

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

Luton, October 29, 2021

**Response to the consultation on approach to the next price controls review of NATS (En Roue) plc CAP 2245**

Dear Sir/Madam,

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

We would like to thank you for your continued support and for ensuring an open and positive engagement with all airspace users.

The future path of recovery in aviation remains uncertain; 2022 will be a crucial year for traffic recovery and we need all stakeholders to play their part. We believe that the CAA's proposals to modify the NERL licence conditions with a focus to maintain affordability of charges for airspace users is an important step in the right direction.

For this reason, we welcome the proposal to disapply the automatic calculation of the traffic risk sharing (TRS) mechanism used to set the maximum service charges in 2022. This will avoid a +130% increase in unit costs to recover the allowed revenues from 2020.

We also believe that it is appropriate to reconcile costs and revenues for 2020-22 on the basis of estimates of efficient costs. We remain at your disposal for any support needed to assess the efficient cost baseline for NERL as part of this reconciliation exercise<sup>1</sup>.

Finally, we support the recovery of 2020-22 revenue shortfalls over a longer period than the automatic current two-year time lag.

However, we acknowledge that you are considering the arrangements adopted by the European Commission as a reference for the UK and would allow the recovery of the revenues shortfall in five years (i.e. the next price control "NR23") as starting point for the TRS, subject to affordability of charges for users and financability for the NERL.

As stated previously during the consultation process, we do not support the EC's RP3 exceptional measures and we do not believe that similar measures should be adopted in the UK. The measures taken are not sufficient to relaunch traffic, as the full industry cost of the pandemic would fall disproportionately on airlines.

---

<sup>1</sup> In reference to Appendix D of the consultation document CAP 1994

This goes beyond the original intent of the TRS mechanism, which is to protect ANSPs against opportunistic decisions of airlines. Current traffic levels are the result of a significant fall in demand, due to national and international restrictions and travel bans, rather than airlines' commercial decisions.

We urge the CAA to further improve the insufficient provisions of the EC's RP3 extraordinary measures, as we believe that they are failing to provide affordability of charges for users in Europe and threaten the financability of European ANSPs in the long term.

For this reason, easyJet would recommend that:

- NERL should *not* recover the entire shortfall in revenue from 2020-22. The regulation should prevent essential facilities being able to behave in a monopolistic way. This should be possible without compromising the long-term financability of NERL. This is why the application of the TRS mechanism should at least be *partial*, meaning that NERL also absorbs its fair share of its own losses;
- any profits from RP2 should also be used to offset the current losses;
- State-funding should be the primary source for sustaining the revenue shortfalls;
- access to the debt market (as outlined in paragraph 2.16 of CAP 1994) should be investigated and consulted transparently with airspace users;
- any use of shareholder's funding, as referred to in paragraph 1.15 of CAP 2245, should not result in airlines absorbing the COVID-related losses of NERL;
- spread the revenue shortfall to over a minimum ten years, thus covering both NR23 and NR28 at least;
- dynamically modulate the losses so that higher amounts are distributed in later years, when traffic is able to absorb them; and
- while NERL is currently accounting for the expected recovery of these TRS revenues in its regulated asset base (RAB), we believe that these amounts should not be included in the cost of capital.

We remain at your disposal to discuss further on the policy options in the next steps of the current consultation process for the review of NERL licence modifications.

Sincerely,



Francesco Rado

Airport Regulation and Economics Analyst

easyJet Airline Company Ltd.