

Airport Consultative Committee – Gatwick Airport (ACC)

Civil Aviation Authority

26th March 2025

Dear Robert,

Re: Economic regulation of Gatwick Airport Limited: Final Proposals on extending current commitments CAP3078

The Gatwick Airline Consultative Committee (ACC) welcomes the opportunity to provide feedback on the economic regulation of Gatwick Airport Ltd (GAL) and the extension proposal from GAL. The following comments reflect the collective opinion of the ACC member airlines. Should any airline wish to add further comment then they will do this directly to the CAA.

GAL's pricing commitment and levels of profitability

While the ACC can't comment specifically on price, the ACC remains concerned regarding the potential impact of the Northern Runway project on future charges. While we acknowledge the CAA's assurance that GAL will bear the risk for the project's costs, we remain uneasy about the potential connection between capital expenditure and subsequent charging mechanisms.

Specifically, we note GAL's stated intention to spend £580 million on the Northern Runway project during this extension period leading up to 2029, with the total project cost estimated at £2.2 billion. This significant investment inevitably raises questions about how this expenditure will affect future charging structures and ultimately impact airlines and consumers.

We welcome the CAA's commitment to reviewing the pricing mechanism for the new period. We believe this review is crucial to ensure fairness, transparency, and affordability for all airport users, while also allowing GAL to invest in necessary infrastructure improvements.

We strongly believe that a detailed and comprehensive deep dive into the pricing structures is essential for the next period of Contracts and Commitments. This review should thoroughly examine the justification for costs and ensure transparency in how these costs are factored into future charges at Gatwick Airport.

We would appreciate the opportunity to actively engage with the CAA during this review process, contributing the airline and passenger perspective to help shape a sustainable and equitable pricing framework for the future. We are confident that proactive collaboration will be beneficial in addressing these concerns and achieving a balanced outcome.

Capacity Expansion

We understand that CAP 3078 states the CAA is minded to grant an extension to commitments provided GAL demonstrates good progress in developing their capacity expansion plans over the period of the extended commitments. While we believe that GAL possesses the will and intention to expand, and we recognise that a certain level of investment has taken place, we are not convinced that discernible progress is being made in the areas critical for meeting the requirements of a capacity expansion or whether that capacity expansion is in the best interests of consumers.

Specifically, we are sceptical that the scale and nature of the intended investment will translate into demonstrably increased capacity needed to justify extending their commitments.

For example, we understand that GAL is intending to invest in projects to expand both the North and South Terminal International departure lounges during the 5-year term of the 2024 CIP. While we acknowledge these as positive for consumers, we believe they are necessary to maintain a satisfactory passenger experience based only on current requirements regardless of whether the Northern Runway is ultimately built. These projects, therefore, do not constitute clear evidence of progress directly linked to a commitment to substantial capacity expansion as envisaged by CAP 3078. The ACC are currently not seeing a clear and integrated plan that outlines projects specifically designed to support the overall capacity increase. We believe it is crucial for GAL to provide greater transparency regarding these plans, particularly concerning:

- **Surface Access:** How will GAL address the increased traffic flow to and from the airport? What specific road improvements, public transportation enhancements, or alternative access solutions are planned?
- **Check-in and Departures:** What modifications or expansions are planned for check-in areas, security screening, and departure lounges to accommodate the increased passenger volume and improved passenger flow?
- **Ramp, gate and taxiway infrastructure:** How will GAL enhance airside capacity, including aircraft parking stands and taxiways, to efficiently manage the higher number of aircraft movements?
- **Timeline:** We respectfully request a timeline detailing the above projects and how these projects overlap or link in with the runway work timeline.

We believe that a more nuanced and rigorous assessment of GAL's progress is required, one that clearly links specific investments that directly contribute to significant and measurable improvements in consumer experience under different future growth scenarios. We are concerned that focusing solely on overall investment figures may not accurately reflect the true state of progress against the agreed-upon commitments.

Within the last CIP we see many projects which would enable GAL to hit their spend commitment of £120m per annum, such as Decarbonisation of heat, potable water and the expansion of both NT and ST IDL's to meet current capacity requirements. However, none of these projects support the increase in capacity needed to meet the potential of the NRP.

We believe a thorough and transparent evaluation is crucial to ensure that any licence extension is truly justified by a transformation of Gatwick, rather than ongoing operational improvements that are necessary irrespective of expansion plans.

GAL's Service Commitments

We acknowledge that GAL has advised the CAA that they have taken several actions aimed at keeping flights on schedule, specifically mentioning investment in airfield resilience and a focus on analysis and monitoring to improve airfield efficiency.

However, the ACC does not feel that these initiatives have actively contributed to improving OTP, instead they are focussed on minor tweaks and incentivising third parties to improve performance. We have not seen tangible evidence of significant investment projects directly related to improving OTP. While we appreciate efforts to maintain overall airfield functionality, we have not observed any projects specifically targeting the root causes of delays such as airfield congestion, leading to measurable improvements in on-time departures and arrivals.

Furthermore, regarding the incentives offered to airlines and handlers concerning turnaround times and baggage handling, we must point out that these incentives have been in place for several years and are of course funded out of revenue. While we acknowledge their potential to contribute to efficiency, they are not new initiatives implemented specifically to address the current OTP challenges and therefore are unlikely to represent a significant shift in performance.

We do acknowledge the positive steps in discussions with GAL regarding development of a shared set of airfield metrics, and data platform through which increased data transparency and better identified airfield performance levers and constraints are observed. However, this is only the start and will need to be associated with tangible programmes of work by both airlines and importantly in the context of this consultation, by GAL, to address the root causes contributing to delays and disruptions and improve the resilience of the airport to the known challenges faced by Gatwick airport every summer.

In conclusion, based on our observations and involvement in operational airport matters, the ACC does not believe that GAL has yet taken sufficient, material steps to demonstrably improve on-time performance. We also note that several of the cited factors contributing to potential improvements, such as the NATS system upgrade, are led by third-party organizations and are not directly attributable to GAL's actions.

Airline Metrics

Service Quality

The ACC continues to discuss the outstanding service metrics with GAL. As we wrote in our letter dated 27th September '24, there are still a number of areas where it is clear that we have now reached an impasse.

Security

Central Passenger Search

The ACC have agreed to wait until the new Next Gen lanes have been in place for a period of time and then re-look at the measurements once we have data to see if they have a material impact on queuing and processing times. However, GAL have already stated they are not inclined to raise the CSS metric above its current target.

Staff / Crew Search – Terminals

We are pleased that GAL have now agreed to bring the staff search measurements in the terminal in line with those staff search areas in Jubilee House and Atlantic House.

Discussions are still being held on our request to have a maximum queue time of 7 minutes, which is linked to the first wave success of airlines and aligns with crew report times, airport wide OTD targets and ultimately the perception of Gatwick's service by consumers. We believe that GAL are not minded to agreeing to this measure.

Pier Service

As previously discussed with the CAA, the ACC has requested a change to this measure both in the 2019 service review and in this service review, we do not believe that a Moving Annual measure is a true reflection of the customer experience. The current measurement does not present an adequate incentive to GAL to prioritise improvements to pier served capacity in the interests of consumers. We have suggested several alternatives in the measurement to highlight the seasonal nature of the Gatwick operation, ensuring the monthly and seasonal variations of the PSL is clear to all. GAL has offered to share with airlines the data on PSL but will not alter how it is measured and reported.

Runway Availability / Airfield Travel Times

We have now agreed an interim measure with GAL on this service standard which was outstanding when we last wrote to the CAA.

Bag Drop Serviceability

This is a new measure that has been agreed on. The ACC and GAL are meeting on 19th March to review the data that GAL has collected to finalise a measurement.

The recommendations we have made regarding changes to CSS measures are, ultimately in the best interest of consumers. We believe these adjustments will lead to improved outcomes and a more beneficial experience for consumers of the airport.

Rebates

The discussions on rebates are still ongoing, but the ACC are looking to ensure that the rebates reflect the importance to both the consumer and the airlines.

The ACC are confident that we will have agreed the new metrics over the next month, however we also believe that we have now reached an impasse on the PSL measurement. We would ask that the CAA now take an active role in this measurement, the ACC will write directly to the CAA on this particular issue.

A future review of the commitment's framework

The ACC welcomes the CAA's intention to review the Commitments Framework during the next regulatory period. We believe that a complete and timely review is essential to ensure the framework remains effective and fit for purpose especially as this was first introduced in 2014

We note that the CAA currently intends to commence this review in the second half of 2027 and complete it by mid-2028. Our concern stems from the interplay between this timeline and GAL's obligations to consult with the airlines leading up to a new period.

As you know, GAL is obligated, as per their license, to share their intention regarding a new period of contracts and commitments with airlines two years prior to the end of the current period. Should GAL choose to request a new period, they would be required to initiate this consultation with airlines in the first or second quarter of 2027. If this were to occur while the CAA is simultaneously undertaking its review, it could potentially impact the scope and effectiveness of the CAA's consultation process.

To mitigate this risk and ensure a comprehensive and unimpeded "root and branch" review, the ACC suggests that the CAA consider advancing the start date of this work to mid-2026. This revised timeline would allow for a complete examination of the Commitments Framework, without the risk of overlap with GAL's consultation process.

As stated, we believe that the CAA should review Contracts and Commitments in totality to ensure that the framework remains fit for the future and in the best interests of consumers.

The ACC would welcome the opportunity to collaborate with the CAA and other parties on defining the scope and terms of reference for the review. Our priority is to ensure the final outcome serves the best interests of both airlines and consumers. The ACC are keen to be part of the review process and suggest that we meet with both the CAA and GAL to make this effective.

Commitment of Investment

As part of GAL's commitment, they have agreed to invest at least £120m per year on average over the term (2019-2029). The ACC are concerned that the current model which focusses on a spend target, does not encourage capital efficiency from GAL. While we see data sheets for projects over £1m the current framework does not necessarily result in GAL undertaking meaningful engagement with airlines. A requirement for GAL to engage with airlines on capital investment in a more complete way to include a better understanding of opportunity cost, value for money and project discipline would allow the community to better assess the value for money being achieved and ensure that the investment is delivering the intended outcomes.

To address this concern, we propose the following:

- **Project Narratives:** GAL to provide a concise narrative alongside each project data sheet (over £1 million). This narrative should address the points outlined above, focusing on the impact and changes resulting from the investment and a link to improvements in the CSS where applicable
- **Performance Metrics:** Where appropriate, include key performance indicators (KPIs) that demonstrate the project's contribution to overall objectives and GAL's vision. These metrics should be tracked and reported on a consistent basis.
- **Regular Review Meetings:** Continue our regular review meetings but dedicate specific time to discuss the progress and impact of individual projects. This will allow for a more in-depth understanding and open dialogue.
- **Budget assessment:** A consistent overview of each project to include the initial and final budgets, reason for changes, project timelines & deliverables (planned. Vs. actual).
- **ACC investment proposals:** As part of the annual development of the CIP, a requirement for GAL to seek input from the ACC on potential infrastructure improvements with active comment and dialogue and feedback.

We believe that by incorporating these elements, we can gain a more comprehensive understanding of the value being generated by GAL's investments, and how these impact the consumer overall.

Conclusion

We look forward to continuing our constructive engagement with GAL and the CAA during the review of the Contracts and Commitments framework and hope that our comments here and future input help to shape the development of the regulatory framework and the airport operation in the best interests of our customers. Our overarching goal is to collaborate in shaping a framework that prioritizes the needs and experiences of our customers, ultimately leading to improved service and satisfaction.

Yours Sincerely



Ross Kennedy
ACC Chairman
CC. ACC Committee