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Sent via e-mail to economicregulation@caa.co.uk

Date: 9th February 2017

Virgin Atlantic Response - Future of service quality regulation for Heathrow Airport Limited: Consultation on the design principles for a more outcome-based regime

Dear Beth,

With apologies for this submission post the extended deadline of 6th February 2017, Virgin Atlantic wanted to provide some brief comments on the above consultation.

Given the monopoly power that Heathrow Airport currently holds, it is vitally important that the CAA maintains regulatory arrangements that hold the airport to account on its service level and performance. Bearing this in mind we would highlight that airlines operate in a highly competitive market and would be principally concerned with any introduction of targets or publication of performance data that may have an adverse or unintended consequence in the market.

The current regulatory arrangements that apply to Heathrow Airport and in particular the minimum standards for service quality through the Service Quality Rebate and Bonus (SQRB) scheme has over past quinquennial periods been of clear benefit for passengers at Heathrow.

Whilst we understand the need for a review of the current regime to ensure that it is still fit for purpose, we would not be able to support a change to the regime for the sake of it. With this in mind, we are concerned with the movement to an outcome-based regulatory approach that is not measurable, specific and targeted. Part of the benefit of the current output based regime is the fact that it is underpinned with specific and measurable targets which can be objectively tested.

Therefore, we fully support the submission made by the Heathrow Airline Operators Committee (AOC) and London Airports Consultative Committee. Within

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which we would highlight the airline proposal for regulation going forwards where the current SQRB regime is retained to allow for clear assignable targets, but also with an additional layer of anticipated outcomes to be added above the SQRB outputs.

We would be happy to follow up on our views on this matter in more detail if necessary.

Kind regards,

A handwritten signature in black ink, appearing to read "D Joseph".

David Joseph
Regulatory Affairs
Virgin Atlantic Airways

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