

CAA – Civil Aviation Authority
Aviation House
Beehive Ring Road, Crawley
West Sussex, RH6 0YR
e-mail: economicregulation@caa.co.uk

Luton, April 15, 2021

easyJet response to economic regulation of NATS (En Route) plc: UK CAA's update on approach to the next price controls review CAP 2119

Dear Sir/Madam,

We welcome the opportunity to offer our views on the CAA's latest update on approach to the next price control review of NATS (EN Route) plc (NERL).

We would like to remark how crucial it is for the whole industry for decisive and, most importantly, effective actions by its main players and lawmakers. The current EU regulations are failing to incentivise appropriate cost control or provide adequate protection against excessive pricing from what are effectively, essential facilities. The significant costs of air navigation service providers will be borne solely by Airlines; and at the moment, their charges are not being reduced but merely postponed. The CAA has the opportunity to provide a clear example of best practice on how to effectively manage this crisis. We believe it should not follow the conversely unfair and harmful European *modus operandi*.

In that regard, **we certainly welcome the proposed delay to 2023 and spread of the NERL's under-recoveries from 2020 and 2021 over multiple years.** Nevertheless, we also strongly support a more aggressive approach than the one pursued by EC. We urge CAA to consider the spread of the recovery of the revenues over a **10 year period**, rather than 5-7 years.

The reconciliation of such under-recoveries for 2020 and 2021 should be based, as suggested by CAA, upon **efficient, and not actual, costs**. It will be important to clearly define a comprehensive plan for best assessing the additional costs deriving from the loss of revenues in 2020 and 2021.

We also support the implementation of a new price control for five years from January 2023, so that it will allow more time for NERL to develop a reasoned and sound business plan while developing a regulatory framework adapted to the current circumstances. It will be an opportunity to effectively shape the recovery of the industry in the most effective way possible. Given the circumstances, the next pricing control period should provide more flexibility than usual. Such an uncertain environment will make it difficult to provide accurate forecasts for the five years. However, we believe that projections based on a number of possible scenarios could be produced and targeted efficient costs could be determined on a yearly basis and linked according to traffic developments.

We appreciate CAA's efforts to protect Airspace Users and to help maintaining affordable charges. We are looking forward to set out in more detail our views on the definition of affordable charging. In the meantime, we would like to state again how important it is for airlines to at least maintain existing costs, at all levels of the business, including those related to air navigation services.

For this reason, we agree with the CAA on the necessity to first utilise conventional regulatory levers and mechanisms to manage affordability, but **we would also like to stress how important it will be to find additional financial support in order to effectively pursue that goal.** We support NERL's efforts on financeability and will be glad to share our views during the process to set the next price control conditions.

Nevertheless, it would be appropriate that Airlines which are shareholders of NERL do not take part in any financial support initiative, as suggested, as we believe it will lead again to the excessive financial distress for Airlines that needs to be addressed. Instead, we believe the loss in revenue is the sole responsibility of Government policies on travel restrictions and that the whole industry should coordinate to claim Government financial support to the ANSPs, in the UK as well as in Europe. Again, we restate here that Airspace Users are not able and should not be financially responsible for maintaining a full service they do not use.

Finally, we welcome the finalisation of a Regulatory Policy Statement ("RPS") on pensions. We restate here that the objective, for us, is that any current shortfall in the NATS pension fund, especially any shortfall arising from the impact of the COVID crisis is not passed on to the Airspace Users.

We are available to discuss further on the policy options for the next price control period.

Sincerely,



Francesco Rado
Airport Regulation and Economics Analyst
easyJet Airline Company Ltd..