

YOUR LONDON AIRPORT

Gatwick

30 JANUARY 2017

Rob Toal
Civil Aviation Authority
CAA House
45-59 Kingsway
London WC2B 6TE

Dear Rob,

Re: CAP 1476 Future of Service Quality regulation for Heathrow Airport Limited: Consultation on the design principles for a more outcome-based regime”

We have been reviewing the CAA consultation CAP1476 “Future of Service Quality regulation for Heathrow Airport Limited: Consultation on the design principles for a more outcome-based regime” with interest. Gatwick Airport Limited (GAL) welcomes the opportunity to respond to the CAA consultation.

Overall we welcome the CAA’s initiative to introduce more outcomes-based regulatory features into regulation. As you are aware, following the Competition Commission’s breakup of BAA and the introduction of the Civil Aviation Act 2012, Gatwick now operates under a new form of regulation commonly known as Contracts and Commitments. This regime already embodies several of the key features of an outcomes-based regulatory regime:

- A shift of focus from input-based measures (e.g. the level of capital investment) to outcomes (price, resilience and service delivered to passengers and to airlines);
- Neutrality between operational solutions and capital solutions to achieve the outcomes; and
- Flexibility to adapt the airport’s plans to reflect changing circumstances in order to maintain our commitment to the delivery of good outcomes for passengers and airlines.

This regulatory framework commits Gatwick to build and operate the airport meeting certain outcomes in respect of service, investment, and operational and financial resilience. A key feature of this new regime is to provide the airport with the flexibility to respond to market conditions, operational challenges and evolving passenger preferences in a way which was not always incentivised or enabled under the CAA’s former approach to regulation.

We also note the discussion in the CAA document about the potential benefit of outcomes-based regulation to provide an opportunity to shine a light on the whole consumer experience at the airport. In GAL’s experience, it is clear from our passenger feedback data that such targets, set by the airport as part of its commitments framework, can and do work. For example, passenger complaints relating to inbound baggage delivery have declined from being the single largest source of complaints in the period 2012-14 to a relatively small proportion in 2016. This improvement in outcomes for passengers follows the introduction of specific targets with financial incentives for airlines to meet maximum bag delivery times. This appears to demonstrate that customer feedback from passengers

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on this aspect of airline performance was, on its own, insufficient in holding airlines to account for baggage delivery - in other words, airline competition on this dimension of passenger service was not delivering improvements.

It is also important to note that instances of under-performance in key areas not under the direct control by the airport (e.g. check-in, arrivals baggage delivery and border control) will still affect the scores of the elements controlled by the airport. This is because if a passenger is unhappy or disrupted with one aspect of their journey they will tend also to score other elements lower. This means that for an effective outcomes-based regime to be designed, the CAA would need to look broader than just the elements under the control of the airport, even if the regulator's direct remit extends to only to the airport itself.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Mattias Bjornfors', with a long horizontal flourish extending to the right.

Mattias Bjornfors
Economic Regulation Manager