



Deutsche Lufthansa AG, Lufthansa Aviation Center
Airportring, 60546 Frankfurt/Main, Germany

Judith Ross
NATS/CAA regulatory appeal
Competition and Markets Authority
The Cabot
25 Cabot Square
London, E14 4QZ
United Kingdom

Ihr Zeichen/Your Reference

Unser Zeichen/Our Reference
FRA GK/AG

Telefon/Phone
+49 69 696 7598

Telefax/Fax

Datum/Date
16. Januar 2020

Lufthansa Group supporting submission on IATA's Referral from the Civil Aviation Authority ("CAA") to the Competition and Markets Authority ("CMA"): NATS En-route Limited ("NERL") Price Determination

Dear Mrs. Ross,

on behalf of the Lufthansa Group, representing Austrian Airlines, Brussels Airlines, Eurowings, Lufthansa, Lufthansa Cargo and Swiss we would like to thank for the opportunity to submit supporting statements on IATA's referral from the CAA to the CMA on NERL's price determination effective January 1, 2020.

As we share the same concerns as the association, we want to take the opportunity to underline IATA's rejection of the increase in NERL's charges with Lufthansa Group specific facts and figures from the perspective of one of its top customers. NERL price determination translates for Lufthansa in a significant - about 55% - charges increase for the Oceanic charge. This has a direct impact on the profitability of our long-haul business over the North Atlantic.

Governance:

Lufthansa is highly concerned about the business relationship NATS is having with Aireon as this constellation is a shareholding and a customer relationship at the same time with diverging interests between return on investment and a cost efficient service provision. Lufthansa Group has serious doubts about related party business, as there is no agreement with airspace users about cost structure and pricing of Aireon on a global basis nor an independent regulator overseeing the relationship.



Datum/Date
16. Januar 2020
Seite/Page
2

Transparency:

Lufthansa would have expected a significant higher level of transparency in the consultation process. Especially to disperse the fears on related-party transaction, NATS and Aireon should have offered full transparency on the cost structure and (expected) financials within Aireon leading to the proposed pricing.

Cost Relatedness:

Lufthansa understands that the marginal cost of supplying the service is lower than 1 USD per controlled flight hour. The now proposed pricing structure translates in a significant higher price NATS paying to Aireon. This is contradicting to ICAO principles of cost relatedness, which for Lufthansa Group is a prerequisite in any ATC charge setting process worldwide.

Lufthansa strictly opposes a charge setting based on potential benefits. Nevertheless, we could not prove the cases provided and cannot support the cited magnitude of savings to be realized. In our view, the operational gains from the Space-based ADS-B will be much lower than currently advertised by Aireon.

Non-Discrimination:

We do not accept that there is a different price setting of AIREON between different countries and kinds of service provision, e.g. between oceanic airspace and continental airspace despite of an identical service provision of space-based ADS-B.

We demand a single, consistent, global, cost related charge for the Space-based ADS-B services to avoid discrimination between traffic areas and their users.

Trial Phase:

Lufthansa Group understands that the application of the system is still on an ICAO trial-phase, meaning that the service is not yet used to 100% of its potential or its usage can be stopped at any time. This could result in flights being charged for a technical solution that is not in operation.

It is unprecedented that airspace users are charged for services that are not yet fully implemented, only operating under trial conditions and which are subject to a legal review. Airlines should only be charged for the service once it is fully operational and approved by the competent authority as being in line with legal requirements. ,

Therefore we demand CMA to prohibit NERL from charging for Space-Based ADS-B services, irrespective of the charged amount, until the trial phase is successfully completed and/or the appeal to the CMA is decided.



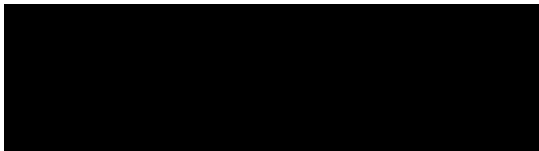
Datum/Date
16. Januar 2020
Seite/Page
3

Lufthansa Group thanks for taking the above stated comments into consideration. We trust that you can understand our position of rejecting the pricing and implementation proposal due to the introduction of Space-Based ADS-B in UK oceanic airspace.

Nevertheless, we remain committed as trusted customer and partner of NATS to engage in any further consultation and discussion process. We are ready to continue the dialogue with CMA, NATS and/or Aireon at any time.

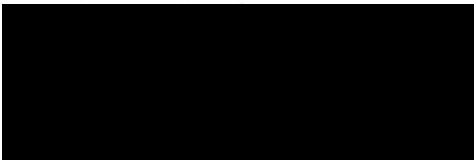
If you have any questions on this statement and/or our outlined position, please do not hesitate to contact us.

Kind regards



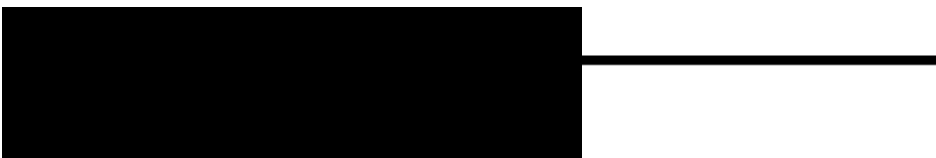
Dr. Holger Benjamin Koch
Senior Director Airport / Industry Charges &
Commercial Provider Management FRA

benjamin.koch@dlh.de



Stephan Weidenhiller
Senior Manager Group Regulatory & Industry Charges

stephan.weidenhiller@dlh.de



Nicole Ammann
ATC Economics, Ground Operations SWISS

nicole.ammann@swiss.com

Mitglied der IATA/Member of IATA

Telefon/Phone +49 69 696-0
lufthansagroup.com

Deutsche Bank AG, Köln
Kto. Nr. 106 141 500
BLZ 370 700 60
IBAN DE95 3707 0060 0106 1415 00
SWIFT-Code DEUT DEDK XXX

Citibank N.A., New York
(nur Zahlungen/only payments in USD)
Kto. Nr. 405 628 92
BLZ 021 000 089
SWIFT-Code CITI US 33

USt-ID-Nr./Tax ID number DE 122 652 565

Sitz der Gesellschaft/Corporate Headquarters
Deutsche Lufthansa Aktiengesellschaft, Köln

Registereintragung/Registration
Amtsgericht Köln HRB 2168

Vorsitzender des Aufsichtsrats/
Chairman of the Supervisory Board
Dr. Karl-Ludwig Kley

Vorstand/Executive Board
Carsten Spohr (Vorsitzender/Chairman)
Thorsten Dirks
Harry Hohmeister
Dr. Detlef Kayser
Ulrik Svensson
Dr. Bettina Volkens