

Economic regulation of Heathrow Airport Limited from January 2020: notice of licence modifications

CAP1852



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About this document

This document gives notice under section 22(6) of the Civil Aviation Act 2012 (“CAA12”) of the CAA’s decision to modify Heathrow Airport Limited’s (“HAL”) Licence granted under section 15 CAA12 (“the Licence”). The modifications that the CAA has decided to make are to:

- extend the current price control by a two year interim period, up to 31 December 2021, taking account of the commercial arrangements between HAL and certain airlines for this period;
- include a new licence condition to promote economy and efficiency by HAL in the operation, maintenance and development of Heathrow airport; and
- make minor changes to update the price control arrangements, remove obsolete terms and make a change to HAL’s regulatory audit requirements to reflect current auditing guidelines.

The decision on these licence modifications follows on from the notice issued by the CAA under section 22(2) of CAA12 in August 2019,¹ which built on the CAA’s consultations on interim price control arrangements in February 2019² and April 2018³ and its consultation on the regulatory framework to support capacity expansion at Heathrow in March 2019.⁴

If you would like to discuss any aspect of this document, please contact Abigail Grenfell (abigail.grenfell@caa.co.uk).

¹ Economic regulation of Heathrow Airport Limited from January 2020: notice of proposed licence modifications www.caa.co.uk/CAP1825 (“the August 2019 Consultation”).

² Economic regulation at Heathrow airport from January 2020: proposals for interim arrangements www.caa.co.uk/CAP1769 (“the February 2019 Consultation”).

³ Economic regulation of capacity expansion at Heathrow: policy update and consultation www.caa.co.uk/CAP1658 (“the April 2018 Consultation”).

⁴ Economic regulation of capacity expansion at Heathrow: policy update and consultation www.caa.co.uk/CAP1782 (“the March 2019 Consultation”).

Executive summary

Purpose of this document

1. This document is a notice under section 22(6) of the CAA12 of the CAA's decision to modify the Licence with effect from 1 January 2020.
2. The modifications reflect the CAA's decisions to:
 - extend the current price control (the "Q6 price control") by two years to 31 December 2021 on the basis that the commercial arrangements agreed between HAL and certain airlines at Heathrow for 2020 and 2021 should operate alongside the price control and provide an appropriate basis for the CAA to extend the current price control to cover this period;
 - introduce a new licence condition to promote economy and efficiency in the operation, maintenance and development of Heathrow by HAL. This licence modification will remain in place after 31 December 2021; and
 - make further minor and consequential changes to update the price control arrangements for the period to 31 December 2021, remove obsolete terms and make a change to HAL's regulatory audit requirements to reflect current auditing guidelines.
3. This notice follows on from the August 2019 Consultation under section 22(2) CAA12 which set out our proposed modifications to the Licence.⁵ It sets out the modifications that the CAA has decided to make to the Licence, the reasons for making those modifications and their effect.

⁵ Responses to the August 2019 Consultation can be found at: <https://www.caa.co.uk/Commercial-industry/Airports/Economic-regulation/H7/Consultations-and-policy-documents/>

Modifications to the Licence

Interim price control arrangements for 2020 and 2021

4. The Q6 price control on HAL's charges to airlines is due to expire on 31 December 2019. The CAA has decided to modify the Licence to extend the Q6 price control to 31 December 2021. The advantages of this interim price control ("iH7") include better aligning the next main price control period ("H7") with the wider capacity expansion programme at Heathrow airport.
5. Following the April 2018 Consultation, which set out our proposal for a two year interim price control, there were negotiations between HAL and certain airlines operating at Heathrow on commercial arrangements to cover 2020 and 2021 as an alternative after seeing our original outline proposal for an interim price control. These commercial arrangements are referred to in this document as the "commercial deal" or the "commercial arrangements" and provide for:
 - a "fixed rebate" to all airlines currently operating from Heathrow totalling £260 million, split into two equal payments of £130 million to cover 2020 and 2021;⁶
 - a further volume rebate if the number of passengers rises above certain thresholds in 2020 and 2021;⁷
 - if passenger numbers were to turn out significantly lower than expected, the commercial arrangements also provide some downside protection for HAL (in these circumstances the fixed rebate to airlines would be reduced); and
 - default arrangements for any airlines that did not sign the commercial deal, so that those "non-signatory" airlines would receive an appropriate share of the fixed rebate but would not benefit from the volume rebate.

⁶ Payment of the fixed rebate would be spread over a four year period, commencing after the rebate was accrued.

⁷ The volume rebate would be paid in full the year after it is accrued.

6. The commercial arrangements rely on the CAA retaining the current RPI-1.5% price path and retaining some existing price adjustment mechanisms including those for the service quality rebates and bonus (SQRB) scheme⁸ and security expenditure. Any capital expenditure adjustments and regulatory depreciation would be based on the baseline capital expenditure assumptions set out in the April 2018 Consultation.⁹
7. In the August 2019 Consultation, we confirmed our view that an extension to the Q6 price control based on the commercial deal is in the interest of consumers as it would better align the timing of the H7 price control with the timetable for the wider capacity expansion programme and allow stakeholders to focus on the important issues associated with capacity expansion. We said that the commercial deal for this interim period could have wider strategic benefits in terms of encouraging a more commercial relationship between HAL and airlines in the future and noted that these advantages could outweigh any possible difficulties associated with concerns about the stringency of the proposed arrangements.
8. We proposed new obligations in the price control condition (Condition C1 “Price Control”) of the Licence both to reflect the existence of the commercial deal (including retaining the RPI-1.5% price path) and appropriately to protect the interests of consumers served by airlines that have not signed the commercial deal.
9. HAL and airline responses were broadly in line with what they had said in relation to previous consultations on interim arrangements for 2020 and 2021. They restated their preference for the commercial deal that they have negotiated with HAL for 2020 and 2021 compared to a price control with a RAB adjustment which we might otherwise have introduced. However, airlines and groups representing airlines, raised some concerns around the process for establishing the commercial deal, whether there will be longer term benefits from the

⁸ The Statement of Standards, Rebates and Bonuses is in the appendix to the Licence.

⁹ CAP 1658. Appendix D Table D.4 www.caa.co.uk/CAP1658 (also set out in Appendix C of this document).

commercial arrangement and how the commercial deal should be reflected in the Licence. These matters are discussed further in chapter 1.

10. We understand from HAL that the commercial deal has been agreed and signed by 46 airlines operating at Heathrow airport, whose operations serve around 89 per cent of the passengers using Heathrow.
11. On balance, stakeholders have not raised any new concerns that would cause us to change our overall position. We remain of the view that an interim price control based on a price path of RPI-1.5%, together with the arrangements set out in the commercial deal negotiated by HAL with airlines for 2020 and 2021 (and appropriate arrangements in relation to passengers served by airlines that are not party to the commercial deal) is in the interest of consumers. As a result, we have decided to modify the Licence to extend the current price control for HAL to the years 2020 and 2021 and to reflect the commercial deal in the Licence. The licence modification is set out in Appendix B.

Economy and efficiency condition

12. The August 2019 Consultation also proposed to modify the Licence to include a new condition to promote economy and efficiency on the part of HAL. This condition had been subject to several rounds of consultation since 2014.
13. Stakeholders broadly adopted similar positions to what they had said in relation to previous consultations, with HAL saying that the CAA had failed to justify the condition or show that it was needed. However, it suggested changes to the drafting of the condition. Other respondents broadly supported the new condition, albeit wanting to see it vigorously enforced and not used as a substitute for the CAA conducting a robust price control review process for setting the H7 price control.
14. Having considered respondents' views, we do not propose to make any changes to the drafting of the licence modifications set out in the August 2019 Consultation. The CAA has, therefore, decided to modify the Licence to include this condition with effect from 1 January 2020. The licence modification is set out in Appendix B.

Other updates to the Licence

15. The August 2019 Consultation also proposed to modify the Licence to reflect changes in how the Treasury Bill Discount Rate is published and changes to the guidance issued by the Institute of Chartered Accountants in England and Wales (“ICAEW”) on the audit opinion for regulatory accounts, to allow HAL’s licence to be updated for these wider developments. We also proposed simplifying the self-modification clause in the service quality condition (Condition D1 “Service quality standards, rebates, bonuses and publication”) to allow changes to be made to the SQRB at any time (rather than every three months) and we also proposed removing obsolete references to Terminal 1.
16. Stakeholders made no objections to or representations on these modifications and we do not propose to make any changes to the drafting of the modifications set out in the August 2019 Consultation. The CAA has decided to modify the Licence to include these changes with effect from 1 January 2020. The licence modifications are set out in Appendix B.

Next Steps

17. As stated above, the modifications to the Licence set out in Appendix B will take effect on 1 January 2020.
18. CAA12 also provides both HAL and materially affected airlines with the right of appeal to the Competition and Markets Authority (CMA) following a notice by the CAA to modify HAL’s licence. It is for HAL and airlines to decide whether to exercise these rights, consistent with the procedures set out in CAA12.

Our duties

19. In taking this decision, the CAA had full regard to its statutory duties under CAA12. These are set out more fully in Appendix A.

Structure of this document

20. The structure of this document is as follows:

- Chapter 1 sets out our reasons for, and the effects of, the modifications to put in place price control arrangements for 2020 and 2021 and the modifications required to update the Licence to address the other matters outlined above;
- Chapter 2 outlines our reasons for and the effects of the modification to put in place an obligation on HAL to promote economy and efficiency from 2020;
- Appendix A summarises our statutory duties;
- Appendix B sets out the modifications to existing licence conditions and the new licence conditions; and
- Appendix C sets out regulatory depreciation for the interim price control period which we intend to use to determine the opening RAB for HAL at the start of the H7 price control.

21. Chapters 1 and 2 also set out the representations we received to the August 2019 Consultation and explains how we have taken those representations into account in making the decision to modify the Licence.

Chapter 1

Interim price control arrangements for HAL

Introduction

- 1.1 Following on from the August 2019 Consultation we have decided to modify the Licence to extend the current price control by two years and to take account of the commercial arrangements negotiated between HAL and airlines for 2020 and 2021. We have also decided to make further minor and consequential changes to update the price control arrangements for the period to 31 December 2021, remove obsolete terms and make a change to HAL's regulatory audit requirements to reflect current auditing guidelines.
- 1.2 The licence modifications will come into effect on 1 January 2020 and are set out in detail in in Appendix B.
- 1.3 This chapter:
- provides a summary of what we said in the August 2019 Consultation;
 - sets out the main points raised by respondents to the August 2019 Consultation and how we have taken them into account; and
 - gives the reasons for, and states the effects of, the licence modifications.

The August 2019 Consultation

Extending the existing price control by two years

- 1.4 In the August 2019 Consultation, we proposed extending the price control in the Licence (including the RPI-1.5% price path) to the end of 2021 so that the start of the H7 price control period will be better aligned with the wider capacity expansion programme at Heathrow airport. We said this would further the interests of consumers and allow more robust information on the costs of capacity expansion to be considered during the preparation of the H7 price control.

- 1.5 We proposed several licence modifications to give effect to this extension and noted that these were similar to modifications made when we extended the Q6 price control by one year in 2016.¹⁰

Commercial arrangements between HAL and airlines for 2020 and 2021

- 1.6 We proposed accepting the two year commercial deal negotiated by HAL and some airlines at Heathrow airport as the basis for the price control arrangements for 2020 and 2021. We said that this would further the interests of consumers by allowing stakeholders to focus on the challenges of capacity expansion and facilitate airport and airline collaboration ahead of the H7 price control, delivering better outcomes for passengers. We also noted that the commercial deal could provide better arrangements for managing passenger traffic risks during 2020 and 2021.
- 1.7 We proposed including new conditions C1.13 – C1.15 “commercial arrangements for the 2020 and 2021 price control extension” in the price control condition (Condition C1 “Price Control”) to ensure that all airlines, whether they were signatories of the commercial deal or not, would be able to access certain high level features of the commercial deal (the fixed rebates). This would provide both regulatory and/or commercial law enforcement options to all airlines for this element of the commercial deal.

Other price control issues

- 1.8 We addressed several other related issues that we had consulted on previously in the February 2018 Consultation:
- we said that we remained of the view that HAL could use the interim price control period to "shadow track" key parts of the future outputs based

¹⁰ See: Notice in relation to a modification of Heathrow airport Limited's licence made under section 22(6) of the Civil Aviation Act 2012: Extension of the Q6 price control by 1 year to 31 December 2019 www.caa.co.uk/Q6ExtensionModification.pdf ("the 2016 Q6+1 extension")

regulation (“OBR”) framework that it is currently developing for its H7 business plan;

- we noted that rebates in the commercial deal accrued during 2020 and 2021 will not be paid in full to airlines until subsequent years in the H7 price control period. We confirmed that we do not intend to make any extra allowances when we set the price control for the H7 period because of these rebates¹¹; and
- we said that we would retain the option of putting in place further interim arrangements to cover 2022 if the capacity expansion programme is significantly delayed.

Other updates to the Licence from 2020

1.9 We proposed making several other licence modifications to:

- reflect changes in how the Treasury Bill Discount Rate is published;
- reflect changes to guidance issued by the ICAEW on the audit opinion for regulatory accounts;
- simplify a self-modification clause in the service quality condition (Condition D1 “Service quality standards, rebates, bonuses and publication”) to allow changes to be made to the SQRB at any time rather than every three months; and
- remove references to Terminal 1 in the Licence as this has now been closed and the relevant terms are obsolete.

Stakeholder views

Extending the existing price control by two years to 31 December 2021

1.10 Stakeholders supported our proposal to extend the existing Q6 price control to 31 December 2021 and agreed with most of the licence modifications that we had proposed to give effect to the extension.

¹¹ Although we also noted we would consider both affordability and financeability and could rule out adjusting our projections of HAL’s price control revenues to take account of these matters.

- 1.11 However, airline representatives questioned why we were proposing to amend the Licence to continue to allow HAL to recover £10 million per annum of cost pass through for “Category B” expansion planning costs in 2020 and 2021. They considered that this would pre-empt the outcome of the July 2019 Consultation¹² on our Category B policy and that the incentives on HAL for cost efficiency should be strengthened.

Commercial arrangements between HAL and airlines for 2020 and 2021

- 1.12 HAL and the airlines agreed with our proposal to accept the commercial arrangements as the basis for the proposed price control extension but presented different views on the reasons for, and benefits of this approach.
- 1.13 HAL saw this arrangement as a positive step towards aligning HAL and airline incentives for optimising capacity and providing a framework for fostering more commercial engagement for the benefit of consumers and to support the affordable delivery of expansion. Nonetheless, it noted the challenges of further developing such arrangements in the future.
- 1.14 It said that the CAA’s role remains important in providing guidance but offering the right space for deals to develop, and that it should continue to encourage this approach. It suggested that other incentives, such as passenger risk sharing principles, could be investigated and possibly introduced in the next price control.
- 1.15 Airline representatives and an individual airline did not see the commercial deal as a true commercial deal as HAL has significant market power but that they had felt compelled to enter into it as they considered the alternative offered by the CAA was a less favourable option. They did not regard the deal as an optimal solution and that it should not be seen as a precedent for future arrangements. Another airline agreed with the CAA’s view that HAL has a significant amount of work to do to develop a more commercial relationship with airlines in the future. It also noted that this arrangement should not mark a weakening in effective

¹² Economic regulation of capacity expansion at Heathrow: consultation on early costs and regulatory timetable www.caa.co.uk/CAP1819 (“the July 2019 Consultation”).

regulation of HAL by the CAA in the future, particularly through this period of expansion.

- 1.16 Airline representatives noted our view that the commercial deal will enable us to have a greater focus on the important matters related to capacity expansion and the H7 price control review. They said they expected this to include greater attendance and active participation by the CAA at key expansion and price control meetings, greater pace in the development of key variables for expansion, such as the Weighted Average Cost of Capital (“WACC”) and regulatory structure, and greater scrutiny of whether HAL’s spend is efficient.
- 1.17 Airline representatives were disappointed that we had not accepted their proposal in their response to the February 2018 Consultation for the rebates to be paid back faster than originally proposed.
- 1.18 We also received a confidential response from one airline suggesting that we impose a number of changes to the terms of the commercial deal.
- 1.19 Heathrow West said that the development of the commercial deal showed classic monopolistic behaviour by HAL and that the regulatory regime was failing.
- 1.20 HAL were supportive of the text of the proposed licence conditions, saying that this approach accurately reflected the commercial deal while minimising change to the Licence.
- 1.21 Airline representatives and one airline were disappointed with our proposal that the commercial deal should be enforced through the courts rather than given full regulatory protection by incorporating all the terms in the Licence. They reiterated their view that the commercial deal is a “one-off”, temporary accommodation with a company that has significant market power. One airline noted that we had not specified where the terms of the fixed rebate should be set out.

Other price control issues

Delivering service quality during 2020 and 2021

- 1.22 HAL agreed that it must continue to provide service quality levels throughout the iH7 period and supported the CAA’s objectives in the February 2018 Consultation of reduced prices, improved service quality and the development of new services.

Airline representatives reiterated their view that, as HAL is now regularly exceeding several passenger facing elements of the SQRB, it would be in consumers' interests to increase the required service quality performance standards and were disappointed that this had not been proposed for 2020 and 2021. They did not support our proposals for "shadow tracking" aspects of service quality as they considered that this would incentivise HAL to underperform in this period to limit expectations in H7.

Price control arrangements beyond 2021

- 1.23 HAL, airline representatives and an individual airline all supported the proposal for H7 to begin in 2022 but had differing views on any further extensions.
- 1.24 HAL said there should be no further extensions but that the CAA should develop a clear process to allow for regulatory changes or triggers around key milestones in the planning process, to adjust relevant parameters of the regulatory framework.
- 1.25 The airline representatives did not see any merit in either a further extension or a further commercial deal. By contrast, one airline said that we should not dismiss the option of a further extension if needed.
- 1.26 Airlines and airline representatives raised wider points about the regulatory timetable and Constructive Engagement. Heathrow West said we should do more to support competition and the alternative delivery of capacity expansion. We intend to respond to these issues in forthcoming consultations on our approach to developing the regulatory framework for capacity expansion.

Other updates to the licence from 2020

- 1.27 Stakeholders made no representations on or objections to the proposed modifications for the other updates set out in the August 2019 Consultation.

Our views on respondents' comments

Extending the existing price control by a further two years to 31 December 2021

- 1.28 We note stakeholders' support for extending the price control for a further two years and to accept the commercial deal as the basis for this extension, and we

acknowledge the differing views on the issues relating to this extension. We addressed these issues in detail in the August 2019 Consultation and remain of the view that this approach is appropriate and in the interests of consumers.

- 1.29 We consider that continuing the £10 million per annum cost past through for planning costs is consistent with our decision in extending the price control in 2016 and is in the interests of consumers. We had originally envisaged that HAL would have made more rapid progress with capacity expansion and that Category B costs would have been added to HAL's regulatory asset base sooner and it would have started to recover these costs by price control allowances for regulatory depreciation and returns. In the absence of such arrangements, it is reasonable that the extended control continues to allow for £10 million per year of these costs. This will allow for a smoothed approach to costs recovery, support overall affordability and financeability, and reduce the total amount of charges to be recovered in the longer term. We will address issues relating to efficiency and protecting consumers from any undue increases in these costs in our next update document on early costs, which we plan to publish in November 2019.

Commercial arrangements between HAL and airlines for 2020 and 2021

- 1.30 We acknowledge the reservations that airlines have raised over the commercial deal and its negotiation and have said that acceptance of this commercial deal does not set a precedent for future commercial arrangements at Heathrow. We remain of the view that the commercial deal benefits consumers as it provides the best solution for the price control period to the end of 2021, and that there is no compelling case for further regulatory interventions with respect to the terms of the commercial deal. Nonetheless, we have highlighted to HAL that it would need to strengthen its relationships with airlines significantly if it is to build on the commercial arrangements in the future.
- 1.31 The new licence conditions will further the interests of consumers as they allow for regulatory enforcement for the payment of the fixed rebates, in accordance with the terms of the commercial deal, to all airlines operating at Heathrow.
- 1.32 We acknowledge that airlines considered that we should include all the terms of the commercial deal in the Licence, including the volume rebate. We remain of

the view that enforcement through the courts is a normal and valid route for commercial arrangements and that this approach both provides adequate protection for the interests of the consumers served by those airlines and is consistent with our Regulatory Enforcement Policy.¹³ HAL's price control conditions remain in place to provide overall constraints on the revenue HAL can recover from airport charges through a maximum allowed yield per passenger and it would not be appropriate to offer a greater level of regulatory intervention for the commercial deal.

Reasons for and effects of the licence modifications

Extending the Q6 price control by two years to 31 December 2021

- 1.33 The CAA has decided that its proposal to make several modifications to the Licence to extend the current price control by two years meets the tests for a licence modification set out in CAA12. We are, therefore, modifying the Licence, in accordance with the text set out in Appendix B, with no changes to the modifications proposed in the August 2019 Consultation. This will mean that the price control will end on 31 December 2021.
- 1.34 The reasons for the proposed modifications and their effects were set out in the August 2019 Consultation and are summarised below.
- 1.35 Extending the price control is in the interests of consumers as it will align the next main price control period with the wider capacity expansion programme at Heathrow airport, giving HAL more time to produce a high quality interim business plan and enable stakeholders to focus on capacity expansion. The capacity expansion programme at Heathrow airport will be a very large privately financed infrastructure project. Broadly aligning the timetable for the price control with the wider programme should allow for the development of regulatory incentives to promote capital and financial efficiency, so promoting overall efficiency and protecting the interests of consumers.

¹³ For the current CAA Regulatory Enforcement Policy, see: www.caa.co.uk/CAP1326

- 1.36 The modifications we are making to give effect to the price control extension are consistent with those we made in the 2016 Q6+1 extension. The modifications include an uplift of the security “s-factor” in Condition C1.4 “allowable security cost per passenger” by inflation to £21 million. Uplifting the s-factor by inflation is consistent with our approach in previous price controls.
- 1.37 We have decided to extend HAL’s ability to recover £10 million per year for planning costs in Condition C1.12 “A: pass-through of Category B costs (planning costs) for runway expansion” as explained above in paragraph 1.29.
- 1.38 The effect of these modifications is that all the terms modified will be in force with effect from 1 January 2020 until 31 December 2021.

Reflecting the commercial deal in the Licence

- 1.39 Having analysed the responses to the August 2019 Consultation, the CAA has decided that its proposal to modify the Licence to include new conditions to set out the arrangements to reflect the commercial deal in the regulatory framework meets the tests to a licence modification set out in CAA12. We are, therefore, modifying the Licence with the new conditions C1.13 to C1.15 “Commercial arrangements for the 2020 and 2021 price control extension”, as set out in Appendix B, with no changes to those proposed in the August 2019 Consultation.
- 1.40 The reasons for the new conditions and the effects of them were set out in the August 2019 Consultation and are summarised below.
- 1.41 Accepting the commercial deal as the basis of the interim price control is in the interests of consumers as it incentivises capacity growth at Heathrow airport with more collaborative working between HAL and the airlines. This is the first time that commercial arrangements have been negotiated to cover operations at Heathrow, so evidence of the wider benefits of such arrangements is limited at this stage. However, we remain of the view that there are advantages in encouraging HAL to adopt a more commercial relationship with airlines.
- 1.42 This approach also facilitates regulation being focused on areas where it is most needed and enables us and other stakeholders to have a greater focus on the important matters related to capacity expansion and the H7 price control review,

which should allow us to protect consumers better in the medium and longer-term. In the longer term, consumers should benefit if HAL achieves greater efficiency savings than those underlying the commercial deal, as these can be shared with consumers at the next main price control review.

- 1.43 Furthermore, airlines have indicated a strong preference for the commercial deal compared to the price control that we would have otherwise set. Airlines whose operations cover 89 per cent of passengers at Heathrow have signed the commercial deal.
- 1.44 Airlines that have not signed the commercial arrangement (and indirectly the consumers that they serve) will benefit from the overall RPI-1.5% path of charges and the fixed rebates that HAL has offered to all airlines operating at Heathrow regardless of whether they have signed the commercial deal. Much of the existing regulatory framework on capital expenditure governance, service quality, HAL's RAB and the work to support capacity expansion, continues in place and will help protect the interests of consumers in the medium and longer term.
- 1.45 The licence modifications include a requirement to set out the terms of the fixed rebate elements of the commercial deal in "alternative arrangements" (and to comply with them) and the hardwiring of the maximum amount of the fixed rebate¹⁴ provides all airlines with the ability to seek redress on issues relating to the fixed rebate through both regulatory and/or commercial law enforcement. This indirectly furthers the interests of the consumers that those airlines serve.
- 1.46 These new licence conditions do not specify the precise form of the "alternative arrangements" but support these arrangements by giving HAL and the airlines flexibility to agree suitable contractual arrangements that are accessible to all airlines using the airport.
- 1.47 These licence conditions also allow for any renegotiation of the commercial deal because this is a feature of the commercial deal itself. This does not imply any requirement or desire on any party to renegotiate the deal but preserves the

¹⁴ £130 million in each year, in accordance with the terms of the commercial deal including the assumptions on passenger numbers