

easyJet response to CAP314 - Economic Regulation of NERL: Final proposals for modifying the Licence to support the implementation of a UK Airspace Design Service

easyJet strongly supports the Government's continued commitment to advancing airspace modernisation, including the essential step of establishing of the UK Airspace Design Service (UKADS). Timely progress on modernising the London Terminal Manoeuvring Area (TMA) is critical to supporting growth, enabling airport expansion in parallel with objectives on decarbonisation, and developing high-value UK skills and technology. This parliament represents a crucial window for delivery, and sustained momentum is essential to realise the full economic, social and environmental benefits. We therefore welcome the CAA's progress in defining the final proposals for the UKADS charging framework. Notwithstanding, we continue to have concerns on key aspects of the proposals – particularly in relation to the design charge.

We do not believe that an increase to a 2% operating margin is proportionate or sufficiently justified by the analysis and evidence put forward. The delivery risks associated with the UKADS remain modest and the referenced “other risks” are insufficiently evidenced, particularly given NERL's monopoly position. An excessively high operating margin risks weakening incentives for cost efficiency and distorting delivery priorities, noting that NERL will not earn an equivalent margin for its other licence obligations. While the expected scale of the Airspace Design Support Fund (ADSF) has reduced since the initial proposals, this reflects a lower risk cost profile rather than increased risk exposure. We also reiterate our request for greater transparency regarding the rationale for NERL's role in administering the ADSF, including the incremental overheads involved and how NERL intends to ensure these costs will be efficiently controlled.

easyJet supports a cost-pass-through model that adequately resources the UKADS, rather than a largely arbitrary ex-ante margin. Even small adjustments to regulated margins can materially affect incentives, cost discipline and value for money, and proportionality should not preclude the need for a clear and robust justification. The proposed efficiency incentives also require strengthening, including clearer definitions of “appropriate” and “efficient” expenditure, explicit and measurable incentives, and transparent reporting. With approximately 85% of forecast costs relating to staff, the risk of cost escalation is material, and further exacerbated by skills scarcity, a tight labour market, delivery urgency, and remaining uncertainties around the scope and outputs of the UKADS.

We look forward to seeing significant progress in the delivery of the Government's airspace modernisation agenda in 2026 and hope to see our feedback incorporated into the final design of NERL's modified Licence which will enable this.

Ends