

NERL'S RESPONSE TO CAA CONSULTATION ON THE REGULATORY TREATMENT OF LONDON APPROACH CHARGES IN RP2

1. In response to the CAA's consultation of 2nd October 2013 on the regulatory treatment of the London Approach charge, NERL has the following comments:
 - a. **NERL does not have a direct economic interest in supporting any one of the three options identified by the CAA.** Under the current regulatory regime for NERL, London Approach revenue is included in the UK ATS Single Till. This means that changes to NERL's planned London Approach revenue arising from any of the three options presented by the CAA in its consultation paper would be matched by equivalent and off-setting changes elsewhere within the Single Till.
 - b. **NERL agrees with the CAA that any charges for London Approach should be consistent with the revised EU Charging Regulation (391/2013).** This would ensure there is legal certainty about the basis for setting and collecting the charges. Therefore, NERL supports the CAA's view that the status quo is not feasible.
 - c. **In principle, NERL supports the CAA's argument that charges should better reflect the underlying costs of providing the service.** This is because cost reflectivity gives a strong signal to customers about the value of the service provided and provides a better basis for taking cost-benefit and other investment decisions. Therefore, NERL supports the CAA's ambition to improve cost reflectivity in the longer term.

NERL notes that the CAA would prefer to move to option 2 as part of an EU-wide move to improve the cost reflectivity of terminal services at the major European airport hubs. Such an approach would better enable the impact of improved cost reflectivity to be more evenly spread across airlines and ensure there is a level playing field approach across the European aviation market.
 - d. **The implications of more cost reflective charging for any services need to be understood fully before implementation,** including for example any relevant impacts on performance against other KPAs. These inter-dependencies and trade-offs, where they exist, should be understood fully in advance and taken into account in the decision making.

- e. Finally, NERL believes the CAA should take account of the views of all stakeholders in reaching its decision.

NERL

17th November 2013