



Unrestricted

Economic Regulation Team

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Civil Aviation Authority

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IATA Response to CAP 3164: Final proposals for modifying the Licence to support the implementation of a UK Airspace Design Service

Dear Sir or Madam,

I am writing on behalf of the International Air Transport Association (IATA) in response to the Civil Aviation Authority's consultation CAP 3164: Economic Regulation of NERL – Final Proposals for Modifying the Licence to Support the Implementation of a UK Airspace Design Service.

IATA represents some 330 airlines, accounting for 83% of global air traffic. Our members are the primary users and funders of the UK's en route air navigation services. We therefore have a direct and material interest in the proposed Airspace Design Service (ADS), Airspace Coordination Service (UKACS), and Airspace Design Support Fund (ADSF), as well as the associated charging arrangements.

While we acknowledge the CAA's efforts to refine its proposals since CAP 3121, including the reduction in estimated NR23 costs and the decision not to capitalize ADS costs into a separate RAB, the final proposals do not address the fundamental concerns previously raised by IATA and our members. These concerns relate to compliance with international charging principles, the alignment of costs and beneficiaries, governance, scope definition, cost control, and the risk of double counting.

Our detailed comments are set out below.

1. Charging Principles, Cost Allocation and ICAO/Eurocontrol Compliance

IATA remains firmly of the view that the proposed Airspace Design Charge is not compliant with ICAO Doc 9082, the Chicago Convention (Article 15), or the Eurocontrol Principles for Establishing the Cost Base for En-Route Charges.

1.1 Misalignment between payers and beneficiaries

The majority of ACPs within the ADS programme relate to airport-centric, lower-airspace changes. Overflights and airlines not serving these airports derive minimal or no direct benefit yet are required to fund the majority of the costs through a per-service-unit en route charge.

This is inconsistent with the principle that no user should be burdened with costs not properly allocable to them.

1.2 Treatment of military and exempt flights

CAP 3164 confirms that military and exempt flights will not pay the charge, yet their costs are grossed up onto chargeable users via TSU/CSU adjustments. This is directly contrary to Eurocontrol guidance, which requires States to fund the costs of exempted flights.

1.3 Business aviation and emerging users

Airspace changes around business aviation airports (e.g., Biggin Hill, Farnborough) and provisions for emerging users (eVTOL, unmanned aviation) are being funded almost entirely by commercial aviation. This is neither equitable nor compliant with user-pays principles.

IATA requests that the CAA:

- Reallocate costs so that each user group pays for the services from which it benefits.
- Ensure that military, business aviation and emerging users contribute appropriately.
- Publish a transparent mapping of ACPs to beneficiaries and adjust allocations accordingly.

2. Governance and Airline Role

IATA welcomes the establishment of an Advisory Board but remains concerned that airlines—despite being the principal financiers—are afforded no formal decision-making role in:

- Setting or revising strategic objectives
- Prioritizing ACPs
- Reviewing costs
- Validating benefits
- Assessing delivery performance

The governance model remains imbalanced, with airlines expected to fund a service over which they have limited influence.

IATA requests:

- A structured governance role for airlines in strategic planning, cost oversight and benefit validation.
- Clear, measurable performance indicators for ADS delivery.
- Independent assessment of benefits and implementation outcomes.

3. Geographic Scope and ACOG Transition

The geographic scope of ADS remains insufficiently defined. Given that the LTMA is the primary driver of the programme, the initial scope should be explicitly limited to this area.

The transition from ACOG to ADS/UKACS also presents a significant risk of double counting, particularly where staff or activities are transferred without corresponding reductions in the NR23 cost base.

IATA requests:

- A clearly defined initial scope in the licence.
- A requirement that any expansion be subject to a formal licence modification process.
- Full transparency on the reallocation of ACOG funding and activities.

4. Cost Pass-Through, Margin and Incentives

IATA acknowledges and supports the CAA's decision not to create a separate RAB for ADS. However, the combination of:

- Full cost pass-through
- A short control period
- A correction mechanism at NR28
- An increased margin of 2%

Creates a risk-free environment for NERL. Under these conditions, a margin is not justified. In our opinion, NERL, as having a monopoly status of ANS services in the UK, should not require financial incentives to undertake its licensed activities, particularly under a cost pass through approach.

IATA requests:

- Removal of the margin for NR23.
- A detailed transparency framework for cost reporting.
- A robust ex post efficiency review before NR28, with inefficient costs excluded from future baselines.

5. Double Counting and Interaction with NR23

IATA remains concerned that:

- Staff redeployed from NR23 activities to ADS/ADSF may be charged twice.
- ACOG funding under NR23 may overlap with new ADS/ADSF funding.

IATA requests:

- A reconciliation of NR23, ACOG and ADS/ADSF cost bases
- Confirmation that no staff or project costs are included in both NR23 and ADS/ADSF.

6. Collection Mechanism and NR28 Review

IATA supports the use of a per-service-unit basis and collection via CRCO, provided the underlying allocation issues are resolved.

Given the significant uncertainties that remain, IATA strongly supports the inclusion of a formal, comprehensive review clause for NR28, covering:

- Scope and obligations
- Cost levels and efficiency
- Incentive structures
- Governance
- Charging base and allocation across user groups

7. Conclusion

IATA recognizes the importance of modernising UK airspace and supports the objective of delivering a coherent, efficient and future-proof airspace design framework. However, the proposals in CAP 3164 do not yet provide a fair, transparent or internationally compliant basis for funding the Airspace Design Service.

We urge the CAA to refine the proposals in line with the concerns and recommendations set out in this letter before taking a final decision.

We remain available to discuss these issues in detail and to work constructively with the CAA, DfT and NERL to develop a framework that is equitable, efficient and aligned with international best practice.

Yours sincerely,

Rory Sergison

Head, ATM Infrastructure, Europe

International Air Transport Association (IATA)