

Gatwick Airport Limited response to CAP2103

DATE OF ISSUE: 25 MARCH 2021

1. Introduction

On 25 March the CAA published its consultation “CAP2103 Economic regulation of Gatwick Airport Limited: notice of proposed licence modification”. GAL welcomes this opportunity to provide comments on CAP2103.

In January 2020 GAL published our finalised updated and extended Commitments. These Commitments provide users with certainty over the prices, investment and service Gatwick will deliver over the period from 1 April 2021 to 31 March 2025. These updated and extended Commitments are underpinned by a programme of passenger research and were developed in consultation with our airline customers and GATCOM’s the Passenger Advisory Group.

The Commitments which applied from 2014 to 2021 represented one of the most modern and proportionate forms of airport regulation, with its outcomes and achievements highlighted by several commentators. The updated and extended Commitments builds on the outcomes focused design of the earlier Commitments and delivers several important improvements and further benefits:

- It modernises the important Core Service Standards regime and introduces new metrics in a number of areas, such as flight information systems and service for passengers with reduced mobility. It also strengthens the passenger service focused measures for seating, cleanliness, flight information display screens, and wayfinding by calculating them on a rolling quarterly basis rather than a rolling year.
- New capital consultation process has been developed in cooperation with the airline community.
- It offers price certainty to customers until 31 March 2025 while also simplifying the design of the price Commitment. GAL will furthermore not adjust its price commitment in response to any additional Capital Expenditure GAL may incur in this period in preparation for obtaining a Development Consent Order (DCO) for the routine use of the Northern Runway. GAL furthermore decided extend the benefits of the new the pricing Commitment to start from 1 January 2020.

GAL considers that its Commitments represent an appropriate and stable base for GAL and its airline customers to plan for recovery from Covid and we welcome the CAA policy outlined in CAP2103.

2. Impact of COVID-19 on the regulation of Gatwick

Since the publication of CAP1973 in October 2020, and the letter the CAA issued to the AOC, market conditions have continued to worsen. To illustrate this, GAL indicated when we published our results in late February 2020 that we expected 18.7m passengers in 2021, broadly comparable to the CAA pessimistic case in the letter to the AOC letter of around 22m. While, like the rest of the industry, GAL believes that there is a pent-up demand for travel and that consumers will do so when given the opportunity, continuing public health restrictions mean that demand for travel continues to be very uncertain. If anything, that uncertainty has increased in recent weeks. In this context, it is also interesting to note that, despite the traffic being relatively strong compared to the CAA forecasts upon which the 2014 decision was based upon, the CAA traffic forecast assumptions for Gatwick have now proven to be too optimistic for the third regulatory period in a row (i.e. all the way back to 2003).

Nevertheless, we continue to consider that the stability provided by Commitments will assist our and our customers' recovery efforts. However, it is important to recognise that it is likely that market fundamentals have changed significantly since the work on these Commitments stated in 2017/18. We particularly note the CAA's intention to undertake focused reviews in specific areas. While we understand the CAA's reasoning behind the wish to undertake these, we also note that the entire aviation industry is under considerable pressure. It is therefore important that these focused reviews are undertaken in a time-efficient way, remain specific in scope and proportionate to Gatwick's reduced market power in the aftermath of COVID-19.

2. Comments on CAA proposed licence conditions

GAL notes the CAA's proposed amendments to the Gatwick Licence and makes the following observations:

Schedule 4, section 1.1 (definitions): We have received feedback from GATCOM (the Gatwick Airport Consultative Committee) regarding the definitions of "PAG" and "ACC". To avoid confusion we suggest amending the definitions in the following way:

"1.1 ACC means the Airport Consultative Committee. This is the airlines' consultative body at Gatwick Airport. It should not be confused with GATCOM, which is the Airport Consultative Committee in the meaning of Section 35 of the Civil Aviation Act 1982.

1.2 PAG means "GATCOM Passenger Advisory Group - a subgroup of GATCOM (the Gatwick Airport Consultative Committee - constituted to meet the requirements of Section 35 of the Civil Aviation Act 1982)."