

Airport Consultative Committee – Gatwick Airport (ACC)

Stuart Holder
Civil Aviation Authority

30th November 2020

Dear Stuart

Re: Economic regulation of Gatwick Airport Limited: Consultation on new commitments CAP 1973

The Gatwick Airline Consultative Committee (ACC) welcomes the opportunity to respond to the CAA consultation relating to the economic regulation of Gatwick Airport Ltd (GAL) and the new commitments proposal. The following comments reflect the collective opinion of the ACC member airlines.

The ACC airlines have been consulting and negotiating changes to the extended commitments proposals since the CAA issued its initial consultation paper CAP1684. Some progress has been made and agreements reached for changes to service standards and process but there continue to be a number of areas where there is not agreement, these are outlined in this response.

In its consultation CAP1684 the CAA stated that ***“We encourage GAL to come forward with a compelling, evidence-based proposition that both responds to airlines’ input about the outcomes and outputs that it should deliver and demonstrably promotes consumers’ interests”***. As yet the airlines are not aware that GAL has shared any evidence that forms a compelling proposition taking account of airline inputs and outcomes. Therefore, we are surprised that the CAA has stated within this consultation that “its initial assessment is that these commitments are consistent with protecting interested of consumers and that this document consults on accepting GAL commitments for the four-year period from 2021/22 to 2024/25”. Therefore, we request that the CAA take the following points into account before making a final determination on accepting the extended GAL commitments.

Service Quality

Changes to the SQR regime have been being discussed since 2018 and agreement has been reached in some areas. There are a number of other areas where discussion has continued, and we have felt that agreement is possible but as yet has not been concluded. Where discussions are ongoing, we propose that the CAA allow the airlines and GAL a short period of further consultation. If agreement is not reached, then the applicable measure in the existing commitments should be retained in the proposed commitments. It would be unacceptable to allow changes to service standards where there had not been adequate consultation.

We note that the CAA would like GAL to consider tighter targets for Core Service Standards in future reviews. The ACC have asked GAL to tighten many of the targets over the course of our discussions. We have also ensured that when speaking with GAL we have referenced the feedback that was given during the You Gov work undertaken in 2019. The targets that we have looked at tightening are because either passenger feedback indicates they have concerns on the performance, or GAL is already performing to a higher

standard and we wish to ensure that this performance does not reduce in the future. These are all in the passengers' interest.

We will continue with our dialogue with GAL on these areas but would welcome any CAA assistance on topics that are believed to be more easily tightened.

The service topics that the ACC consider to be priority within the CAA's consideration are:

Staff & Passenger Security: The current M-Flow system is coming to end of life and is unable to measure passengers who are wearing face coverings. We have been in discussion with GAL on the requirements for a replacement system but as yet GAL have not advised of any decision. The ACC have raised our concerns with GAL that they do not currently have a plan that would provide accurate passenger measurement for the start of the commitment's period, and that GAL are deprioritising service quality measurement to delay capital spend. We request that the CAA require GAL to provide a solution for accurate measurement of queue times from the 01st April 2021.

- GAL and the ACC agree that core hours should be removed, when an updated measurement is agreed.
- The ACC propose that the measurement should be an all-person measure, if this is not technically possible then the time segment approach should be weighted to provide an accurate representation of the service received.
- We understand that the general infrastructure in the flight connections area represents challenges for automating the measurement process, but GAL is still expected to find a solution to ensure flight connections is measured in the same way as other security areas.
- The solution must be capable of measuring accurately for people wearing face coverings.
- We would like to see a clearly defined project plan with timelines for delivery.
- Measurement metrics should be the same for staff and passengers.
- In the absence of agreement to change the measurement process then GAL will need to revert to a manual process to enable measurement of passengers with face masks and current metrics should continue from the 01st April 2021.
- Due to the delay of Standard 3 security we have agreed that the metrics will be reviewed again prior to implementation of the new standards.

Airfield Assets: The ACC have proposed a change of measurement approach to GAL that we believe improves outcomes for users whilst allowing GAL greater freedoms in its maintenance plans. Whilst GAL has stated they believe there is merit in the ACC proposal we are not yet in a position where targets have been proposed or agreed. The ACC have requested proposals from GAL with supporting data but, as yet this has not been received. We propose that the additional time requested is used to complete this work. If agreement is not reached, then the existing service quality measures should be retained.

Runway Availability: We believe the moving away from the current Airfield Congestion Term to a Runway Availability will simplify the metric and provide a more passenger focussed outcome. We agree with GAL that the metric should be based upon time of unavailability, with rebates becoming payable after 15 minutes of unavailability. The ACC are disappointed that the level of rebate available is still not representative to the impact on users of a runway availability. Further discussion is required around the interpretation of runway unavailability and how failures will be defined. For example, how it would be applied for partial availability due to shortened runway length or lighting issues.

Inter Terminal Shuttle System: The ACC has proposed improvements to the service quality metrics around the shuttle system as this is the primary link between the train station and the north terminal. The ACC understand that the system requires extensive maintenance, but we have not seen any evidence to support GAL's assertion that track inspections have to be undertaken in day light. Removal of this requirement would improve the passenger proposition particularly in peak Summer periods.

QSM Measures: An extensive piece of consumer research was commissioned and subsequently carried out by YouGov prior to the review of the QSM metrics. The research identified several areas where passenger feedback showed that passengers wanted an improvement in services, it is noteworthy that this YouGov research predominantly showed the airport to be "Average" or "Good" in most areas while QSM scores portray an airport that is more "Good" to "Excellent". As an example, 64% found gate rooms "average" or "poor" yet GAL consistently pass metrics associated with seating, cleanliness and wayfinding. We therefore continue to be disappointed that despite the disconnect between the YouGov survey work, current QSM scores and consequent investment in projects associated with QSM GAL have not been willing to make substantive changes to QSM metrics.

- We believe that the lack of meaningful changes to QSM metrics and measurements may misdirect capital spend by masking elements that score highly but as demonstrated by the YouGov survey may receive very different answers from consumers if approached just slightly differently.
- GAL is a large and technologically advanced business and it's disappointing that no movement has been made regarding the way that QSM is measured. We believe that GAL could be more creative in exploring new ways to gather meaningful customer feedback and views. COVID-19 has exacerbated the need to move towards different ways of measuring QSM, the CAA may be able to assist in this respect.

We believe that there should be a strengthening of the link between QSM and Capital and therefore would welcome the CAA's views on more explicit reporting of QSM impact expectations on Capital spend data sheets.

We welcome the CAA's thoughts that SQR measurements and targets should be kept under review and any changes that are beneficial within the regulatory period should be acted upon swiftly.

Capital Investment

Whilst the impacts of the COVID-19 pandemic have resulted in the ceasing of most capital projects the ACC believe Gatwick is well placed to recover quickly in 2021. Lack of investment in airfield assets and passenger facilities has been a theme of airlines feedback to the CAA in the current commitments period and the current drop in passenger volumes should not be allowed to delay investment any longer than is absolutely necessary.

The CAA consultation document states that it would assess GAL's spend over a period of 6 years from 2019/20 – 2024/25, however the commitment period is a 4-year period, and this should therefore be based on the 4-year period, and not the 6 years.

Before the current pandemic, we had agreed a new consultation framework with GAL that included all projects over £1M being subject to dialogue with the airlines and relevant documentation for projects will need to be signed off by both GAL and the ACC. We also agreed that we would review all emerging projects and before the Capital Investment consultation we would collectively agree which projects should be prioritised. The ACC have not yet seen sufficient evidence that GAL are committed to enacting this framework and therefore we request that the CAA makes capital consultation part of the review process during the commitments period.

Price

To date GAL has not provided any evidence to support why its proposal of RPI+0% (Gross) and the removal of Net yield commitments is in line with the CAA request for ***"GAL to come forward with a compelling, evidence-based proposition that both responds to airlines' input about the outcomes and outputs that it should deliver and demonstrably promotes consumers' interests"***. For this reason, we ask the CAA to explain why it believes it is in consumers interests to accept the GAL proposal. If the CAA has analysis to support its conclusion, we would ask this to be shared with the airline community ahead of supporting the GAL proposal.

The ACC airlines are also deeply concerned by the removal of a net price commitment from GAL as they see this as an opportunity for GAL to increase its revenues through reductions in achievable discounts for airlines. The CAA proposal to monitor discount levels throughout the period is an inadequate remedy as it provides no protection for consumers and only forms part of a discussion at the next consultation period. We request that the CAA provide a net fair price path for the period in the same way it did for the original commitments. We also request that the CAA include pricing and revenues as part of a mid-term review.

The ACC are also concerned that the current price calculation process allows GAL to include the cost of rebates payable to airlines for remote services etc into the user charges. In future the calculation should be amended in order that any over or under recovery by the airport be rolled into the next years charge. This ensures that neither the airport or airlines benefits from any differences between forecast and actual levels of rebates.

Oversight & Monitoring

As stated above we believe that the CAA needs to take a more active approach to governance and monitoring and include within its final determination a clear plan of the reviews that will be conducted and what interventions it will make, if required. We propose that the CAA undertake a formal mid-term review that is supported by annual reviews. These reviews should include.

- Service Quality, performance, progress against new measures and how the exemption process is working.
- Capital consultation, investment levels and progress on airfield and passenger investment.
- Pricing & Traffic, net and gross pricing paths and discounting levels.

Conclusion

The airlines represented in the ACC welcome the changes that have been agreed in the proposal and will continue to engage with GAL on the topics that are outstanding. However, we are increasingly concerned over the lack of meaningful progress on QSM and the price topics. Greater progress could have been made in some areas of service quality if GAL had taken a more active approach to participation. Therefore, we request that the CAA ensure that the existing service quality metrics and process remain in place from April 2021 for the areas listed below. If further dialogue allows the airlines and GAL to reach agreement, then we will notify the CAA accordingly.

- Staff & Passenger Security
- Airfield Assets

Yours Sincerely



Jamie Hobbs ACC Chairman
CC. Ross Kennedy (Deputy ACC Chair)
ACC members.