

Civil Aviation Authority

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Vueling's response to the Civil Aviation Authority CAP3078 – Consultation on the CAA's *Final Proposals* on the extension of the current Commitments framework for the economic regulation of Gatwick Airport Ltd. For the period 2025-2029

1 Introduction

- 1.1 Vueling welcomes the opportunity to respond to the Civil Aviation Authority's ("CAA") Final Proposals on the extension of the Commitments Framework for Gatwick Airport Limited ("GAL") for the 2025–2029 period. As Gatwick's third-largest airline customer, we wish to highlight key concerns that directly impact our customers and our operations ahead of the CAA's Final Decision. Our response is supported by our parent company, IAG, and by our sister airline, British Airways.
- 1.2 We remain concerned at the lack of resolution on several core service standard issues, and by the absence of robust governance mechanisms relating to the Northern Runway Project ("NRP") and capital investments in general.
- 1.3 Through our parent company IAG, we have recently called on the CAA for a fundamental review of the regulatory framework for Heathrow, as set out in the "Heathrow Reimagined" submission.¹
- 1.4 While we recognise that the CAA's process as set out in CAP3078 pre-dates the Heathrow Reimagined Submission, we see important comparisons between our views expressed therein and the challenges associated with the CAA's oversight of the economic regulation of Gatwick. These similarities must be taken into account in the CAA's consideration of our response to this consultation.

¹ <https://www.heathrow-reimagined.com/>

- 1.5 Specifically, we believe the CAA must undertake a formal assessment of the underlying framework applied to Gatwick. As at Heathrow, airport charges at Gatwick have continued to rise without commensurate improvement in service level outcomes for consumers and without the appropriate safeguards for capital investment.
- 1.6 We also believe the CPI-X methodology used to set the price path has, in practice, led to increases that do not reflect any underlying efficiencies or the scope for innovation. This is evidenced by GAL's ability to maintain strong cost discipline whilst exploiting their ability to increase charges and to maximise profits.
- 1.7 We acknowledge that the current review has taken place during a period of recovery following the Covid-19 pandemic and amid evolving evidence and traffic forecasts. In light of this, we propose that the CAA immediately address targeted improvements which can be carried out under the existing Framework — particularly in relation to service performance incentives and capital investment governance — while preparing for a more comprehensive review in advance of the next regulatory period.

2 Background to the CAA's economic regulation of Gatwick Airport Limited ("GAL")

- 2.1 The CAA, having determined that GAL holds significant SMP, subjects the airport to economic regulation. This is based on a set of commitments made by GAL and approved by the CAA, which were first introduced in 2014 under the Civil Aviation Act 2012 ("CAA12"). The framework allows for bilateral agreements to be negotiated between GAL and its airport users, commits GAL to a minimum level of investment, and has a rebate system for service quality.
- 2.2 However, under this light-touch approach, GAL's headline unit charges (cost per passenger) have increased by over 70% between 2015 and 2024, despite rising passenger volumes and strong commercial revenues. These are inconsistent with the pressures of an effective competitive market.
- 2.3 While the Commitments framework encourages bilateral agreements, it does not mandate them. If and when the airport refuses to engage, airlines have little recourse other than to accept the status quo.
- 2.4 The imbalance in negotiating power between GAL and its users, combined with limited transparency over costs, means that bilateral agreements alone cannot replicate the outcomes of a competitive market. We therefore continue to call for an effective regulatory backstop on price and service quality to ensure consumer interests are protected.
- 2.5 We acknowledge that GAL is acting rationally to maximise its own returns and within the conditions permitted by the current framework. It is therefore **incumbent on the CAA, in line with its statutory duties under the Civil Aviation Act 2012, to ensure that**

appropriate checks and balances are in place to protect the interests of consumers — most notably by ensuring airport charges remain efficient and reasonable.

- 2.6 It has been nearly a decade since the CAA's last substantive review of the framework. Issues highlighted to date on the existing framework, such as rising charges, deteriorating service levels and a lack of governance on investment, remain unresolved. There is a clear need for the CAA to initiate a comprehensive review of the framework, including the effectiveness of bilateral agreements and the CSS, to avoid entrenching inefficiencies and to assess the suitability of the model in the context of the expected NRP.
- 2.7 **We recommend the CAA begin this review no later than Spring 2026**, with a view to concluding within one calendar year. This will allow sufficient time for the design and consultation of the next regulatory period from 2029, giving all stakeholders clarity and certainty.

3 CAA's Final Proposals

- 3.1 We support the CAA's view that that *"the assessment of GAL's prices and profitability is an important part of our overall assessment of whether the commitments proposed by GAL will further the interests of consumers"*². This function is central to the CAA's primary statutory duty.
- 3.2 While we note the CAA's consideration of submissions from GAL in response to CAP3012 and the subsequent analysis by Grant Thornton (as published alongside CAP3078), we are concerned that key elements of GAL's updated evidence, including revised traffic forecasts, business rates and other cost base changes have been redacted. This lack of transparency limits our ability to evaluate the implications of these developments. **We urge the CAA to ensure that sufficient information is made available to stakeholders to allow for a meaningful reassessment of GAL's projected profitability.**

4 Service quality

- 4.1 We agree with the CAA's view that ensuring good quality of service is integral to protecting consumer interests and that the regulatory framework must appropriately incentivise GAL to deliver service levels that meet the needs of passengers and airport users. However, we question the CAA's conclusion that GAL has taken "sufficient steps to enhance service provision" through its review of the Core Service Standards (CSS).
- 4.2 We welcome the current review of the CSS and appreciate the increased engagement from GAL in recent weeks alongside continued efforts by airlines through the Gatwick Airport Consultative Committee (ACC). These collaborative discussions are important, and we fully support this level of engagement as the review of the CSS continues.

² CAP3078 para1.2

- 4.3 However, despite the positive direction of travel, the changes agreed or under consideration so far represent only incremental improvements and do not address the underlying weaknesses in the CSS framework, such as the calculation of metrics and target levels. In practice, GAL has been hesitant to adopt reforms that could make an improvement to the customer proposition if it exposes them to a financial risk that they are not prepared to manage despite being within their control.
- 4.4 The CSS framework, originally developed over a decade ago, needs to evolve to reflect today's operational realities and challenges. Existing calculation methodologies - often relying on monthly or moving annual averages - mask certain service failures and do not accurately reflect the customer experience. Several critical areas continue to require targeted reform, including:
- **Pier Service Levels (PSL):** The current annual average measurement fails to capture persistent issues with stand availability and bussing, particularly during peak periods. GAL has resisted moving to more granular reporting that would better reflect actual service delivery.
 - **Self-Service Bag Drop (SSBD):** GAL proposes reporting SSBD availability as a monthly average, which would obscure outages during critical operational periods. A daily metric would provide a more representative and effective incentive.
 - **Staff security search queues:** Despite clear evidence of impact on day-to-day operations, particularly for first wave OnTime Departure performance, GAL has not agreed to airlines' calls for a 7-minute maximum queue time that would align with crew report times and operational needs.
 - **Runway and airfield congestion:** The existing congestion metric only captures full runway closures, not significant capacity reductions caused by air traffic control staffing issues or temporary flow restrictions. The latter would also materially impact On Time Performance and passenger experience yet remain unaccounted for in the current metrics.
- 4.5 While some progress has been made - such as increasing the departure lounge seating satisfaction target from 3.8 to 4.0 - these incremental improvements are insufficient to drive the transformative change needed in service quality.
- 4.6 We support the CAA's intention to set a clear deadline (September 2025) for GAL to finalise its CSS proposals. To ensure this deadline is meaningful, we ask the CAA to clarify what regulatory steps it will take if agreement is not reached or if the final proposals do not adequately reflect the needs of consumers. It is our position, as argued above, that **CAA intervention and strict regulatory oversight are urgently needed to enable the reform of the CSS.**

5 Capital investment

- 5.1 **The CAA has not adequately addressed issues regarding the lack of adequate governance around investments at GAL.** The current framework fails to hold GAL accountable for the efficient delivery of capital investments or the prioritisation of investment projects needed to support and improve core infrastructure.
- 5.2 As argued in previous responses, airlines need to be given opportunities to input and influence GAL's Capital Investment Plan (CIP) to ensure that projects deliver material benefits to passengers and that investments are directed where they are most needed.
- 5.3 The information currently presented is often fragmented across various fora, making it difficult for stakeholders to understand how decisions are made, priorities are set or how projects evolve through governance stages.
- 5.4 Given the current lack of robust ex-ante delivery obligations and governance at GAL, similar to those currently developing for Heathrow Airport Limited (although they are also proving inadequate to control an entity with SMP), we strongly believe that **the CAA should take a more active role in capital expenditure governance and oversight to ensure that GAL makes appropriate, transparent, and efficient investment decisions.**
- 5.5 This oversight is particularly critical in the context of the NRP where GAL's incentives to progress the project could lead to unilateral prioritisation and budget overruns, potentially at the expense of broader investment projects needed to support core infrastructure.

6 Northern Runway Project

- 6.1 The NRP is by far the most significant capital investment during this upcoming regulatory period. As such, we agree with the CAA that it warrants close monitoring and appropriate safeguards.
- 6.2 Since the publication of the Final Proposals on 25 February 2025, the Secretary of State for Transport has announced a nine-month delay to the DCO decision, now expected by 27 October 2025. Given the precedent of repeated delays to DCOs at other UK airports, there is a high risk that GAL may continue investing heavily in preparatory works while approval remains uncertain.
- 6.3 We note with concern that around £580 million — approximately one-quarter of the total NRP cost — is due to be pre-funded through airport charges during the extension period which creates an unreasonable financial burden on today's consumers. We therefore object to the pre-funding of the NRP.

- 6.4 We seek clarity from the CAA on what constitutes GAL being "unable or unwilling to progress capacity plans." Delays due to planning challenges differ from GAL voluntarily abandoning the project, yet the financial impact on users remains the same.
- 6.5 Furthermore, we strongly disagree with the proposal that GAL should negotiate any monies due back to airlines on a bilateral basis. If the investment does not materialise, refunds should be automatic and immediate rather than subject to negotiations that may result in inconsistent and unfair outcomes across users.
- 6.6 In summary, we continue to encourage the CAA to maintain a clear and active role in overseeing capital delivery across the CIP, not only to monitor progress on the NRP, but to safeguard the delivery of wider benefits to consumers.

7 Conclusion

- 7.1 Vueling remains committed to constructive engagement with both the CAA and GAL to ensure the economic regulation framework for GAL translates into **efficient airport charges** to the benefit of consumers.
- 7.2 As we enter a period of substantial investment due to the expected expansion at Gatwick, the need for a regulatory regime that delivers stronger oversight, greater transparency, and clearer incentives for efficiency and service quality has never been greater. We therefore urge the CAA to strengthen regulatory oversight and governance of service quality provisions and capital investment, and initiate a comprehensive review of the regulatory framework post-2029 as soon as practically possible.

We thank you again for the opportunity to express our views and look forward to continuing our engagement with the CAA and GAL throughout this process.

Yours faithfully,



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