

Mr Matt Claydon
Head of ATM Regulation
Civil Aviation Authority

Sent by email to: economicregulation@caa.co.uk

12th January 2021

Dear Matt

Response to CAP1994 – Economic Regulation of NATS (En-route) plc: consultation on approach to the next price controls review

Thank you for the opportunity to provide views on this consultation.

Given the ongoing impact of COVID-19 and availability of resources, we are only providing comment on a limited number of areas at this time.

Traffic Risk-Sharing (TRS) reconciliation

Airspace users should not be exposed to price increases at the current time or during the initial recovery from the pandemic. Therefore, we would want to see revenue adjustments for the period 2020-2021 extended over a longer period than the usual n+2, owing to the substantial nature of the traffic reduction during 2020 and expecting this trend to continue over the near to medium term.

As you note, this would be in line with the recent EU Commission agreement in respect of the previously applicable SES performance scheme. We agree that this would require an amendment to the existing license controls relative to TRS to be made by January 2022, whilst other aspects of the existing controls would continue until the end of 2022.

Price control review and implementation

In terms of the 4 suggested approaches for the reconciliation, we believe that the 2 preferred ones should be a combination of:

- Specific building blocks submission
- Variance analysis – detailed submission

This would seem to give the best balance, with the challenging timescales.

Considering the current situation and constraints, we agree that a more agile approach to the development of proposals is desirable. During the recovery period, it is unlikely that we would be able to sustain any consistent representation equivalent to that which occurred during the CCWG process for RP3.

In terms of the timing for the next price control, our position is that the new control period should commence from 2023, with interim arrangements implemented for 2022, as necessary. This is consistent with our response to the CMA consultation on the impacts of COVID-19, where we stated that current controls (as adjusted) should operate for the period 2020 – 2022 inclusive.

Finally, the duration of the next price control very much depends on any CAA preference to continue alignment with the reference periods of the EU performance scheme or not. If there is benefit in doing so, then with RP4 commencing 2025 this would dictate that the new price control would only run for 2023 and 2024. If divergence is not an issue, then the price control could be for a longer period, up to 5 years.

Review of space-based ADS-B

We note the contents of this section and agree that the current reduction of trans-Atlantic traffic means there is insufficient information available to determine an appropriate approach. Therefore, we welcome future engagement on this subject during 2021 in order to move this forward.

Yours sincerely



Ian Roy
Manager – Aeronautical Services and ATM