

# Proposal to extend by one year the current price control on Heathrow Airport Limited

**CAP 1436**

A large decorative graphic consisting of overlapping, semi-transparent blue and teal shapes that create a gradient effect, occupying the bottom two-thirds of the page.

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# Executive summary

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## Background

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1. The current regulatory controls on the charges and services that Heathrow Airport Limited (HAL) offers to airlines, and ultimately to consumers<sup>1</sup>, are due to expire on 31 December 2018.<sup>2</sup> In March this year, we launched a review (referred to as ‘the H7 review’) of the appropriate regulatory arrangements that should apply in the next regulatory period from 1 January 2019.
2. We published a discussion document in March 2016<sup>3</sup> and undertook a series of industry workshops and seminars where we sought views from all interested parties on the process, strategic themes, and the relevant issues that should shape the CAA’s methodology for the H7 review.
3. The discussion document noted that the H7 review would take place against the backdrop of the Government developing its response to the work of the Airports Commission (the Commission) on new runway capacity in the South East of England.
4. In written responses to the document<sup>4</sup> and through subsequent discussions, industry stakeholders suggested that we should consider extending the current Heathrow price control period by at least one year.
5. Stakeholders suggested that flexibility with respect to capacity expansion was critical and that the level of uncertainty over the Government decision on the location of the new runway would not only impact on the schedule, scope and content of the review, but also the quality of the work that could

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<sup>1</sup> For the sake of simplicity we use the term ‘consumers’ to mean both present and future passengers and cargo owners.

<sup>2</sup> The current price control period runs from 1 April 2014 to 31 December 2018 and is sometimes referred to as the Q6 period.

<sup>3</sup> [www.caa.co.uk/CAP1383](http://www.caa.co.uk/CAP1383)

<sup>4</sup> The responses to the consultation are available on the CAA’s website <http://www.caa.co.uk/Commercial-industry/Airports/Economic-regulation/Licensing-and-price-control/Heathrow-price-control-review-H7/>.

be undertaken by stakeholders. With the additional time created by an extension, HAL noted that it would be able to enhance the quality and consumer focus of the H7 business plan. Airlines noted the need for significant staff resource to engage in expansion plans across the industry and said that better alignment between H7 and new capacity would reduce nugatory work and the complexity of H7.

6. Following the result of the referendum on UK membership of the EU on 23 June 2016, the Secretary of State for Transport announced that the decision on airport expansion would be delayed until at least October 2016. Initial discussions with stakeholders suggest that this development is likely to strengthen their arguments in favour of an extension to the current arrangements.

## **Our proposal to extend the current arrangements**

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7. In light of these developments, and our ongoing dialogue with the industry, we have carried out some analysis of the options and implications of extending the current control period. The rationale for any extension needs to be considered against our statutory duties under the Civil Aviation Act 2012 (the Act) including our general duty to further the interests of users.
8. Our current view is that an extension by one year (Q6+1) would be in the interests of users on the basis that it will reduce the risk that the H7 process is sub-optimal due to runway uncertainty and lower levels of industry engagement.
9. An extension will improve industry engagement as it will allow stakeholders to plan their engagement on H7 with more certainty and allow resources to be prioritised towards new runway capacity should a Government location decision be made. We have consistently said that new runway capacity is likely to deliver considerable consumer benefits including more choice, lower airfares and higher service quality.

10. We recognise that extending the price control would not eliminate uncertainty associated with capacity expansion which is likely to persist well into the planning stage of the process. However, without an extension, it will be difficult for stakeholders to focus on a business plan whilst there is significant uncertainty over whether the airport is a 2 or 3 runway operation.
11. We consider that an extension will have beneficial effects on our plans to strengthen the consumer elements of H7. For example, an extension would enable more time to develop our work in areas such as establishing a Consumer Challenge Forum (CCF), outcome based regulation and increasing resilience. The extension will also give HAL more time to engage with consumers and stakeholders to develop a business plan that is designed to deliver the outcomes that consumers value. The rest of H7 activity (e.g. Constructive Engagement, Initial and Final Proposals) will move back by around one year.
12. We do not favour extending by two years or more because the likelihood of variances from the current assumptions is significantly greater and there is no precedent for a rollover of this duration. We welcome views on whether one year is the appropriate duration for such an extension.
13. There is a possibility that uncertainty around the location of new runway capacity will still be present at this time next year. Our current view is that we would not undertake another extension just because of continued runway uncertainty. However, a further extension might be warranted if this helped better align H7 with the planning process for the new runway or gave stakeholders more time to scrutinise the design and cost of the new runway. The CAA's legislative framework means that our decision on this matter must be taken at the relevant time, based on the facts prevailing at that time, and judged against our statutory duties.

## Our proposal to roll over the current price control

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14. On the implementation of the one year extension, we consider that it is in the interests of users for a simple rollover of the existing cap in the final year of Q6, i.e. a price path of Retail Price Index (RPI) -1.5%. A straightforward rollover would be consistent with our approach to the extension of Q5 and our discussions with industry stakeholders indicate that this is also their preferred option. In addition, undertaking anything other than a simple rollover would defeat the objective of freeing up time for the industry to have scope to focus on new runway capacity.
15. In proposing a one year extension to the existing control period, we are mindful that HAL's regulatory accounts show that it has outperformed the assumptions during Q6 so far, although there is no guarantee that this will continue for the duration of the control period. A rollover of the existing cap would imply a degree of simplification, as there will be inevitable variances from the prevailing regulatory assumptions on opex, capex, traffic, revenues, the Weighted Average Cost of Capital (WACC) etc. We welcome views on this issue.
16. In summary, we are now consulting on the rationale and implications of extending Q6 by one year based on a simple rollover of the existing price cap.

## Next steps

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17. We would welcome responses to the issues raised in this consultation and the proposed timetable for the review by 5pm on Friday 2 September 2016 after which we will publish our decision together with an updated timetable for the H7 review. If applicable we will also take the necessary steps to modify HAL's licence.
18. During the consultation period, we will be hosting a roundtable discussion in August 2016 to explore the issues raised in this consultation with interested stakeholders.



## Chapter 1

# Introduction

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## Purpose of this document

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- 1.1 This document invites representations on a proposal to modify HAL's economic licence to extend the current price control by one additional year so it lasts until 31 December 2019. The key proposal is that the current price control formula in HAL's licence, RPI-1.5%, would continue into the additional year.

## Views invited

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- 1.2 Any representations about the proposals in this document should be sent, if possible by e-mail, to [economicregulation@caa.co.uk](mailto:economicregulation@caa.co.uk) by 5pm on Friday 2 September 2016 2016. Alternatively, comments may be sent by post to:

Rod Gander  
Consumers and Markets Group  
Civil Aviation Authority  
CAA House  
45-59 Kingsway  
London WC2B 6TE

- 1.3 We expect to publish the representations on our website for other interested parties to read as soon as practicable after the period for written representations expires. Any material that is regarded as confidential should be clearly marked as such. 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.
- 1.4 If you have any questions on this document please contact Rob Toal on 020 7453 6211 (or by e-mail to [robert.toal@caa.co.uk](mailto:robert.toal@caa.co.uk)).

## Next steps

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- 1.5 Once we have considered the representations, we will decide what modifications, if any, to make to HAL's licence. Under section 22(1) of the Act we may modify the conditions of a licence. Before doing so we must publish a formal notice of the proposed modifications. This document is not such a notice. However, we will take into account responses to this document in deciding whether to issue such a notice.

## Chapter 2

## Background

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### **The current arrangements**

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- 2.1 In February 2014 we gave notice under section 15(5) and (7) of the Act that we were granting a licence to HAL that came into force on 1 April 2014. The current price control period from 1 April 2014 to 31 December 2018 is known as Q6. The price control sets a maximum amount that HAL can earn in a year from airport charges divided by the total number of passengers using Heathrow. The maximum airport charge is specified in Condition C.1 of the licence, which lasts until 31 December 2018.
- 2.2 The price control formula allows prices to rise annually by RPI-1.5%, along with a number of other positive or negative adjustment factors (including those covering service quality bonuses, cumulative development capital expenditure, business rate revaluations, capital triggers, additional security expenditure, and an adjustment for past under or over recovery).
- 2.3 In March 2016, we published a discussion document on the next periodic price control review (H7) for HAL's airport charges in the period starting on 1 January 2019. We received seven responses which have been published on our website.<sup>5</sup>

### **The CAA's primary statutory duty**

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- 2.4 The Act gives the CAA a single primary duty to further the interests of users of air transport services in respect of its economic regulation functions. Under the Act, users of air transport services are defined as

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<sup>5</sup> <http://www.caa.co.uk/Commercial-industry/Airports/Economic-regulation/Licensing-and-price-control/Heathrow-price-control-review-H7/>

present and future passengers and those with a right in property carried by the service i.e. cargo owners.

2.5 The scope of the CAA's primary duty concerns the range, availability, continuity, cost and quality of airport operation services. The CAA must carry out its functions, where appropriate, in a manner that will promote competition in the provision of airport operation services.

2.6 In discharging this primary duty, the CAA must also have regard to a range of other matters under the Act. These include:

- the need to secure that HAL is able to finance its licensed activities;
- the need to secure that all reasonable demands are met;
- the need to promote economy and efficiency;
- the need to secure that HAL is able to take measures to reduce, control and mitigate adverse environmental effects;
- any guidance issued by the Secretary of State or international obligation on the UK notified by the Secretary of State; and
- better regulation principles.

## **Responses to our consultation**

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2.7 In our discussion document on the H7 strategic themes, we asked whether there was a case for us to consider extending the current Q6 arrangements until there is a higher level of certainty over the location of any new runway.

2.8 In response, all stakeholders supported in principle the possibility of extending Q6, although views were mixed on whether to extend automatically or whether we should prepare to extend at some point in the near future, i.e. in response to a Government decision on runway location.

2.9 Stakeholders gave a number of reasons why they thought we should consider extending Q6. These included:

- the uncertainty around airport expansion affects the schedule, scope and content of the H7 review, and thus it is important for the CAA to remain flexible in its approach to H7. An extension would reduce the complexity of H7 for the CAA and all stakeholders, as a result of uncertainty on the location of new runway capacity, and is the best way to offer flexibility to stakeholders;
- an extension would give an opportunity to enable the 'late start' on a number of Q6 capital projects to be addressed, particularly within the passenger automation and resilience portfolios;
- there would be greater certainty on HAL's Q6 performance and thus a stronger basis on which to set the H7 price control;
- an extension could prevent potentially nugatory work (as H7 would otherwise need to consider both two and three runway scenarios);
- HAL would have more time to enhance and embed the consumer focus in its business planning process; and
- the CAA would have more time to develop its proposals for H7, which some stakeholders felt could benefit from further work.

2.10 Some stakeholders suggested there would be no benefit to extending Q6 if there was a complete re-working of the price control building blocks. Instead the process should be relatively light touch allowing parties to focus fully on work towards gaining planning consent and designing the regulatory architecture for expansion.

## Chapter 3

## Options for extending Q6

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### Introduction

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- 3.1 In light of these responses, we have carried out some analysis of the options and implications of extending the current control period. We are now consulting on the following three options for extending the Q6 price control:
- One year extension – with the licence conditions expiring on 31 December 2019, this would be consistent with previous airport price control extensions;
  - Two year extension – a two year extension would allow for a longer planning period than a one year extension; and
  - No extension – undertaking the H7 review under the timetable set out in our H7 discussion document, with the existing licence conditions expiring on 31 December 2018.
- 3.2 Our current view is that we favour **extending the Q6 price control by one additional year**, so that it would expire on 31 December 2019, rather than 31 December 2018.<sup>6</sup> We consider that this is more likely to further the interests of users in line with our statutory duties under the Act as we explain further below.

### Extending Q6 by one year

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- 3.3 Our current view is that a one year extension of the current price cap would further the interests of users. It will allow the CAA and stakeholders

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<sup>6</sup> There is flexibility under the Act to extend the licence by periods other than a 'whole' year (1, 2, 3 months etc). However, such an extension would put the regulatory accounts out of step with the statutory accounting and would place a significant regulatory burden on HAL. We therefore consider that this is not a realistic option for consultation purposes.

to best balance resources between H7 and new runway capacity (leading to better engagement), irrespective of whether or not there is a Government location decision in the autumn in favour of Heathrow.

- With a Government location decision in the autumn, the current timetable would be challenging for stakeholders in terms of management bandwidth and available expert resources. Resources would be stretched as the CAA and stakeholders would need to work on H7 and the regulation of new runway capacity concurrently. We consider that an extension to H7 will be in the consumer interest as it will allow stakeholders to immediately focus on new runway capacity before getting into the detail of H7. The full H7 process could then take place when there is greater certainty on the cost and design of the new runway.
- Without a Government location decision in the autumn, the current timetable would still be challenging as stakeholders would need to consider a set of interrelated issues which are out of step timing wise. For example, in the Constructive Engagement phase in early 2017, stakeholders would need to scrutinise HAL's long-term capital plan before the design and cost of the new runway had been fixed for public consultation. This could be managed by the production of two business plans (a 'two' or 'three' runway plan). However, we are not in favour of this as it could double the amount of work involved in Constructive Engagement, which could produce sub-optimal outcomes for consumers.

3.4 Extending the timetable is likely to enhance the quantity and quality of engagement between stakeholders on H7 and allow them to focus adequate resources on new runway capacity, particularly issues of cost and design, obtaining planning consent and the architecture of the price control.

3.5 The extension should also have a positive impact on the consumer elements of H7. It would mean that the CCF is able to feed into the H7 process and the development of HAL's business plan at a very early

stage, which should ensure that both are driven by a robust understanding of what consumers value. We will also be able to spend more time, together with stakeholders, on developing an approach to outcome based regulation and to increasing resilience at the airport.

- 3.6 There is precedent from Q5 for a one year extension and we consider this to be an adequate period of additional time to use for discussions on new runway capacity. Moreover, other extension periods (as discussed below) do not appear to bring about the same benefits.

## **Extending Q6 by two years**

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- 3.7 We currently do not favour extending by two years or more as the variance between the building block estimates used for the Q6 price control and outturn performance could be significantly greater. This may not be in the interests of consumers as charges could be significantly higher (or lower) than they would otherwise be without the opportunity for the CAA to review and rebase the price cap assumptions based on our assessment of the consumer interest.
- 3.8 Moreover, the likelihood of all stakeholders accepting a two year extension of the current price control is markedly lower. There is no precedent for a two year extension in airport regulation.
- 3.9 In addition, there is a risk that the momentum in the industry as a result of the publication of our initial H7 strategic themes discussion document could be reduced as stakeholders disengage to work on other priorities. Similar reasoning would apply to extending the price control by a period longer than two years.

## **No extensions to the price control**

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- 3.10 We do not consider it would be in the interests of users to undertake H7 to the previous published timetable. Without an extension, there is a risk that stakeholders may incur the costs of nugatory work and/or a risk that



stakeholders may not be able to allocate enough economic regulatory resources towards the important work of new runway capacity, such as scrutinising the design and cost of new runway capacity, obtaining planning consent and the architecture of the price control.

- 3.11 Without an extension, Constructive Engagement between HAL and the airlines on the capital plan would need to examine a 2 runway and a 3 runway scenario. This could double the amount of work involved in Constructive Engagement, which we consider is not proportionate to the benefits to users.

## Chapter 4

# The price control in the additional year

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## Introduction

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- 4.1 We need to decide what the price control should be in the additional year. We consider that there are three options:
- Roll over the current price control formula;
  - Re-open some of the building blocks to set a new price control; and
  - Re-open all the building blocks to set a new price control.
- 4.2 Our current view is that the first option would best further the interests of users. Airport charges will continue to fall by RPI-1.5% for the additional year.

## Rolling over the current price control

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- 4.3 There is precedent from Q5 for rolling forward the prevailing price control for an additional year. That said, this precedent is based on a different statutory footing. When we extended the Q5 price control<sup>7</sup>, our powers under the Airports Act 1986 only allowed us to extend for one additional year and to maintain the then current price control in the additional year (unless the airport consented otherwise).
- 4.4 Our current view is that the existing Q6 price control furthers the interest of consumers by reducing airport charges in real terms and by rolling over the Q6 assumptions, consumers will be protected for an extra year. Initial discussions with stakeholders suggest this option would be the most likely to be accepted by both airlines and HAL.

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<sup>7</sup> Q5 originally covered the period from 1 April 2008 to 31 March 2013. In 2011, we extended the Q5 price control to end on 31 March 2014.

- 4.5 We consider that the benefit of the additional time would be negated if it was spent on reassessing the building blocks for the additional year of Q6. There may be a requirement for the parties to consider the current profiling of the capital plan including whether an extension would require changes and how these should be agreed.
- 4.6 However, a simple rollover could mean that actual performance becomes out-of-line from that assumed when the price control was set. HAL's regulatory accounts show that it has outperformed the assumptions during Q6 so far (April 2014 to December 2015).
- 4.7 For example, in the first two reporting periods of Q6 HAL made a regulatory operating profit of £1.6bn, which was 17% higher than the level assumed in the determination (£1.4bn). This variance was driven principally by higher than assumed passenger numbers. Further details are available in HAL's regulatory accounts.<sup>8</sup>

## **Re-opening some of the building blocks**

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- 4.8 We could re-open some of the building blocks to set a new price control for the additional year. However, a selective reconsideration of one or some, but not all, of the building blocks would also involve a degree of simplification as the resulting price control would depend on which building blocks we re-open.
- 4.9 Passenger numbers have been higher than forecast and we could in theory rebase the price control for the additional year on these higher figures. However, this would require new traffic forecasts for the additional year, and it is unlikely that these forecasts would be accepted by all stakeholders, as they will naturally have different views on expected traffic levels in the additional year. This work would also use up some of the additional time freed up to consider regulatory issues around expansion.

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<sup>8</sup> <http://www.heathrow.com/company/investor-centre/regulation/regulatory-accounts>

## **Re-opening all of the building blocks**

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- 4.10 Re-opening all of the building blocks would avoid the somewhat arbitrary nature of re-opening just some of the building blocks. However, it would impinge much more on the time freed up by extending Q6 and would result in a mini price review with associated time commitment required by interested parties.
- 4.11 We consider that the work required to calculate a new price control would not be time well spent, nor that a selective re-consideration of some, but not all, of the building blocks would be appropriate, particularly as we consider that the resultant price control would be less likely to be acceptable to all stakeholders than rolling over the current formula.
- 4.12 We therefore propose modifying HAL's licence to extend the current price control by one additional year such that airport charges will continue to fall by RPI-1.5% in the additional year.

## Chapter 5

# Implications for H7

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## Introduction

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- 5.1 We have planned and started work on a number of workstreams for the H7 review based on the strategic themes set out in our March 2016 discussion document. If we proceed with an extension of Q6, we will revise our H7 plan and refocus our activities in the coming year.
- 5.2 Our current view is that we should continue our work on strengthening the consumer focus for H7 at a similar pace and timing, including establishing the CCF and moving towards more outcomes based regulation. We will also continue our work on airport resilience and commission the consultancy studies which are less reliant on timing. Other activity on H7, such as HAL issuing its business plan, Constructive Engagement and the development of initial and final proposals will move back in the timetable as set out in Figure 1 below.
- 5.3 In the coming year CAA and stakeholders will face lower activity on H7 than originally anticipated. We expect that resources from stakeholders will be therefore be available to begin work promptly on the economic regulation of new runway capacity should a Government location decision be made.

## H7 priority workstreams

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- 5.4 The establishment of the CCF remains a key priority. We aim to have the Chair of the CCF appointed by Autumn 2016 and for the CCF to develop effective means of working and obtain knowledge of consumer requirements early in 2017.
- 5.5 Incentivising the right consumer outcomes and increasing airport resilience are other workstreams which we will retain focus on. We

consider these are very important to consumers and may lead to measures that are different from those in the current licence. The additional time would also be used to develop measures that would more closely assess the impact of resilience on passengers and avoid the creation of the perverse effects that can arise from inadequately designed regulatory tools. With a one year extension, we would aim to have a strategy and framework ready for consultation in early 2017.

- 5.6 Consultancy studies on the regulatory treatment of capital expenditure and the cost and revenue allocation study would be commissioned this summer, and broadly as planned. The top down, operating expenditure and commercial revenue benchmarking would start in Autumn 2016. The reason for delaying some of the studies is that there is more value in them being based on more recent data and views. The two studies that we are continuing as planned this year are not so reliant on recent data and inform the overall debate on the price control.
- 5.7 It may also be necessary to prioritise elements of the H7 financial framework, such as the cost of capital, and we propose to revisit this when the decision on new runway capacity is known.

## H7 timetable

5.8 We would welcome views on our analysis of the implications for the H7 workstreams and whether you agree with the proposed timetable set out below.

**Table 1: Illustrative updated timetable for H7**

Timing	Activity
<b>Preparation phase</b>	
July 2016	Consultation on Q6 extension
August 2016	Roundtable discussion of Q6 extension
October 2016	Decision on whether to extend Q6 together with proposed licence modifications
November 2016	Chair of CCF appointed Possible consultation on outcome based regulation
March 2017	Policy update and latest thinking on framework for review
<b>Industry led delivery phase</b>	
Jun - Oct 2017	Airport-Airline engagement on H7 business plan
November 2017	HAL's H7 initial business plan issued to stakeholders
Dec 2017 – May 2018	Constructive Engagement
August 2018	HAL's revised plan reflecting stakeholder feedback
<b>CAA led delivery phase</b>	
December 2018	CAA initial proposals
May 2019	CAA final proposals
<b>Licence modification and implementation</b>	
September 2019	CAA final decision/ statutory notice for licence modifications
October 2019	Licence modification notice published
1 January 2020	New licence conditions take effect

## Further extensions to the H7 timetable

5.9 There is a possibility that uncertainty around the location of new runway capacity will still be present this time next year and therefore a question whether the CAA should implement a further Q6 extension in around 12 months time (i.e. Q6+1+1).

- 5.10 Our current view is that we would be unlikely to contemplate a further extension to the Q6 period based on a 'continued uncertainty' rationale. However, there might be some benefit in a further delay if a Government decision had been made (or was imminent) and if another extension meant that there was better alignment between the H7 process and the planning process/timetable, or if the extension allowed more time for stakeholders to scrutinise in detail the design and cost of the new runway.
- 5.11 In any case, the duration of the price control will be an important issue to consider when developing the regulatory architecture for expansion. The long-term nature of airport expansion raises questions about whether we should change the nature of the five-yearly price cap reviews, in order to facilitate this major investment project.
- 5.12 Any decision by the CAA on a further extension must be taken at the relevant time based on the facts prevailing at that time and judged against our statutory duties.



## Chapter 6

## Proposed licence changes

6.1 Extending the Q6 price control by one year will require a number of modifications to the conditions in HAL's licence. The licence changes we propose to enable the current price control to be extended for one additional year are summarised in the table below.<sup>9</sup>

**Table 2: Proposed changes to HAL's licence**

Condition	Issue	Change
A3.1(g)	The Regulatory Year is defined as each of the four years to 2018	replace '2018' to '2019'
<b>C1 price control</b>		
C1.2	Price control covers 'each of the four subsequent Regulatory Years'	replace 'four' with 'five'
Table C1 (security)	Table only goes up to 2017	update the table to include 2018
Table C2 (security)	Table only goes up to 2017	update the table to 2018
Table C3 (development capex adjustment)	Table only goes up to 2018	update the table to 2018
C1.11 (business rates revaluation)	Term covers period to 2018	update the term to cover period to 2019
Table C4 (business rates revaluation)	Table only goes to 2018	update the table to 2019

<sup>9</sup> The licence granted to Heathrow Airport Limited is available on our website at <http://www.caa.co.uk/Commercial-industry/Airports/Economic-regulation/Licensing-and-price-control/Economic-licensing-of-Heathrow-Airport/>

<b>C4 charges for cargo only operators</b>		
C4.1	The condition covers each of the subsequent four Regulatory Years	replace 'four' with 'five'
<b>Schedule 1 statement of standards, rebates and bonuses</b>		
Table 9	Table only goes to 2018	update the table to 2019

6.2 Other licence conditions we may have to consider are:

- the security deadband in C1.4 to reflect that there will be an extra year in the price control; and
- condition 2.5, covering other regulated charges to extend to 2019 the current condition requiring HAL to explain for each ORC any differences between outturn revenue and forecast revenue at the Q5 review.

## Chapter 7

## Next steps

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- 7.1 We will take representations to this consultation into account when deciding whether to modify HAL's licence. Under sections 22(2) to (4) of the Act, before making modifications to a licence, we must publish a notice specifying the proposed modifications, giving our reasons for the proposed modifications, state the effect of the proposed modifications, and specify the period within which representations may be made regarding the proposed modifications. We must send a copy of the notice to the holder of the licence and such bodies representing airport operators or providers of air transport services as we consider appropriate.
- 7.2 If we decide after this consultation that we want to modify HAL's licence, we will:
- issue a notice under Condition 22(2) of the Act;
  - take into account any representations on the notice in finally deciding whether to modify the licence; and
  - either publish notice of the modification (in accordance with Condition 22(6) of the Act, or publish a notice giving reasons for not modifying the licence (in accordance with Condition 22(5) of the Act.
- 7.3 We will be hosting a roundtable discussion in August 2016 to explore the issues raised in this consultation with interested stakeholders.