



Ms Judith Ross
Competition & Markets Authority (CMA)
The Cabot, 25 Cabot Square
London
UK

By email: nats.cma@cma.gov.uk

15th April 2020

Re: NATS/CAA Regulatory Appeal – CMA Preliminary findings

Dear Ms Ross,

Ryanair welcomes the CMA preliminary findings on the NATS/CAA regulatory appeal published on 24 March 2020 which support Ryanair's view that NATS's rejection of the CAA's price determination was unjustified and the CAA proposal does not go far enough.

Ryanair is pleased that the CMA agree with the CAA decisions on service quality and environmental targets, traffic forecast, operating expenditure allowances, capital expenditure levels and the role of the Independent Reviewer. However, given that the CMA shared the CAA's "scepticism" to NATS "apparent savings" and described NATS "concerns with respect to the potential operational and safety risks" as "misplaced", the CMA should have been more stringent and gone beyond the CAA determination. Regrettably the CMA was not critical of the CAA price determination and has merely leant towards NATS requests.

Since the report was published, the COVID-19 pandemic has devastated the aviation industry and traffic in the UK has fallen a staggering -89%. Government imposed travel restrictions have forced Ryanair to ground 99% of its fleet for at least the months of April and May.


Ryanair propose the following 6 urgent actions to tackle this crisis:

1. Suspend the traffic risk sharing mechanism for 2020. Traffic levels have fallen up to -93% across Europe due to Government imposed restrictions in response to COVID-19. Under the current traffic risk sharing mechanism, airlines are liable if traffic drops greater than 10%. This is unacceptable and the scheme should be suspended for 2020.
2. Leave 2020 targets in place and suspend incentive schemes. Existing incentives based on higher traffic levels will result in inappropriate bonuses being paid for easily achieving targets at lower traffic levels. This is unacceptable and no bonuses should be paid for achieving these weak targets at lower traffic levels during this crisis.
3. Revise RP3 capacity and environment targets for 2021 and beyond using the independent STATFOR traffic forecast when it becomes available in June 2020. The initial EC RP3 targets, Eurocontrol reference values and the CAA's proposal are now outdated following the dramatic traffic drop. All allowances for weak RP3 capacity and environment targets must be removed and more realistic and ambitious target set using the new forecast.

4. Accelerate NATS Airspace Modernisation Strategy (AMS). During this period of abnormally low traffic levels, NATS should bring forward airspace and system change programmes that build additional capacity and resolve bottlenecks with a view to achieving more ambitious targets by the end of RP3. NATS should implement new rosters, redistribute controllers to projects and bring forward training for new systems.
5. Reassess opex/capex allowances to take account of delayed investments. The NATS business plan is clearly not aligned with the current situation. Capex from delayed or cancelled projects (eg Heathrow Runway 3) must be removed from the business plan and any associated Opex should also be removed given it is unlikely to materialise.
6. Reduce the cost of capital. NATS should forego all shareholders returns during the next 2 years and prioritise operational performance ahead of shareholder profits.

We thank you again for the opportunity to comment on this important matter. If you require any further clarification, please do not hesitate to contact me.

Yours sincerely,



Choorah Singh
Deputy Director Flight Ops