to handle its anticipated throughput. This is why our revised airfield Commitments also include the publication of travel times to provide additional transparency on congestion. <p>We have therefore decided not to amend further this aspect of the measure.</p>
<p>QSM: One respondent noted that GAL should strive to achieve 4.00 for all the QSM measures and adopt a gradual increase for seating to reach the target of 4.00 by the middle of the next period.</p>	<p>GAL notes a comment from a respondent that GAL should aspire to achieve 4.00 for all the QSM measures included in the Core Service Standards scheme and in particular that we should adopt a gradual increase in the Departure Lounge Seating score to 4.00 by the middle of the next period.</p> <p>We have reflected on this suggestion and note the following:</p> <ul style="list-style-type: none"> • Our revised service Commitment already moves the QSM measurement basis from a moving annual total to a moving quarterly total. This means that GAL is no longer able to potentially benefit from seasonality. This amounts to an increase in the target level. • We will, however, also adopt 4.00 as an aspirational measure for departure lounge seating and start reporting any score between 3.80 and 4.00 as amber, rather than green.
<p>QSM: One respondent stated that GAL has repeatedly outperformed the QSM metrics and should increase them, otherwise it will reduce the likelihood that GAL will take actions and initiatives to improve the passenger experience</p>	<p>Our revised service Commitment already moves the QSM measurement basis from a moving annual total to a moving quarterly total. This means that GAL is no longer able to potentially benefit from seasonality. This amounts to an increase in the QSM target level.</p> <p>We have also undertaken to expand the QSM scheme into two additional areas: wifi and Special Assistance.</p> <p>As outlined above we will also challenge ourselves to aspire to a level of 4.00 for departure lounge seating in both terminals and report any score between the target level of 3.80 and 4.0 as amber rather than green.</p> <p>It should be noted that QSM questions are perception based. In answering, passengers assess Gatwick against their own expectations and this will be informed by their experiences elsewhere. Over the last decade, service improvements and the modernisation of facilities right across the London market and at destination airports worldwide has had the effect of lifting the standard of service that Gatwick must deliver to maintain or improve its QSM scores.</p>



	<p>GAL closely track and benchmark our services against other airports and during the current Commitments period we have established a strong track record of delivering a compelling service offering and of continuously improving the experience of users at the airport. As outlined in our October 2019 document, despite continuously raised expectations, passengers’ rating of their experience at Gatwick (whether measured using Net Promotor scores or panel benchmarks) has continued to improve.</p>
<p>One respondent commented that the daily Outbound baggage metric of 97% meant that 3% of bags could not travel and GAL would still pass the target – as such the metric should be raised.</p>	<p>The daily outbound baggage standard was introduced by GAL in the current Commitments period and has been very successful in driving performance in the operation of our baggage system. The new Commitment already improves on the existing metric in a number of ways, including the removal of core hours, the expansion of the categories of bags covered, and to consider events affecting the availability (as well as throughput) of the system.</p> <p>It is incorrect to assert that a 97% target means that 3% of bags could not travel i.e. be “short-shipped” and that Gatwick would still pass its target. The baggage metric does not measure whether a bag travels or not, as this is also critically dependent on the availability of airline ground handling resource to transport the bags to the aircraft and load them. The metric measures whether the baggage system delivered or attempted to deliver bags into the baggage chutes more than 25 minutes before the aircraft’s estimated time of departure to support timely aircraft turn performance.</p> <p>Nevertheless, GAL has considered the outbound baggage metric further and, recognising the importance of this service, we believe that it is appropriate to further improve the outbound baggage standard by increasing the daily metric to 98%.</p>
<p>One respondent observed that it considered that the service quality regime was insufficiently comprehensive and did not reflect the service experienced by all passengers.</p>	<p>Even before the review, the Core Service Standards was one of the most comprehensive service regimes found at any airport in the world, covering some 40 metrics each month. With the new Commitments it will be extended further, not only by adding additional aspects (such as wifi, special assistance service and airfield taxi times), but also by removing the concept of core hours from most metrics and the tightening of certain measures (such as QSM moving to a quarterly reporting basis).</p> <p>The passenger research confirmed that the amended service Commitment is targeted at the key areas of passenger experience. Nevertheless, our passengers are individuals, and each value and rate their experience slightly differently. We therefore also track and publish the overall airport experience rating from the ACI ASQ survey. This includes two elements, both how the rating has developed over time, and how we compare to a panel of other</p>



	<p>European airports. This ensures that while we maintain focus on the identified key areas, the overall rating is also considered.</p>
<p><i>Investment</i></p>	
<p>One respondent considered that the investment Commitment should be raised to £120m and indexed to inflation.</p>	<p>It is to be noted that GAL has consistently exceeded the minimum investment Commitment in the current Commitments period. Nevertheless, it is recognised that some airlines take comfort from the presence of the minimum investment level which is why GAL incorporated it in its proposals of December 2018 and October 2019.</p> <p>It is acknowledged that, with the passage of time, the minimum investment level will reduce in real terms unless uplifted and indexed. We have therefore reviewed the investment Commitment and decided to increase our minimum investment commitment from £100m to £120m on average in 2018/19 prices. This brings the minimum investment level up to date.</p>
<p>Several respondents made comments in relation to capital projects, noting that they believed that GAL prioritised projects providing a commercial return above those which provide a cost reduction to airlines.</p> <p>One user suggested that a proportion of the minimum capital spend should be set aside for Service Quality and Capacity projects</p>	<p>We note this feedback and consider that the amended process for capital consultation (particularly targeted at the early stages of project development) should help make the business cases for projects benefiting airlines clearer.</p> <p>Since 2014 Gatwick has invested £1.1billion. 41% of the total, almost £450m, was on service and capacity projects, including nearly £200m (18% of total spend) on piers and stands, £12m on Borders, £22m on the CTA/Domestic walking route in South Terminal and £73m (7% of total spend) on improving check-in to benefit both passengers and airlines.</p> <p>Gatwick has invested significantly in major programmes such as the development of North Terminal (>£130m) that, at a programme level, balanced commercial, service, and airline efficiency objectives. 40% of the programme (£51m) was invested in check-in which transformed passenger experience and also offered the opportunity for ground handlers and their airlines to significantly reduce their operating costs. Approximately 23% (£30m) of the North Terminal programme was invested in commercially returning elements of the programme such as the walk-through duty-free shop, landside catering and retail.</p> <p>The programme to consolidate easyJet’s operation into North Terminal in 2017 had passenger experience at its heart, but also offered opportunities for several airlines to rationalise their property portfolios and seek operational efficiencies. Over £80m was invested in ‘commercial’ projects to the benefit of airlines, such as CIP lounges, crew reporting facilities, offices and engineering accommodation.</p>



	<p>Excluding property projects associated with the Airline Moves programme, just 11% (£124m) of the 5-year total of £1.1billion has been invested in projects generating a commercial return. Of this, £37m (3% of the total) was invested in car parks, although it worth noting that almost half that sum was spent re-habilitating multi-storey car park 6 and not on new spaces.</p> <p>As we look forward, we see the next 5 years delivering a similar overall level of investment and a similar profile. We expect capacity and service to reduce slightly to nearer 37% of the total, reflecting increased spend on asset replacement as we embark on the re-surfacing of both our main and Northern runways. Commercially returning projects are expected to comprise just 13% of the total spend.</p> <p>GAL notes the comment that a proportion of the minimum capital spend should be set aside for Service Quality and Capacity Projects. We do not believe, based on the analysis above, whether this is necessary.</p>
<i>Price</i>	
<p>Several respondents observed that GAL had not presented any information to substantiate its price proposals</p>	<p>GAL publishes extensive materials on a regular basis. These include:</p> <ul style="list-style-type: none"> • extensive financial transparency through our statutory accounts and public market reporting. The detail of disclosure is specified through the existing and future Commitments. • the annual airport charges setting process. • short-term and long-term traffic forecasts included in, financial reporting, the annual charge setting process, CIP publications, and recent Master Plan consultation documents. • an annual, rolling 5-year Capital Investment Programme. Currently, the 2019 CIP provides an up to date overview of our investment plans, whilst the recent commencement of the 2020 CIP process provides a further indication of emerging capital projects. <p>In addition to this, full transparency exist around our service standards and performance.</p> <p>These materials were incorporated (either directly or by reference) into both our December 2018 and October 2019 consultations. These materials are more than sufficient for users to make an appropriate assessment of Gatwick’s business.</p> <p>Finally, it is to be noted that the Commitment GAL has set out is for a ceiling to the gross (tariff) yield rather than an explicit/precise gross price path (which, given the restrictions included in the new Commitments, will be at or below the ceiling in every year). Nor does it set out a net yield price path (by definition, averages lower still) which will, in any event, evolve over the</p>



	<p>period of the extended Commitments dependent on a range of factors (e.g. economic conditions, traffic growth or contraction, contractual arrangements, and airport capacity development).</p> <p>To provide further context for Gatwick’s proposals, the December 2018 and October 2019 documents incorporated benchmark data, specifically a panel benchmark of aeronautical yield against comparable airports as well as our competitors, along with a report setting out the details.</p>
<p>Several respondents noted that the proposed price was too high and/or not reflective of market conditions, citing various supporting data, including recent traffic performance, operating cost, revenue and profit.</p>	<p>GAL remains focused on ensuring that the cost of operating at Gatwick remains attractive and competitive to our users.</p> <p>GAL is not setting a gross price path comparable to some of the regulatory decisions elsewhere, but rather a ceiling within which we are willing to operate under a wide range of circumstances.</p> <p>During the existing Commitments period we have received feedback asking for longer term pricing certainty than the CNRD/CGRD mechanic provided. GAL therefore proposed this new, firmer price Commitment to passengers and airlines by removing its ability to recover, with interest, any reductions in airport charge revenues from cutting the tariff in any one year below the proposed cumulative RPI + 0% ceiling. This ceiling does not, however, necessarily represent the price level GAL expects to set over the extension period. GAL will, as now, set charges for the following financial year by means of a consultation with airlines conducted in the previous autumn and winter.</p> <p>GAL now has a track record of fair dealing in bilateral contracting, delivering lower net yields than required by the original Commitments and lower than the CAA’s ‘fair price’ path. Over the period 2014/15 to 2019/20 the benefit GAL has shared amounts to £88.2m less than that which could have been recovered under the CAA’s fair price²¹. The net level will continue to fluctuate due to commercial factors and the effect of incentives. This includes the effect of factors such as exact traffic composition, whether traffic incentive levels are achieved and any profiling built into specific contracts as well as when a contract was signed and its duration. On average the difference between the gross and the net yield has ranged from 6% to 12% and averaged circa 8%. GAL does not see this difference narrowing systematically over the upcoming period as we still see plenty of areas where closer cooperation is possible with the airlines, including further up-gauging and resilience.</p> <p>For these reasons GAL now consider that a net yield Commitment would no longer serve a useful purpose in the extended Commitments period.</p>

²¹ This contrasts to the experience in the previous 10 year period when the airport experienced much lower traffic than expected, and as a result also lower returns.



<p>One respondent commented that not setting a Net price would reduce transparency.</p>	<p>Gatwick has committed to maintain the transparency of the existing Commitments. Specifically, GAL will continue to provide transparency on the Net Yield through its financial reporting and airport charges consultation process, and this will enable airlines and other interested parties to monitor the evolution of Net Yield over time. This means the level of transparency on the Net Yield is not reduced compared to the current Commitment period.</p>
<p>One respondent noted that RPI is no longer considered an official Government statistic and that GAL should use CPI or CPI-H instead</p>	<p>RPI remains a widely used statistic, including by airports in the UK and by the UK Government and as an ongoing benchmark for index-linked Treasuries. UK statistics authorities have raised some concerns over RPI, whilst other observers have expressed concerns that, since RPI remains widely used, it should be regularly refined as with other statistical measures of inflation. It has been recommended that the Government take forward a consultation on the issues identified with this metric and how these might be addressed. We therefore anticipate that as we approach the end of this next Commitments period the implications of changes to RPI will be clearer and may need to be considered for the long-term.</p>
<p>One respondent noted that removing the mechanism to adjust for previous over or under recovery removes protection to users arising from forecasts inaccuracy</p>	<p>GAL's forecasting record in recent years has been good: the out-turn yield has on average varied by less than 1% relative to the forecast in the period from 2014/15. Under the current Commitments, any gap in yield between forecast and out-turn is combined with the planned cumulative over- or under-recovery in the CGRD calculation.</p> <p>We do however note that there is a theoretical risk that outturn gross yield could inadvertently exceed the ceiling. We have therefore amended our commitment to clarify that in the unlikely scenario where outturn gross yield exceeds the price ceiling (after security cost adjustment), this is returned to the affected airlines.</p>
<p>An respondent requested GAL confirm which Ancillary Service Charges had been removed from the gross yield calculation</p>	<p>The Selected Ancillary Service Charges were defined in the original Commitments as: Staff ID, airside licences, Fixed Electrical Ground Power (net the cost of electricity), Airside parking and Hydrant Refuelling. The actual revenue from these charges has been removed from the 2018/19 Core Yield, along with the permitted security adjustment revenue to calculate the initial reference gross yield of £10.29.</p> <p>These services are re-charged to airlines based on a cost recovery basis. GAL will continue to consult and report on these as per current practice.</p>



	<p>As set out in the October 2019 proposal (and repeated on page 31), the revenue from these Selected Ancillary Service Charges is typically 8p per passenger per year.</p>
<p><i>Other topics</i></p>	
<p>One respondent noted that GAL’s ability to influence operational performance and resilience are products of a number of factors that are in the control of multiple parties and therefore are accordingly constrained.</p> <p>The same respondent furthermore observed that GAL should review the capacity declaration process.</p> <p>At our Airport Airlines Group meeting in November 2019, GAL was asked to provide a view of what operational initiatives GAL will be working on to make on time departure improvements, e.g. capital projects, and how/where it will work with the airlines to achieve this</p> <p>Following a similar theme, one</p>	<p>We agree with the observation that GAL’s ability to influence operational performance and resilience is constrained for the reason outlined by the respondent.</p> <p>In its Proposal, GAL has committed to introduce new service targets to underpin its continuing focus on improving punctuality and operational resilience. These include: formal targets for on-time performance; a seasonal review of the airport’s and airlines’ collective performance over the season, and, as required, the development with airlines of a punctuality improvement programme; investment in a portfolio of operational initiatives to embed resilience and support punctuality.</p> <p>There are a number of operational initiatives already supported by GAL and these will likely evolve over time in response to changes in punctuality, the outcomes of the seasonal reviews, and the relative performance of different airlines. Without being prescriptive, the portfolio might include elements such as::</p> <ul style="list-style-type: none"> • Incentive schemes (for airlines and/or ground handlers) • Seasonal resource/recruitment validation • Standby resource • Collaborative recruitment e.g. Gatwick job fairs, • Capital projects such as: <ul style="list-style-type: none"> ○ Pier 6 ○ Rapid Exit Taxiway ○ Ground Movement Control position 2 ○ Integrated Controller Working Position ○ Time Based Flow Management ○ Reduced Departure Separation ○ Automation of push back ○ Turn event detection ○ Taxiway enhancements ○ Push and hold stands <p>GAL will continue to work with airlines to develop initiatives that drive the right behaviours, while recognising that it remains the responsibility of airlines operating at Gatwick to ensure that they procure sufficient ground</p>



<p>respondent noted that insufficient detail has been provided on how airfield performance and on time performance could be improved.</p>	<p>handling resources to enable them to operate their schedule and deliver baggage to their customers in a reasonable time. We will therefore seek to design any measures to not disadvantage those airlines who already run a resilient operation at Gatwick.</p> <p>Regarding the capacity declaration process GAL notes that a review of this process is already being undertaken by the Coordination Committee managing the capacity declaration.</p>
<p>One respondent observed that there is insufficient details on the northern runway project to assess its impact on operations and costs.</p>	<p>Throughout this process GAL has provided information regarding our future plans, and representatives from the airlines operating at Gatwick have been involved in the development of the operational concepts and safety assessments. This has included the consultation on the Gatwick Draft Master Plan in October 2018, and the publication of the final master plan in June 2019, both of which included the potential use of the Northern Runway. The scope of this information has reflected the early stage of the development of the project.</p> <p>In the next phase the Northern Runway project will need to progress through the planning process, and in this process more information will become available on the project, including its operational impacts. GAL is not adjusting its price commitment in response to the substantial additional capital expenditure which GAL may incur in this period in preparation for obtaining the DCO or in starting to implement the resulting infrastructure projects.</p>



Annex A1

Gatwick Core Service Standards (private and confidential)

This is the final version of the GAL Service Standards based upon:

- Feedback from the ACC on the Draft Discussion paper issued in July 2019, which in turn was based on output from a series of 13 working groups held from October 2018 through to March 2019, and further engagement with the ACC following the conclusion of the passenger research programme in June 2019.
- Feedback from GATCOM's Passenger Advisory Group (PAG) via a series of workshops in 2017 and feedback with their requests for CSS enhancements in January 2018 which have also informed our revised standards. Members of the PAG were fully engaged in the passenger research conducted in spring 2019.
- Feedback from the ACC, individual airlines and the PAG in response to GAL's revised Contracts and Commitments proposal, issued for consultation in October 2019

Quality of Service Metrics

Overview

- Passenger research is at the core of how Gatwick operates the airport. We routinely monitor many service metrics through our Quality of Service (QSM) Metrics, as well as our performance relative to other airports through the Airports Council International Airport Service Quality (ACI-ASQ) monitor.
- A subset of the metrics we collect are identified as relating to aspects of the passenger journey under the airport's control that are so critical to the passenger journey that failing them would imply a material degradation of the passenger experience. These are; Departure Lounge Seating, Cleanliness, Wayfinding and Flight Information.
- Our passenger research suggests that these elements remain very important to passengers. Two other elements, highlighted by the PAG, have also emerged as being particularly critical:
 - Ease of using WiFi: Connectivity has risen in importance. This is due in part to the rapid proliferation of smartphones and social media over the past decade, but it is also now being relied upon by both passengers for journey information, and by airlines, for example to facilitate passenger re-booking in case of disruption.
 - Special Assistance Service: Over recent years the proportion of passengers using this service has grown significantly faster than our overall passenger numbers and over time expectations from this service have increased. It is also clear that this passenger group have many needs and views that are distinct from those of other passengers. While Gatwick already publishes performance against the CAA's monitoring framework set out in CAP1228, we consider it appropriate to also monitor end user satisfaction with the service.

Annex A1 Gatwick Core Service Standards

- Except for cleanliness, the QSM targets have been met for the duration of the Commitments period despite passenger numbers increasing from 35m per annum to over 46m per annum. To achieve this GAL has invested in new seating, upgraded flight information screens, new toilet blocks and continuously worked to manage signage.
- Our recent passenger research has confirmed our view that the inclusion of QSM measures of Departure Lounge Seating, Cleanliness, Wayfinding and Flight Information Screens remains appropriate and provides the right incentives for us to continue to maintain a good service and to invest in these core passenger facilities. Reflecting on targets for these measures we believe it is appropriate to consider that it is important for passengers to receive a consistent and predictable service. We agree with the airlines and the PAG that the measure could be enhanced and have changed to a Moving Quarterly Total (MQT) basis. This is a material enhancement to the standard of service- volatility in the sampling and data is such that a reduction in the sample size (as a result of changing the calculation from annual to quarterly) requires a higher level of performance to ensure the targets are met.
- GAL recognises the feedback from the PAG that we should aspire towards a score of 4.00 in all the QSM measures and we will adopt 4.00 as an aspirational measure for seating and start reporting any score between 3.80 and 4.00 as amber, rather than green.

Metrics	Existing target	ACC request	PAG Request	Gatwick Standard	Notes on the standard
Departure lounge seating	Based on QSM survey Target: 3.80 MAT	4.10 MQT	4.00	Based on QSM survey, Target: 3.80, MQT	Remove Moving Annual Total and replace with Moving Quarterly Total (MQT) from 1 April 2021 Report scores between 3.80 and 4.00 as amber rather than green
Cleanliness	Based on QSM survey, Target: 4.00 MAT	4.20 MQT over both terminals	Should be measured for both departing and arriving passengers	Based on QSM survey, Target: 4.00 MQT	
Way finding	Based on QSM survey, Target: 4.10 MAT	4.15 MQT	Should be measured for both departing and arriving passengers. Gatwick App should be incorporated in the wayfinding measure.	Based on QSM survey, Target: 4.10 MQT	
Flight Information	Based on QSM survey, Target: 4.20 MAT	4.35 MQT	Add a measure for the availability of the flight information system	Based on QSM survey, Target: 4.20 MQT	
Ease of Using WiFi			Introduce an overall WiFi experience measure	Based on QSM survey, Target 4.00 MQT Reporting (not financial) target	

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Special Assistance Service			Outbound and inbound PRM service users should be asked to rate the end to end Gatwick service	Based on Special Assistance Survey > 400 PRM pax interviewed per terminal per month*. Target 4.00 MQT. Reporting (not financial) target	The passenger research has highlighted that this passenger group has a set of preferences and needs that are distinct from those of other passengers. This target is aligned with that used by Gatwick to manage our special assistance contract.
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* The PRM survey is undertaken in two parts. A total of 800 passenger per month are interviewed in the PRM lounges about their departure experience. This is then followed up by an email survey which asks questions about the arrivals journey. As responding to the email survey is voluntary the response rate will vary somewhat.

Security

Overview

- **Passenger Security:** Gatwick passenger security is widely recognised as already among the best security products in Europe. Our QSM results consistently rate passenger security highly and recent independent surveys, from, for example, Which? and the DfT confirm this. The most recent passenger research has not identified any need or justification for tightening the queuing targets.
- We agree with the airline community that where automated technology is deployed there is no longer any need to only monitor core hours and instead queues should be measured whenever security is open.
- The airlines proposed combining the current 95% <5mins and 98% <15 mins metrics to a single 99%<8 mins measure. They also propose that the target be measured across all passengers rather than individual passengers in time segments. GAL would observe that:
 - We agree with the airline community that, with improvements in technology, it is possible to cost-effectively improve the sample rate of passengers passing through security and that we should aim to measure as many as possible. We are committed to investing in new measurement technology to achieve this.
 - The airline community would like to move the metric to an average of all passengers. The statistical variability of the current small sample size makes a single measure across all measured passengers unviable, but when the sample rate is increased, we are prepared to consider revising the metric to a single target, equivalent to today's target. We expect to have installed new technology and evaluated a revision to the metric by April 2021.
 - We continue to believe that measuring time segments ensures a consistent passenger experience. We do however note the airline feedback that they would like to move from a security metric based on time-slices that ensures the delivery of a consistent security performance throughout all periods of the day, to one where the measurement is focused on ensuring that a proportion of passengers each month queues for less than a certain time. The intention is not for the new measurement system to be tighter, but the new metric to replicate current performance.
 - GAL is willing to explore a per passenger/staff security target on this basis. However, it is not possible to know what the performance or targets will be until the new measurement system has been installed. Furthermore, we note that there are significant impending changes to security due to Government regulation changes which will apply during the period and these will necessitate changes to how we operate our security facilities. We consider that it would be prudent to coordinate the operational impacts of these two changes
 - Increasing the percentage of passengers from 98% to 99% and decreasing the time from 15mins to 8 mins would represent a significant tightening of the current target, which we believe is unwarranted.

- **Flight Connections:** The Flight Connections facilities are used by approximately 2% of Gatwick passengers. The nature of passenger demand for the facilities shows peaks and troughs through the operating day, but we consider that this product works well. We do not therefore believe it is justified to raise the service standard, by reducing the queue time target. Furthermore, an increase in the baseline target would necessitate significant capital investment to expand the facilities in both terminals to double their current size. We acknowledge that traffic schedules have evolved over time, which has resulted in a shift in timing of demand for the connections facility. In South Terminal Flight Connections automated measurement is not feasible due to physical constraints and therefore core hours will continue to operate. These will however be updated to reflect current schedules. In North Terminal automated queue measurement is operational and queues will be measured all the time security is open.
- **Staff Search:** We note that the target for staff search (95% <5min) is already significantly tighter than the 95% <10min target that operates at Heathrow and we have consistently met this exacting target. We believe 95%<5mins continues to offer a consistently high service level for all our operational teams. Nevertheless, certain airlines have expressed a wish to enhance this service further, and we recognise that for air crew, because of their key role in punctuality, staff search is critical. Accordingly, we have suggested we raise our standard further to 97% <5min for the Atlantic and Jubilee house control posts where the majority of aircrew is processed. Staff Search facilities in the terminals are used by limited numbers of air crew, and a very wide range of slightly less time critical staff such as retail concessionaire staff, construction workers and the ground handling community all of whom are on different shift patterns.
- **Control posts:** We agree with the airline community that, given their importance to efficient operations, the control post targets could be tightened for key services. We commit to reduce queue times for operationally important traffic to a new standard of 95% <10min from today's target of <15mins.
- **Southern Approach:** The level of queuing due to security search at the southern control post is currently not measured. We will introduce a security search queue time metric for the southern control post of 95% <10min for operationally important traffic. However, this facility is capacity limited and intended for specific purposes and not for general use. The target will therefore be accompanied by usage restrictions and be limited to core hours.
- The DfT have mandated changes to the technology deployed to screen both passengers and staff with an implementation target of December 2022. This will result in changes in all of Gatwick's security areas. This may drive changes to how we measure security or necessitate a change in the baseline security metrics.

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Metrics	Existing target	ACC request	PAG request	Gatwick Standard	Notes on the standard
Central Search	95% <5 min	99% <8 min all passengers, remove core hours, report on family lane	None	95% <5 min. Deliver a new measurement system to capture a greater proportion of passengers in each 15-minute time segment. Once the new technology has been deployed a simpler, single metric, equivalent to the current baseline metric, either based on per passenger or 15 minute time segments will be explored with a view to implementation in April 2021*.	<p>New technology will be explored and introduced that measures a far higher proportion of passengers.</p> <p>It is expected that the replacement system will be operational and the opportunity for a revised single metric assessed by April 2021. This single metric would replace the three, existing metrics.</p> <p>Core hours will be removed and any time when security is open will count towards the standard.</p>
	98% <15 min			Penalty should increase for each minute that the target is failed	

Annex A1 Gatwick Core Service Standards

	30 min single event	30 min single event	Discontinue target as longer appropriate following major process improvements over last decade	Continue with 30 min single event (as today)	
Metrics	Existing target	ACC request	PAG request	Gatwick Standard	Notes on the standard
Flight Connections	95% <10 min	99% <8 min all passengers, remove core hours	None	95% <10min North Terminal: Remove core hour limit and measure queue time whenever security is open. South Terminal: Amend core hours in South Terminal to start at 06.30. (i.e. starting one hour earlier)	The flight connection standards are kept as they are, but core hours are removed in North Terminal and amended to better match passenger flows in South Terminal. GAL notes that connecting passengers can sometimes end up on tighter connections than they anticipated. In these circumstances we work with the airline to accelerate their journey by, for example, calling forward the affected passengers. We have no indication that passengers are missing connecting flights due to the current queue standards. FCCs are used by just 2% of passengers. The facilities experience very peaky passenger flows, driven by inbound schedules and connecting passenger loads. Our ability to amend the targets are limited by the footprint of the facility. Changes would only be possible following significant investment to expand the facilities to 6 lanes in ST and 4 in NT. There are no simple expansion opportunities in either terminal so the investment required would run to tens

Annex A1 Gatwick Core Service Standards

					of £millions, based on recent expansions of Border Force areas. Core hours (i.e. manual queue timing) is retained in South Terminal as no suitable automated measurement technology is currently available given the low ceiling heights in the area.
Metrics	Existing target	ACC request	PAG request	Gatwick Standard	Notes on the standard
Staff search – Terminals	95% <5min	99% <5min, measure all staff in segments, remove core hours	None	95% <5min Remove core hour limit and measure queue time whenever security is open	
Staff search – Atlantic/Jubilee			None	97% <5min Start project to enable new target implementation by 1 April 2021. Remove core hour limit and measure queue time whenever security is open	Queue time targets will be raised for the two staff search areas where the majority of aircrew are processed i.e. Jubilee and Atlantic House.

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Northern Control Post	95% < 15min	99% <15min, all vehicles measured, remove core hours	None	Enhance queue time standard to 95% <10min by 1 April 2021 for operationally critical traffic	<p>Queue time target will be tightened for time critical operational vehicles using the Northern control post.</p> <p>We anticipate the definition of critical operational vehicles to include catering, fuel vehicles and ground handling, but to exclude construction traffic. GAL will bring a proposed definition for discussion at the Service Quality Group.</p> <p>There is uncertainty around the best method to achieve the reduction in queue times. We commit to exploring priority lane(s) which are a potential solution, as quickly as possible with the new standard becoming effective from 1 April 2021.</p>
Metrics	Existing target	ACC request	PAG request	Gatwick Standard	Notes on the standard
Southern Control Post	Not currently measured	99% <15min, all vehicles measured, remove core hours	None	<p>95% <10 min</p> <p>Start measurement, subject to core hours and protocol placing restrictions.</p> <p>Measure to commence by 1 April 2021.</p>	<p>Queue time measurement will be introduced for operationally critical vehicles. This will be subject to the practical limitations associated with Southern Control post as a secondary facility and therefore limitations will also be placed on who can use the facility.</p> <p>GAL will bring a proposed definition of restrictions to apply to the Southern Control Post, including both core hours and which traffic may use the CP for discussion at the Service Quality Group.</p>

*We note that there are significant impending changes to security due to Government regulation changes which will apply during the period and these will necessitate changes to how we operate our security facilities. We consider that it would be prudent to coordinate the operational impacts of these two changes

Passenger Sensitive Equipment

Overview

- The objective of these service standards is to ensure that key infrastructure, termed passenger-sensitive equipment (PSE), is available for use by passengers and crew during the busiest times of the day. It therefore ensures that most maintenance is undertaken at night-time¹, and that if failures should occur then GAL is incentivised to bring the infrastructure back into service as quickly as possible (subject to safety constraints).
- The current system based on core hours remains fit for purpose for PSE and provides an elegant and simple way to allow our engineering teams to manage asset availability through the working day/night, consistent with expected patterns of use.
- Some of our airlines have suggested that the system of core hours could, in the extreme, allow GAL to stop all assets outside the core hours. Gatwick has never done so and would never plan to do so. While this is a theoretical risk, GAL have amended the rules to allow only a maximum of 6 assets in total, across both terminals, to be maintained at any one time (outside core hours) in addition to any which are excluded as part of the annual maintenance plan.
- We recognise the PAG's concern that assets sometimes are not highlighted as out of service until a passenger tries to use them but have not yet identified a way to capture passenger feedback on this topic specifically. In the moment feedback from passengers, via social media channels, suggests this is not a significant issue, but we will continue to monitor.
- We will add in excess of 30 assets to the list of priority assets to reflect better the current pattern of passenger usage. For example, the escalators offering passengers access to/from the Pier 6 link-bridge were not included as priority assets.
- Reflecting on target levels for these measures, we believe it is appropriate to consider the principle that the core service standards are designed to address. The standards represent the level below which passenger experience should not drop without penalty. We consider 99%, which equates to just 11 minutes outage per day (18 core hours), across a range of more than 320 assets, to be 'good' or even 'very good'.
- We will continue with the system of an annual maintenance plan which appears to be working well and has been well received by the ACC.

¹ While Gatwick operates throughout most of the night, in reality very few flights depart or arrive in the night due to night-time flying restrictions. The restrictions have evolved over time so while total Gatwick passenger numbers have grown significantly over recent years, the night time restrictions have ensured the proportion of night flights has not grown. The number of night time movements in 2015/16 was 13,591 (before dispensations) out of a total of 265,970, i.e. 5.1%. This compares to 14,256 out of 285,947 in 2018/19, i.e. 5.0%.

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Metrics	Existing target	ACC request	PAG request	Gatwick Standard	Notes on the standard
PSE Priority	99% in core hours	99.75% availability 24/7 (exclusions broadly as now)	Equipment is assumed to be operational because a fault is not logged. However, for example, it is possible for an aircraft to arrive at a gate and for the escalator not to be running. It is also possible for a traveller to be not working but not shown as unserviceable. Thought needs to be given to how to incorporate such situations into passenger questioning.	<p>99% in core hours Amend rules to allow maximum planned outage of 6 assets outside of core hours.</p> <ul style="list-style-type: none"> • Scope of priority assets amended • Core hours amended and standardised to better reflect passenger demand. These are: • 04:00 – 21:00 for Airside Passenger Lifts, Escalators and Passenger Conveyors. • 04:00 – 19:00 for Landside Passenger Lifts, escalators and Passenger Conveyors. • 17:00 – 07:00 for Airside and landside goods lifts <p>Current exclusion regime retained for major maintenance/projects.</p>	<p>Some simplification and alignment of core hours.</p> <p>Separate core hours for goods lifts are appropriate as these have a different demand profile from passenger assets.</p> <p>Additional certainty provided around availability of assets outside of core hours by committing to a maximum number of assets out for maintenance at any given time (outside of core hours) in addition to those excluded in the agreed annual maintenance plan.</p> <p>Current target equates to 11 minutes per day (18 core hours) outage across all assets. Increasing the target for priority assets would equate to less than 3 minutes per day across over 100 assets which we consider to be unwarranted.</p>
PSE non priority	99% in core hours			<p>99% in core hours</p> <p>Current exclusion regime retained for major maintenance/projects.</p>	

Inter Terminal Shuttle System

Overview

- The objective of the shuttle metrics is to ensure that the service is available for use by passengers and staff during the busiest times of the day.
- The shuttle is a special asset in that it is subject to rail regulations. This means that the maintenance regime for the assets is subject to approval from the rail regulator. The shuttle was built without offline maintenance capability or crossover between the tracks. These two factors taken together this means that there is very little scope for flexibility around the maintenance allowances already provided.
- We agree with the PAG and the airline community that the core hours should be reviewed on a regular basis to ensure alignment with passenger flows. GAL believes that this should happen seasonally.
- GAL will implement a number of refinements to the current regime to clarify and enhance the service proposition.

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Metrics	Existing target	ACC request	PAG request	Gatwick Standard	Notes on the standard
1 Shuttle	99%	100% and 3 trains	The core hours should be reviewed twice a year (based on projected passenger volumes by hour) and published alongside performance data.	Requirement for 1 train to operate, with a minimum of 3 cars in service, 99% of each 24-hour day	<p>The current target is already challenging to meet, and an increased target from 99% to 100% is unrealistic. For example, it is not uncommon to have an outage for a few minutes when a passenger holds a door from closing, or gets a suitcase stuck in the door. Our engineering teams are located immediately beneath the shuttle station and can respond and resolve such issues in minutes, but 100% target would be continually failed. GAL outlined an amended and enhanced proposal on 14 August, which is reflected in the Gatwick Standard column.</p> <p>Note: 1 shuttle: unavailability equivalent to approximately 7 hrs per month or 14 min per day 2 Shuttle - unavailability equivalent to approximately 22 hrs per month or 43 mins per day</p>
2 Shuttle	97% of core hours 0500-0700 and 1400-2000 Tuesdays: 0500-0700 and 1500-2000	99% of core hours 0400-1200 and 1400-2000		<p>Requirement for 2 trains to operate, with a minimum of 2 cars in service, 97% of each 24 hour day except during the following maintenance periods:</p> <ul style="list-style-type: none"> - Up to 3 hours downtime for 1 train in the period 05:00 to 20:00 (reactive maintenance only – a working definition of reactive maintenance is maintenance that there was no plan to undertake 24 hours earlier) - Up to 9 hours downtime for 1 train in the period 20:00 to 05:00 <p>Up to 5 hours downtime for 1 train in the period 05:00 to 20:00 (on track inspection day only – which must be a mid-week day)</p> <p>Twice-yearly, two-week, planned ‘dead-band’ maintenance period:</p> <ul style="list-style-type: none"> • Planned in the quietest months of year • Requiring AOC support in advance • Reducing the operation to 1 train with a coaching contingency (no CSS) 	

Airfield Assets

Overview

- The objective of the suite of airfield metrics is to incentivise Gatwick to schedule the maintenance of airfield assets effectively, thereby minimising any adverse impact on passenger experience and airlines' ground operations. The measure seeks to reduce the impact on users while operating a maintenance schedule that delivers resilient airfield assets.
- The existing targets and metrics deliver good outcomes. We agree with the airline community, though, that if these metrics were to evolve, then core hours are a less useful concept here for airfield assets than for Passenger Sensitive Equipment. Stands are technically busiest overnight when aircraft are parked on every pier-served stand and many remote stands, but their availability is also critical during the day to facilitate pier service, smooth turnaround performance and to enable airlines and their ground handlers to achieve punctual operations.
- The proposal offers a simplified approach with the removal of core hours and the definition of a maximum number of assets which GAL can have unavailable at any one time, whilst maintaining a small 0.5% tolerance to reflect the volume of operational activity and ensure efficient maintenance scheduling.
- GAL still expect major investment projects to require exemption(s) from the standards as it would not be efficient to build and operate the airport with the type of headroom required to accommodate investments such as pier extension or major reconfigurations.
- GAL still expect current exemptions to cover asset outages caused by airlines or their agents, or where no fault is found to be maintained. Further exemptions will be sought for activities that have historically been undertaken during non-core hours. Examples include winter operations 'polar bear' training that limit access to stands.
- The ACC have recently proposed (October 2019) a service delivery approach in contrast to an asset availability measure. i.e. a stand allocated to an airline must be equipped with serviceable FEGP (or GPU) and jetty (where a jetty is provided). If there is no demand for a stand the stand or its assets may be out of service at any time. We believe the refinements already proposed by GAL to the existing scheme, which currently delivers excellent outcomes, are fit for purpose, however, GAL recognise that there is merit in the airlines recent proposals and we are willing to continue to explore the concept further. We will schedule a series of meetings with the ACC to explore this option with the aim of developing an alternative by April 2020.

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Metrics	Existing target	ACC request	PAG request	Gatwick Proposal	Notes on proposal
FEGP	99%, core hours 0000 - 1100 and 1900-0000	99% availability, measured 24/7, All useable centrelines have FEGP or GAL provided GPU ¹	None	<p>Either: New metric developed jointly with ACC</p> <p>Or: 99.5% availability subject to maintenance allowance.</p> <p>Remove core hours</p> <p>2 FEGPs per terminal can be taken out for maintenance at any given time, plus 2 remote stand FEGP units.</p> <p>FEGP will be measured by individual asset instead of by stand, and in 7 locations by the availability of GPU.</p> <p>In addition to this the FEGP on the stands taken out for stand maintenance are excluded from the calculation.</p> <p>As today, some exclusions apply (see Notes on Proposal for detail)</p>	<p>These notes relate to the existing proposal</p> <p>This meets the airline request for a “firmer” target. i.e. Gatwick commits to provide a set number of assets at any given time.</p> <p>Further examination of the data has shown that many of the FEGP and loading bridges faults are short duration issues, often caused by user error. We therefore consider it appropriate to maintain a percentage target alongside an explicit allowance for maintenance.</p> <p>Analysis has also highlighted examples of maintenance work on taxiways which impact more than 1 remote stand/FEGP e.g. taxiway block joint maintenance, AGL works, so the allowance has been amended to 2 remote stands/FEGP.</p> <p>Typically, major maintenance activity on FEGP and loading bridges will necessitate the closure of stands. However, the metric allows shorter duration and less invasive work (which does not affect the ability to park an aircraft on the stand) to also be undertaken effectively.</p>
Jetties		99% availability, measured 24/7, each jetty allowed 12 hour maintenance per year. Maximum of 1 Jetty unusable at any time airport wide ¹	None	<p>Either: New metric developed jointly with ACC</p> <p>Or: 99.5% availability subject to maintenance allowance.</p>	<p>We would still expect that exclusions would be available for the following scenarios:</p>

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				<p>Remove core hours.</p> <p>For each terminal 2 jetties can be taken out for maintenance at any given time.</p> <p>In addition to this the jetties on the stands taken out for stand maintenance are excluded from the calculation.</p> <p>As today, some exclusions apply (see Notes on Proposal for detail)</p>	<ul style="list-style-type: none"> - Urgent Health and Safety works i.e. Technical Bulletins from the manufacturer that require immediate remedial work - Planned major maintenance (e.g. taxiway blocks impacting multiple stands) with 3 weeks' notice through the CSS exclusion process. - Major investment projects with 6 weeks' notice through the CSS exclusion process - As per existing exclusion Clause 10, equipment downtime due to damage to or misuse of assets likely to have been caused by airlines or their agents. - As per existing exclusion Clause 11, downtime where a fault has been reported by the airlines or their agent but when the engineers attend the site no fault is found. - Winter readiness training which may limit access to stands (e.g. polar bear training on 230s)
Stands		<p>99% availability measured 24/7. 6 hours maintenance per stand per year 1 pier served stand per terminal unavailable at any time 1 remote stand unavailable at any time¹</p>	None	<p>Either: New metric developed jointly with ACC</p> <p>Or: 99.5% availability subject to maintenance allowance.</p> <p>Remove core hours.</p> <p>Maintenance allowance: 2 stands at any time in each terminal, plus 2 remote stands can be taken out for maintenance.</p> <p>As today, some exclusions apply (see Notes on Proposal for detail)</p>	

¹ This was the airline community proposal until October 2019, when an alternative concept was mooted.

Airfield others

Overview

- **Pier Service Level:** Our passenger opinion data suggest that passengers prefer to embark and disembark from aircraft on pier served stands, but we also know that the remote stands remain essential, particularly given the peaky nature of traffic, to maintain an effective and resilient operation. Therefore, we consider it appropriate to retain this target and to maintain an ongoing focus on operational optimisation of stand allocation as well as investment in pier served infrastructure.
- **Wash stands:** This is a specific topic that arose during the workshops to review CSS metrics. GAL notes the importance of aircraft washing for airlines as it enables greater fuel efficiency. Data suggests that wash stand availability is driven primarily by airline contractor availability and bad weather rather than by the performance of GAL assets. Nevertheless, opportunities for some improvements have been identified. We agree with the community that this a metric that we should report upon but consider it a topic more appropriate for ongoing monitoring via the Joint Operations Group rather than through a new Core Service Standard incorporated within the Commitments.
- **Airfield Availability:** We agree with the airline community that the current Aerodrome Congestion Term (ACT) could evolve into a Runway Availability metric. We note the ACC's request that the penalty be linked to duration of outage. GAL would observe that it already has a strong financial incentive in ensuring the availability of the runway and believe a minute by minute sliding scale could be seen to incentivise the wrong safety behaviour, placing speed in tension with safety considerations. However, GAL have revised the standard to a stepped approach and have raised the maximum penalty further from the previously proposed £60,000 to £100,000 (compared to the current £30,000).
- **Airfield Travel Time:** We recognise the criticality of a free-flowing airfield to the achievement of flight punctuality and resilient airline operations. We therefore agree with the airline community that we should develop metrics to measure airfield congestion. One option could be to measure and report upon time from ASRT (Actual Start Request Time) to wheels up. This would however capture time spent in the ground hold area, which is primarily driven by air traffic control sequencing of aircraft due to national or European aerospace congestion and concentration of flights going to similar destinations at any particular time (i.e. factors outside GAL's control). We therefore suggest a more focused metric should measure airfield travel time from ASRT to when the aircraft enters the Hold (last Ground Movement Control).

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Metrics	Existing target	ACC request	PAG proposal	Gatwick Standard	Notes on the standard
PSL	95% of passengers to be pier served. Calculated as a Moving Annual Total	95%, measure monthly and wish to review list of exclusions Airlines do not wish to grant additional exclusions to facilitate investment. Wants GAL to build in anticipation of need.	None	95% of passengers to be pier served. Calculated as a Moving Annual Total reflecting the seasonal nature of PSL and the need to balance PSL, investment and towing. Current exclusion regime retained for major maintenance/projects.	We consider the existing target for pier service remains appropriate. Recent project discussions have limited stand outages to 3 (e.g. Pier 4 MCA). However, GAL consider this to be high on an everyday basis and believe 2 pier served stands to be more in the passenger interest. Certain maintenance activities and/or minor projects (such as work on fuel lines/valves) would not be able to be accommodated within the 2-stand limit and would require exemption if we move to a non-core hours approach.
Wash Stands		Report on wash stand availability and reason for unavailability. Target: 2 stands available 24/7 Summer season. 1 available to max code E capability in winter seasons (initially reporting, but option for rebate later)	None	Monthly reporting on wash stands through JOG or other suitable operational forum.	JOG is more appropriate forum than CSS Data suggests the majority of non-availability is due to cold weather and airline contractor performance, but GAL recognise the importance of monitoring performance to allow remedial action to be taken collectively to maintain service.

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<p>Runway availability / ACT</p>	<p>Congestion metric based on deferred movements due to airport action</p>	<p>Runway availability 24/7 Rebate payable after closure longer than 9 min. Rebate accumulates at £2k per minute (equivalent to 2x User Charges)</p>	<p>None</p>	<p>Runway availability 100%. Measured as events whereby the runway becomes unavailable due to an unplanned event which is the responsibility of the airport or its agents. Examples include runway breakouts and shortages of local Air Traffic Control Officers. Duration of runway not available penalty: Up to 15 min: No penalty 15min-45min: £50,000 >45min: £100,000</p>	<p>GAL agrees a simplified target is desirable and has responded to feedback regarding a time -based penalty with a stepped approach. 15 mins is the penalty commencement point to accommodate routine activities such as runway sweeps, friction tests, de-icing etc.</p>
<p>Airfield Travel Time</p>		<p>Report on Average Time between ASRT or scheduled (whichever is later) and Wheels up. Target: 08R – 20min 26L – 14min Reporting metric only to begin with.</p>	<p>None</p>	<p>Report on Average Time between ASRT or scheduled and enter hold (Last GMC). Reporting only metric (via JOG)</p>	<p>GAL agrees with the introduction of a measure for airfield travel time, however we consider it should stop when the aircraft enters the hold as from that point aircraft are largely affected by factors outside the airport’s control.</p>

Baggage

Overview

Baggage Carousels:

- The objective of this metric is to ensure that key infrastructure is available for use by passengers during the busiest times of the day. However, we agree with the airline community that core hours is a less useful concept here and acknowledge a concern expressed by some of our airlines that the system of core hours could, in an extreme case, allow us to take all the reclaim carousels out of service outside the core hours. GAL has expanded the time coverage of this metric to the whole of the operational day, by removing the core hours, in return for a marginally lower target (98.5%) to allow for the maintenance which would normally be done outside of core hours. We also commit to take a maximum of three belts out at any given time in each terminal. As before GAL will continue to coordinate outages between our terminal and baggage functions so that any impact on passengers is minimised

Outbound baggage:

- Having invested heavily in baggage system resilience, we agree with the airline community that it is appropriate to remove core hours for outbound and transfer baggage.
- GAL recognise that there have been times where the outbound baggage metric has been technically passed, despite considerable disruption to the baggage system resulting in a poor experience for passengers and will adopt a pragmatic approach to investigating, reporting and where appropriate, rebating affected airlines.
- GAL furthermore notes the responses from the airlines that the outbound baggage target level still represents a large volume of potentially delayed baggage for passengers and therefore we have raised the target level of the daily outbound baggage metric from the current 97% to 98%.

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Metrics	Existing target	ACC request	PAG request	Gatwick Standard	Notes on the standard
Inbound baggage Carousels	99% Availability, subject to core hours (Summer: 0400-2300, Winter 0500-2100)	99.75% availability 24/7 3 weeks deadband in spring and November. No more than 3 belts out of operation any one time between 0000-0400.	None	98.5% availability, remove core hours 3 weeks deadband in spring and November. No more than 3 belts per terminal out of operation at any time Current exclusion regime retained for major maintenance/projects.	The standard provides more certainty over asset availability throughout the day and night. To remove the core hours a slight reduction in target is necessary to facilitate the ongoing maintenance activity that would currently happen at night-time outside of core hours.
Outbound Baggage	99% of bags monthly 97% of bags daily Measurement is the percentage of bags both daily and over a month that are tipped or attempted to be tipped into the baggage chutes (sorters) more than 25 mins before the published estimated time of departure.	99.5% monthly 98% of bags daily New metric – if system goes down for more than 15 mins cumulatively per day than this is an automatic failure. Remove Core hours	None	99% of bags monthly 98% of bags daily Remove core hours and include transfer bags New metric: Where baggage system assets have caused a demonstrably poor passenger outcome, while at the same time the daily outbound baggage measure has been passed GAL will investigate the circumstances of the event and if appropriate, will report the daily event as a failure against the CSS and issue a rebate to airline(s) that were affected. Examples of such incidents include: <ul style="list-style-type: none"> • GAL Network issues affecting check-in • HBS matrix issues • Power supply interruption Current exclusion regime retained for major maintenance/projects.	The standard has been revised to reflect situations where the daily measure has been technically 'passed' despite significant disruption. For example, where bags have been held back from check-in or processed 'outside' the main baggage system. Even with the significant investment in resilience that has been made over the last decade in baggage the daily target remains challenging and continues to provide sufficient incentive for improvement. We nevertheless note the feedback from respondents and will commit to a daily target of 98%.

Information Technology

Overview

- The continued importance of Flight Information Display (FID) screen availability to our passengers was highlighted by the recent YouGov research and was also a priority in the feedback from the PAG, which specifically requested a service measure for the availability of FID screens.
- We will introduce a new metric which complements the more perception-based FID screen QSM measure. This is based on the availability of the FID systems, measured by priority I incidents, i.e. it is not concerned with the functioning of individual screens, but rather with events that have a material operational impact.
- GAL has not included any measure for operational WiFi. This is a service offered on a commercial basis to airline and ground handler customers, in competition with other providers, and the contracts already include Service Level Agreements and penalties.

Metrics	Existing target	ACC request	PAG request	Gatwick Standard	Notes on the standard
Flight Information Screen System availability		FID availability of 99.95% (priority/non-priority to be agreed)	The availability of the flight information system is not specifically covered by the current CSS regime. The system should be available for 99.5% of the month.	99.90% in core hours of 02:00-23:00.	<p>FID systems have been highlighted by passengers as “single source of truth”.</p> <p>The Gatwick target is for FID system availability (i.e. not the availability of individual FID screens). The measure would be triggered by priority 1 incidents.</p> <p>The type of event that we would anticipate being captured by the measure would include unavailability of FID screen systems or an outage of the “mega-FIDS” in the terminal departure lounges.</p> <p>The airline target of 99.95% equates to less than 1 minute per day (22 minutes in a 30 day month) which GAL believe is unwarranted.</p>

Annex A2

Core Service Standards (Rebates)

	Standard	Metric	Target Level	Maximum potential rebate (both terminals, unless noted)	Comment
(i)	Passenger satisfaction measures			0.70%	
	Departure Lounge Seat Availability	Moving Quarterly Total QSM score	3.8*	0.20%	
	Cleanliness		4.0	0.20%	
	Way-Finding		4.1	0.20%	
	Flight Information		4.2	0.10%	
	Passenger Wi-Fi		4.0	N/A	Reputational Only
	Special Assistance	Moving Quarterly Total PRM survey	4.0	N/A	Reputational Only
(ii)	Security			2.60%	
	Central Passenger Search	Times <5 Minutes & Times <15 Minutes	95% 98%	1.0%	
	Central Passenger Search**	Day when single time slice > 30 Minutes	Single event per day	0.05% per day (0.7% max per month)	
	Transfer Passenger Search	Times <10 Minutes	95%	0.20%	
	Staff Search (Atlantic and Jubilee)	Times <5 Minutes	97%	0.175%	
	Staff Search (Terminals)	Times <5 Minutes	95%	0.175%	
	External Control Posts Search	Times <10 Minutes	95%	0.35%	
(iii)	Passenger operational measures			0.55% (ST) 1.05% (NT)	
	Passenger Sensitive Equipment (General)	% Time Available	99%	0.05%	
	Passenger Sensitive Equipment (Priority)	% Time Available	99%	0.50%	
	Inter Terminal Shuttle System	% Time 1 Car Available & % Time 2 Cars Available	99% 97%	0.50% (NT)	
(iv)	Airline operational measures			1.60%	
	Stands	% Time Available	99.5%***	0.15%	
	Jetties	% Time Available	99.5%***	0.30%	
	Pier Service	Moving annual average % passengers pier served	95%	0.50%	
	Fixed Electrical Ground Power	% Time Available	99.5%***	0.15%	
	Runway Availability	Number of unavailable events	Single event metric	Duration of runway not available penalty: Up to 15 minutes: No penalty 15min-45min: £50,000 >45min: £100,000 Up to 0.50%	
	Airfield Travel Time	Reporting metric	n/a	Reputation only	
(v)	Baggage Measures			1.20%	
	Arrivals Reclaim (Baggage Carousels)	% Time Available	98.5%	0.50%	
	Outbound Baggage	OBP Daily	98%	0.175% daily	

	Outbound Baggage	OBP Monthly	99%	0.70% monthly (0.7% max per month)	
(vi)	IT Measures			0.10	
New	Flight Information Display Screen system	% Time Available	99.9%	0.10	
	Total			7.25% (NT) 6.75% (ST)	

* Scores of less than 4.00 will be published as “amber”, rather than “green” (pass)

** In a day when the single time slice is greater than 30 minutes the maximum daily penalty is 0.05% with a maximum monthly penalty of 0.70%

***Or alternative metric following agreement with the ACC.

Airline Service Standards

Standard	Metric	Target Level	Reduction Percentage
Check-in performance – queue time	Times <30 Minutes	95%	1.0%
Arrivals bag performance – last bag on carousel	Times <50 Minutes (large aircraft) Times <35 Minutes (small/medium aircraft)	95%	0.50%