



Airlines for America®

We Connect the World

September 20, 2024

Stewart Carter
Programme Director
Consumers and Markets
UK Civil Aviation Authority
Canary Wharf
London E14 4HD
United Kingdom
Sent via email: economicregulation@caa.co.uk

Re: Consultation on Constructive Engagement

Dear Mr. Carter,

Airlines for America (A4A), on behalf of its members,¹ takes this opportunity to respond to the proposals the UK Civil Aviation Authority (CAA) sets out in its letter of September 3, 2024, on the timing and process for Constructive Engagement (CE) in the H8 price control period. A4A members operate extensive services to the UK and have a strong vested interest in this consultation. We support the comments that IATA has submitted but would like to supplement them with brief observations of our own. For the sake of brevity, we will refer to Heathrow Airport Limited (HAL) and NATS (En Route) plc (NERL) collectively as HAL.

CE between HAL and airlines is a critical part of the price control reviews. To improve the integrity of the process, CE should incorporate certain key principles. First, we support and appreciate the CAA's "open door" policy. We believe the CAA should increase its contribution to the CE as follows:

- Actively participate in the process and ensure that the relevant CAA subject matter experts attend the appropriate sessions.
- Establish an effective process for sharing comprehensive information in each round of the CE process.
- Update the parties on progress made towards implementing Lessons Learned.
- Assist the parties to resolve their differences. We understand the CAA will resolve differences in Initial and Final Proposals, but it would strengthen the CE process if the CAA attempted to resolve them through dialogue. Even if some differences prove intractable, the discussion will provide the CAA with insight into the parties' respective positions which in turn will inform and enrich the CAA's Initial and Final Proposals.
- Ensure that HAL respects the CAA's admonition that its proposals must respect "customer priorities."
- Retain earlier in the process the expert, consultant support needed for key areas including Cost of Capital.

¹ Members of the association are Alaska Airlines, Inc.; American Airlines Group, Inc.; Atlas Air, Inc.; Delta Air Lines, Inc.; Federal Express Corporation; Hawaiian Airlines; JetBlue Airways Corp.; Southwest Airlines Co.; United Holdings, Inc.; and UPS Co. Air Canada is an associate member.

Second, we agree with the CAA that the CE should be carried out at an earlier stage and in multiple rounds to provide a greater opportunity for airlines to influence HAL's business plans, and for all to comment the CAA's Initial Proposals.

Third, we broadly agree with the timetable the CAA prescribes for the CE process, the issues to be addressed in each of the four rounds, and the purpose and desired outcomes subject to the constructive comments that IATA has provided in its comments under "Minimum Information during CE."

Fourth, the CAA should require HAL to provide a detailed explanation if HAL decides to reject airline proposals. This will ensure that they take what the CAA describes as a "pragmatic and purposeful approach" to the discussions.

Fifth, we welcome the CAA's conclusions in CAA CAP3000 (H7 'lessons learned' process) on the building blocks, including its commitment to reducing the size and growth of the RAB by moving from RPI to CPI indexation and addressing concerns over HAL's potentially underperforming assets within the RAB, commissioning an external independent traffic forecast and continuing to support the transition to net zero which is consistent with A4A's commitments.

Finally, we believe that HAL and the airlines should co-chair the CE sessions to ensure the discussion is balanced. We also welcome the appointment of an independent reporter tasked with the responsibility of providing: (1) the minutes of each CE meeting; and (2) a report at the end of each round summarizing the process followed and the key outcomes.

We thank you for your kind attention and look forward to continued engagement on these important issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Glatz". The signature is fluid and cursive, with the first name "Keith" written in a larger, more prominent script than the last name "Glatz".

Keith Glatz
Senior Vice President, International Affairs