



Date 15 April 2021

Civil Aviation Authority
Aviation House
Beehive Ring Road
Crawley
West Sussex
RH6 0YR

By email only economicregulation@caa.co.uk

Dear Sir, Madam,

Economic regulation of NATS (En Route) plc: Update on approach to the next price control review (CAP 2119)

IATA thanks the UKCAA for taking our feedback on CAP 1994 onboard, in response we would like to share our observations.

IATA welcomes the CAA intention to follow European guidance in recovering revenue under NERL's Traffic Risk Sharing scheme over an extended period from 2023. We are keen to discuss the details as pointed out in our earlier submission, to ensure that the reconciliation is both affordable and equitable. We also note that further guidance will be available in June. We also note that consideration will also be given to seeking governmental or shareholder support if necessary.

IATA welcomes and accepts the clarification put forward by the CAA on the Regulatory Policy Statement on pensions. We support its finalisation and the clarity it provides for NERL, the Trustee and the airlines who finance the system.

IATA support the implementation of a new price control as and from January 2023. While there maybe merits in considering a shorter period than five years, it is likely to be more advantageous to stick to the already established methodology. We, however, will require greater detail on the key milestones to enable this process and to commence the work as soon as practicable. Similarly, IATA also support the CAA's intention to develop a regulatory framework for the next control period that will seek to maintain existing arrangements where possible and if appropriate, we are keen to work closely with the CAA on the scope of this review.

IATA fully supports that the reconciliation of 2020 and 2021 will be based on efficient costs, which will also be subject to discussion and consultation. While IATA understands that for 2022 an element of the reconciliation will be based on forecasts, we have concerns that basing this solely upon forecasts could drive further unintended consequences for economic incentives. We would suggest that the 2022 model could mirror the already established Eurocontrol Enlarged Committee process, forecasts are used to develop the interim pricing, but actuals are reported at the start of June to be finalised during the November period. This would allow for monitoring and validation; however, we are open to discuss options on how best to develop and monitor 2022 specifically.



On affordability, IATA intends to fully engage with the CAA's consultation. We do caution that a full and final definition must be seen in the context of a complete price control package, and the balance of risk and incentives within such proposals.

We remain available for discussion and engagement,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Sergison'.

Rory Sergison
Head of ATM Infrastructure Europe
Safety and Flight Operations, IATA

CC Matt Claydon