

Economic regulation of Gatwick Airport Limited: notice of proposed licence modifications

CAP 2103



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About this document

This document gives formal notice under section 22(2) of the Civil Aviation Act 2012 (“CAA12”) of our proposal to modify Gatwick Airport Limited’s (“GAL”) economic licence to accept GAL’s proposed new commitments for the four year period from 2021/22 to 2024/25.

This statutory consultation follows on from the consultation on our proposed approach in October 2020.

Comments invited

We welcome views on the proposed modifications to GAL’s licence, which are set out in Appendix B.

Please e-mail any comments to economicregulation@caa.co.uk by no later than 25 March 2021. We cannot commit to take into account representations received after this date.

We expect to publish the responses we receive on our website as soon as practicable after the period for representations expires. Any material that is regarded as confidential should be clearly marked as such and included in a separate annex. Please note that we have powers and duties with respect to information under section 59 of the Civil Aviation Act 2012 and the Freedom of Information Act 2000.

If you would like to discuss any aspect of this document, please contact Stuart Holder (stuart.holder@caa.co.uk).

Executive summary and introduction

Purpose of this document

1. This document is a formal notice under section 22(2) of the Civil Aviation Act 2012 (“CAA12”) to modify the licence of Gatwick Airport Limited (“GAL”).
2. In October 2020 we consulted on a proposal to accept the commitments put forward by GAL for the four year period from 2021/22 to 2024/25 (“the October 2020 Consultation”).¹ Having carefully considered the responses received, our view remains that we should accept GAL’s proposals. We are therefore inviting stakeholders to comment on the proposed modifications to GAL’s licence set out in Appendix B. Due to the statutory process under CAA12, if we decide to modify GAL’s licence following this consultation, the modifications will not take effect until some time after 31 March 2021 when the current commitments expire. Nevertheless, they are intended to apply to GAL’s revenues for the full year from 1 April 2021.
3. This document also deals with other issues raised in the October 2020 Consultation, including unresolved issues related to service quality targets and some changes to our ongoing monitoring of GAL’s performance. It explains our proposed approach in cases where stakeholders have remaining concerns about GAL’s proposals, and sets out how we propose to ensure that GAL continues to act in a way consistent with the interests of consumers.²

Main issues raised in this document

Consultation on licence modifications to implement the commitments

4. Our economic regulation of GAL is currently based on a set of commitments given by GAL during the ‘Q6’ price control review and which expire on 31 March 2021. They cover, among other things, the maximum level of airport charges that GAL can levy, a system of rebates if GAL misses certain service quality targets, and a minimum level of investment that GAL will undertake.³

¹ Economic regulation of Gatwick Airport Limited: consultation on new commitments www.caa.co.uk/cap1973.

² In this document we use the term ‘consumers’ to refer to passengers and cargo owners. This is equivalent to ‘users’ of air transport services as defined in CAA12.

³ See Appendix B of the [October 2020 Consultation](#) for a summary of the current commitments. The commitments are also conditions of GAL’s licence.

5. Following our June 2018 consultation on the timetable and process for the current review,⁴ GAL and airlines entered discussions on several different aspects of the commitments, including possible changes to service quality metrics and targets, and changes to the investment consultation process.
6. GAL then finalised its proposals for a new set of commitments for our review in January 2020,⁵ before the potential impact of Covid-19 was clear. These proposals included a cap of Retail Prices Index (RPI) + 0% for published charges (but no separate cap on charges after allowing for discounts – we refer to these as “net charges”), a number of detailed changes to service quality targets, and a minimum investment commitment of £120 million per year on average.
7. In the October 2020 Consultation we said that, viewed as a whole and bearing in mind the significant impact of Covid-19 on the future outlook, we considered the package of changes set out by GAL was likely to be in consumers’ interests.
8. While GAL supported our proposed approach, consultation responses from airlines raised some concerns, including:
 - a request for details of the analysis that led us to conclude that GAL’s proposals were likely to be in consumers’ interests, and one comment that the proposed price appeared too high;
 - concerns that, as there will no longer be a separate cap on net charges, GAL will be able to lower discounts and thereby raise its charges; and
 - statements that the new investment commitment does not provide certainty that required investment in airfield assets and passenger facilities will be delivered.
9. In response to the first of these points, we have provided airlines with an overview of our analysis.⁶ This notes that there are plausible scenarios under which GAL’s profits are likely to remain at a relatively low level throughout the next period and that, if anything, the outlook for the start of the period has deteriorated since we carried out the analysis.
10. In reaching a view on GAL’s proposed price cap, we have also taken account of the potential long-term benefits to consumers of a regulatory framework that facilitates commercial discussions rather than one that relies on regulator-led decision making. We welcome the fact that GAL has not sought to amend its

⁴ Future economic regulation of Gatwick Airport Limited: initial consultation www.caa.co.uk/cap1684.

⁵ GAL’s finalised, extended Commitments, 27 January 2020
[https://www.caa.co.uk/uploadedFiles/CAA/Content/Accordion/Standard_Content/Commercial/Airports/GAL_Extended_Commitments_\(Jan2020\).pdf](https://www.caa.co.uk/uploadedFiles/CAA/Content/Accordion/Standard_Content/Commercial/Airports/GAL_Extended_Commitments_(Jan2020).pdf).

⁶ [CAA letter of 23 December 2020 to the Airport Consultative Committee](#).

proposals, despite the very significant deterioration in the outlook since it finalised its proposed new commitments.

11. Rather than imposing a cap on GAL's net charges, our preferred approach is to monitor GAL's average discounts and to be ready to take action if necessary (including mid-period) to protect consumers' interests. This view takes account of, among other things, GAL's pricing behaviour during the current period and its likely weakened market position at the start of the next period. However, we will also carry out a focused assessment of GAL's net charges once traffic levels have recovered.
12. Finally, on investment, we already monitor GAL's airfield investment and will continue to do so during the next period. We also plan to carry out a focused assessment of how the new investment consultation process is working and whether airfield investment is being reinstated sufficiently quickly once traffic levels have recovered and the new consultation process has been tested in a more normal environment.
13. We therefore propose to accept GAL's proposed new commitments as the basis of our economic regulation of GAL from 2021/22 to 2024/25. Appendix B sets out the proposed modifications to GAL's licence (including the commitments as set out in GAL's Conditions of Use) that are required to implement this.

Addressing unresolved issues

14. In the October 2020 Consultation we noted that there were some aspects of GAL's service quality targets and rebates where GAL expected discussions with airlines to continue. These included security queues, for which GAL has committed to invest in new measurement technology, and airfield assets, where GAL has indicated its willingness to examine an alternative approach suggested by airlines.
15. In general, airlines supported the continuation of these discussions, though some were concerned about possible delays in the required investment. Some airlines suggested that we should impose specific deadlines on GAL, and that existing metrics should be retained if agreement is not reached in time.
16. We understand that GAL and airlines have continued discussions since October. They have reached a common understanding on the capabilities the new security queue measurement system should have, and they have also agreed new targets for airfield asset availability. We expect GAL to take the actions necessary to ensure that the new measurement system is in place for the peak summer months of 2021 if traffic volumes are likely to be significant by that stage, and to ensure that queue times can be properly measured if the airport becomes busy before the new system is operational.

17. We will monitor progress on these issues and, if we consider that insufficient progress is being made, we will review the situation and consider whether further intervention is necessary to protect consumers' interests. Once traffic has recovered we intend to carry out a focused assessment to check that these issues have been resolved and, more generally, that the new service quality metrics included in the commitments are working well.

Monitoring GAL's performance

18. We said in the October 2020 Consultation that we proposed to add two specific items to our ongoing monitoring of GAL's performance. These were:
- GAL's performance in relation to seating facilities in its departure lounges, which was one of the areas for improvement highlighted in GAL's 2019 passenger research; and
 - the average level of discounts that GAL offers to airlines, as there will no longer be a separate price cap on GAL's net charges.
19. Among other responses, the ACC and GATCOM expressed disappointment that GAL had not been willing to make further changes to its Quality of Service Monitor (QSM) metrics.⁷ Airlines expressed concern that simply monitoring GAL's average discounts will not provide sufficient protection, and the ACC stated that we should take a more active approach to governance and monitoring, including a formal mid-term review.
20. Regarding QSM scores and departure lounge seating in particular, we are mindful of the current uncertainty about how fast traffic will recover and potential changes in passengers' behaviour and views. Rather than proposing any specific changes at this point, therefore, we consider that monitoring survey scores is a proportionate approach. Similarly, for the reasons described above, we believe that monitoring the average level of discounts is preferable to introducing an additional layer of regulation.
21. Especially in view of the relatively short duration of the next period, we are not persuaded that a formal mid-term review would be appropriate. Nevertheless, as described above, during the next period we plan to carry out focused assessments of specific issues, which we expect to include:
- GAL's average discounts;

⁷ While the target scores for QSM metrics have not changed, in future they will be assessed as quarterly moving averages rather than annual moving averages as at present. This represents some tightening of the targets, for example because it will reduce the extent to which poor performance during the busiest times of the year can be offset by good performance during less busy periods.

- whether the outstanding service quality issues have been resolved and how the new metrics are working; and
- how the new investment consultation process is working and whether airfield investment is being reinstated sufficiently quickly.

Our duties

22. In developing this policy we have had full regard to our statutory duties under CAA12, which are set out more fully in Appendix A.

Structure of this document

23. The structure of this document is as follows:
- Chapter 1 confirms our proposal to accept GAL's proposed new commitments, and therefore gives formal notice under section 22(2) of CAA12 of the proposed licence modifications set out in Appendix B;
 - Chapter 2 addresses the current situation on the service quality issues where discussions are continuing between GAL and airlines; and
 - Chapter 3 discusses our monitoring of GAL's performance over the next period.

Next steps

24. We invite comments from stakeholders on the proposed modifications to GAL's licence, which are set out in Appendix B, by 25 March 2021. We cannot commit to take into account representations received after this date.
25. Having considered stakeholder views, we will decide what modifications, if any, to make to GAL's licence. If we decide to modify GAL's licence, we will publish a notice of the modification in accordance with section 22(6) of CAA12. If we decide not to modify the licence, we will publish a notice giving our reasons for not doing so in accordance with section 22(5) of CAA12.
26. Due to the impact of the pandemic on the timing of this process, if we decide to modify GAL's licence, the modifications will not take effect until some time after 31 March 2021 when the current commitments expire. Nevertheless, our intention is that the modifications will apply to GAL's revenues for the full year from 1 April 2021.

Chapter 1

Consultation on proposed licence modifications

Introduction

- 1.1 As discussed further below, this document gives formal notice under section 22(2) of CAA12 of our proposal to modify GAL's licence in order to accept GAL's proposed new commitments for the period from 2021/22 to 2024/25.⁸ The specific licence modifications are set out in Appendix B.
- 1.2 In summary, the new commitments include:
- a price commitment with a cap of Retail Prices Index (RPI) + 0% for published charges, but no separate cap on net charges (i.e. charges paid after allowing for discounts);
 - a service standards commitment which features a number of detailed changes to service quality targets, including a switch from annual to quarterly moving averages for passenger survey scores, detailed changes to asset availability targets and a new runway availability measure; and
 - an investment commitment which increases GAL's minimum average spend to £120 million per year.⁹
- 1.3 Our proposal to accept GAL's proposed new commitments is consistent with the approach set out in the October 2020 Consultation. We said then that, taken as a whole and bearing in mind the impact of Covid-19 on the future outlook, our view was that the package of changes would strike a reasonable balance between the interests of GAL and airlines, and was likely to be in consumers' interests.
- 1.4 We said that while we could not rule out scenarios under which GAL's proposed price cap might allow it to earn relatively high profits towards the end of the next period, we noted that GAL's profitability at the start of the period was likely to be substantially lower than in recent years, and that there were other scenarios under which GAL's profits might remain at relatively low levels throughout the period. We also noted that if GAL were to earn relatively high profits, this would most likely reflect the impact of good performance across a number of different areas, which may well lead to better outcomes for consumers. In addition, as the

⁸ GAL's proposals are described in full in the document "GAL's finalised, extended Commitments", dated 27 January 2020, which has been distributed to airlines and is available on CAA's website at [https://www.caa.co.uk/uploadedFiles/CAA/Content/Accordion/Standard_Content/Commercial/Airports/GAL_Extended_Commitments_\(Jan2020\).pdf](https://www.caa.co.uk/uploadedFiles/CAA/Content/Accordion/Standard_Content/Commercial/Airports/GAL_Extended_Commitments_(Jan2020).pdf).

⁹ This is assessed over the six years from 2019/20 to 2024/25.

next regulatory period lasts for only four years, there will be a relatively early opportunity to review the level of charges.

- 1.5 We considered that the proposed changes to GAL's service quality metrics and targets, which reflected the outcome of detailed discussions between GAL and airlines, were likely to lead to a number of improvements compared with the current targets. Though we recognised that GAL did not agree to every change proposed by airlines or GATCOM's Passenger Advisory Group (PAG), we considered that GAL's proposed changes were part of an overall package that was likely to be in consumers' interests.
- 1.6 Similarly, though GAL has proposed only a minor change to its investment commitment, we said that we were not aware of any evidence to suggest that a more substantial change was required to protect consumers' interests. We also noted that we already monitor GAL's planning and delivery of airfield investment projects and will continue to do so during the next regulatory period.

Stakeholders' views

General comments

- 1.7 GAL welcomed the proposed approach set out in the October 2020 Consultation. It highlighted that it has not sought to change the commitments despite the catastrophic impact of Covid-19, and that it considers the stability provided by the commitments will assist both GAL's and its customers' recovery efforts.
- 1.8 While making some more detailed points and also supporting the ACC's response, easyJet said that, overall, it broadly supports GAL's proposed new commitments. Similarly, GATCOM made some specific points but said that, overall, it supports our proposed approach and also welcomes GAL's commitment to stand by its original proposals.
- 1.9 The ACC and some individual airlines referred to the statement, in our June 2018 consultation document, that "We encourage GAL to come forward with a compelling, evidence-based proposition that both responds to airlines' input about the outcomes and outputs that it should deliver and demonstrably promotes consumers' interests". They do not consider that GAL had provided such evidence.

The price commitment

- 1.10 There were two consistent themes in the comments from the ACC and from individual airlines about GAL's proposed price commitment. The first was a request that we share the analysis that allowed us to conclude that GAL's proposed new commitments are likely to be in consumers' interests.

- 1.11 The second was a concern that the lack of a cap on net charges (after discounts) would allow GAL to reduce the level of discounts and thereby increase its charges in real terms. Several respondents argued that our proposed monitoring of GAL's average discounts would not provide adequate protection, with the ACC saying that it provides no protection for consumers and only forms part of a discussion at the next consultation period. Some also called for us to establish a new 'fair price' path for the next period.
- 1.12 Other comments on GAL's proposed price commitment included the following:
- IAG referred to recent significant decreases in the cost of capital, and said that its modelling suggests that, with a very conservative traffic forecast and adjustment to the cost of capital, GAL's proposed yield is still almost 30% above a yield that would be permitted under price control regulation determined with 'building blocks';
 - easyJet stated that GAL will still need to demonstrate efficiency in the application of the cap across its charges structure;
 - IAG also argued that the method of indexation used in GAL's price control should transition from RPI to the Consumer Prices Index (CPI) or CPI-H, as the robustness of the RPI has been called into question; and
 - GATCOM stated that we need to take account of the environmental consequences of holding down airport charges given the concerns of local communities about the impact of traffic growth on noise and environmental impacts. Communities Against Gatwick Noise and Emissions (CAGNE) made a similar point, and argued that 'consumers' are also people who do not fly.¹⁰

The service standards commitment

- 1.13 Many of the comments on service quality made by the ACC and individual airlines related to the two main areas where discussions with GAL are continuing. These are addressed in Chapter 2. The ACC and some airlines proposed that if agreement is not reached, then the relevant metrics in the current commitments should be retained.
- 1.14 Several respondents welcomed the changes that had been agreed with GAL and included in its proposed commitments. However easyJet, while noting that discussions had resulted in an overall improvement in the targets and measures,

¹⁰ CAGNE also made points about the licence condition that would allow GAL to recover up to £10 million of costs related to the second runway and about GAL's new runway availability measure. In both cases CAGNE appears to have misunderstood the situation. The first is a condition that would have allowed GAL to recover £10 million from airlines (rather than a 'tax break' as described by CAGNE), though this condition was never used as the Government decided instead to support expansion at Heathrow. And the second refers to a new measure of availability for the existing runway (rather than a measure related to a new runway).

said that targets need to go further to deliver improved customer experience and operational performance.

1.15 More specific comments about different aspects of GAL's proposed service standards included the following:

- the ACC drew attention to the difference between the 2019 YouGov research findings and the more favourable results from GAL's QSM scores, and expressed disappointment that GAL had not been willing to make substantive changes to QSM metrics. Both the ACC and easyJet argued there should be a stronger link between likely QSM impacts and capital spend;
- Norwegian welcomed the move from annual to quarterly moving average targets for QSM scores, and removing the core hours concept from availability targets;
- IAG welcomed the new runway availability metric and GAL's agreement to increase the rebates payable. However, the ACC expressed disappointment that the rebates proposed were not representative of the impact on users. Norwegian also stated that compensation should be based on the impact on airlines;
- IAG suggested a higher target for outbound baggage, and stated that the current airline service standards (which can reduce the rebates payable for GAL service failures) can lead to unintended outcomes;
- easyJet stated that the new (reputational rather than financial) targets for punctuality are not ambitious, particularly given the low traffic levels forecast for the next few years, and that the use of quarterly moving averages could mask poor performance in one month; and
- GATCOM noted that service quality rebates are currently suspended, and stated that performance monitoring needs to be re-established at the earliest possible time as traffic starts to recover.

The investment commitment

1.16 Airlines' main comments on GAL's proposed investment commitment were that it provided no certainty that specific types of investment, for example in airfield assets and passenger facilities, would be delivered. The ACC stressed that the current drop in passenger volumes should not be allowed to delay such investments any longer than necessary, and also argued that the new commitment should be based on a four year period (rather than the six year period 2019/20 to 2024/25 as proposed by GAL).

1.17 Several respondents also noted that, while GAL had agreed to changes in the capital consultation process, this had not yet been tested in practice.

Way forward

- 1.18 Having considered stakeholders' responses, our view remains that we should accept GAL's proposed commitments as the basis for modifying GAL's licence. We consider that, taken as a whole, and especially in the light of the impact of Covid-19 and the changed outlook for the next regulatory period, GAL's proposals form part of a package that is likely to be in the interests of consumers. We are also mindful of the proposals set out Chapter 2 (on our approach to dealing with certain unresolved issues) and Chapter 3 (for strengthening our ongoing monitoring). Taken together this approach should ensure that consumers' interests are properly protected and they can benefit from the innovative approaches that greater competition and lighter touch regulation can encourage.
- 1.19 Appendix B sets out the proposed modifications to GAL's licence (including the commitments as set out in GAL's Conditions of Use) that are required to implement our proposed decision. They largely reflect the proposals that GAL put to us in January 2020, though the service standards have been updated to reflect the outcome of subsequent discussions between GAL and airlines.

The price commitment

- 1.20 We recognise airlines' concerns about the lack of evidence provided by GAL to justify its proposals (especially the proposed price commitment). We will consider whether to carry out a focused assessment of issues that have arisen during the current process in order to support the next review.
- 1.21 We have already responded to airlines' requests for details of our own analysis.¹¹ As we noted in the October 2020 Consultation, while we cannot rule out GAL being able to earn relatively high profits towards the end of the period, there a number of other scenarios under which GAL's profits will remain at a relatively low level for the whole of the next period.
- 1.22 If anything, the outlook for the start of the next period has deteriorated since October 2020, following the emergence of a new variant of Covid-19 with higher transmission rates, very significant new travel restrictions (in the UK and other countries) and a return to national lockdown conditions. As well as lowering the likely levels of traffic for the first few months of the next period and perhaps longer, these developments risk deepening the ongoing economic impact of the pandemic and worsening the prospects for recovery at Gatwick more broadly.
- 1.23 Our view remains, therefore, that GAL's proposed cap seems likely to strike a reasonable balance between the interests of GAL and those of its passengers and airlines. We welcome the fact that GAL has not sought to amend its

¹¹ [CAA letter of 23 December 2020 to the Airport Consultative Committee.](#)

proposals, despite the very significant deterioration in the medium term outlook since it finalised its proposed new commitments.

- 1.24 In reaching this view, we have also taken account of the potential long-term benefits to consumers of a regulatory framework that facilitates commercial discussions rather than one that relies on regulator-led decision making. While noting IAG's argument about the decrease in the cost of capital, we note that at present the cost of capital for airports is relatively uncertain. We would also observe that changes in the cost of capital that we might set for an airport subject to a price cap based on a regulatory asset base do not necessarily translate to a fully equivalent change in the price that we might consider appropriate for an airport subject to lighter touch regulation.
- 1.25 Regarding the removal of the cap on GAL's net charges, we are conscious that on average over the current period GAL has set its charges below both the caps in its commitments and our own fair price benchmark. In addition, it has set its charges for 2021/22 at a level that it expects to result in an average yield that is five per cent below the price cap (RPI+0%) in its proposed new commitments.
- 1.26 Furthermore, as a result of reduced demand from some of the airlines that have used Gatwick in recent years, plus the likelihood that there may be capacity available at other London airports, we would expect GAL's market power in the early years of the next period to be weaker than it was before the spread of Covid-19. This is likely to reduce the risk that GAL might seek to secure a significant real increase in charges by reducing the level of discounts available to airlines.
- 1.27 Rather than introducing a potentially cumbersome additional layer of regulation, therefore, our preference is to monitor GAL's average discounts and to be ready to take action (including mid-period) if necessary to protect consumers' interests. We will also carry out a focused assessment of GAL's net charges once traffic levels have recovered, to see whether there is any evidence that the absence of a cap on net charges is acting against consumers' interests.
- 1.28 Regarding other points made about GAL's proposed price cap:
- we see a relatively strong case for GAL's price cap switching from RPI to CPI indexation in the future, but we do not believe the arguments are sufficiently strong to justify changing the proposal that GAL has already put forward to airlines as part of this review; and

- regarding noise and other environmental impacts, we note that the main function of the licence is to prevent GAL from abusing its market power, for example by increasing the overall level of charges or by reducing service quality below acceptable levels, and these are the matters that we have focused on in the current review. Within the overall price cap, GAL is still able to determine the structure of its charges and this allows it, for example, to increase charges for the noisiest types of aircraft while reducing charges for quieter aircraft. Any wider interventions are likely to be best driven by Government, which has overall responsibility for environmental policy.

The service standards and investment commitments

- 1.29 For both the service standards and investment commitments, our view is influenced by two general considerations. The first is that we are considering GAL's proposed new commitments as an overall package that we believe is in consumers' interests, rather than a menu from which we should pick and choose.
- 1.30 We are also conscious of the significant uncertainty facing the entire aviation industry over the next few years. This relates to both the speed at which traffic volumes will recover, and whether there will be significant changes in passengers' behaviour or priorities as a result of Covid-19 or related factors. This is a further argument against imposing additional service quality or investment requirements on GAL at this time.
- 1.31 Nevertheless, we understand airlines' concerns, especially about the QSM target scores for departure lounge seating availability. As discussed in Chapter 3, we will monitor GAL's performance and, if scores fall within the new amber range or we become aware of any other information that suggests that consumers are receiving poor service, it is likely that we will investigate the reasons for this and the potential impact on consumers.
- 1.32 We will also carry out a focused assessment of investment issues, specifically to consider how the new consultation process is working and whether airfield investment is being reinstated sufficiently quickly. This will take place after there has been an opportunity to test the new consultation process in a more normal environment.
- 1.33 Regarding other points made about GAL's proposed service commitment:
- only one minor modification of the security queue targets has been included in Appendix B, therefore the existing targets will remain in place until GAL and airlines have agreed a new set of targets following the installation of the new measurement system. The airfield asset availability targets have been updated as GAL and airlines have now reached agreement on a new set of targets;

- we welcome GAL's decision to increase the rebates associated with the new runway availability metric compared with those it proposed in October 2019. Though these rebates may still be lower than the potential financial impact on airlines, we note that the service quality rebates are intended primarily as an incentive mechanism for GAL rather than a means of providing compensation to those affected by poor performance; and
- we would encourage airlines (and other stakeholders, including PAG) to discuss with GAL in the first instance any further changes to service quality targets that they believe are necessary to protect consumers' interests.¹²

The reasons for and effect of the proposed modifications

- 1.34 GAL's current commitments expire on 31 March 2021. Absent any modification to GAL's licence:
- some parts of the commitments would cease to apply after 31 March 2021. These include the limit on the maximum airport charges that GAL can levy, the requirement to undertake a certain minimum level of investment and to consult airlines and PAG on its annual capital investment programme, and the requirement to ensure certain financial information is available to airlines;
 - other parts of the commitments would continue to apply in their current form. These include the service quality targets and rebates, the requirement to maintain and develop the airport infrastructure to allow GAL to meet its service quality targets, and requirements in relation to continuity of service, operational and financial resilience.
- 1.35 It is necessary to modify GAL's licence, therefore, to ensure that there remains a limit on the maximum level of airport charges that it can levy and a specific obligation to carry out a minimum level of investment. Without such continuing protection, there would be a risk that GAL would be able to exploit its substantial market power to the detriment of consumers.
- 1.36 In addition, modifying GAL's licence to implement the proposed new commitments provides an opportunity to update the service quality targets and the investment consultation process in order to introduce changes that are likely to benefit consumers in future.
- 1.37 Our reasons for proposing the specific modifications set out in Appendix B are discussed above. In summary:

¹² The new service standards commitment also includes provision for a periodic review of the structure and content of the service quality targets and rebates.