

Chris Annetts  
Heathrow Airport Ltd  
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TW6 2GW



12 February 2021

Dear Chris,

**Changes to the timetable for completing the Heathrow Airport Limited H7 Price Control.**

We spoke recently about the need to extend our process for determining the H7 price control. I explained that a timetable that extends beyond 2021 is needed to ensure sufficient time to conduct robust analysis and consultations to support our decisions.

I can now confirm that we intend to issue the consultation on our final proposals on the price control, and the proposed licence modifications necessary to give them effect, in December 2021. We expect our final decision to be made in February 2022. Taking this approach will secure:

- sufficient time for the CAA to assess your business plan and the supporting materials that you provided late last year as well as the evidence of other stakeholders, to build a complete understanding of how we address the issues arising from uncertainty over traffic forecasts for the next price control period as a result of the Covid-19 downturn in traffic;
- opportunity for you to develop and provide updated forecasts based on evidence emerging during this year; and
- appropriate time for us to consult stakeholders on our proposals for H7.

This means that the modifications will not take effect until the end of March 2022 at the earliest, at least three months after the end of the current Q6 price control. However, our intention is to develop modifications that apply to HAL's revenues for the full year from 1 January 2022. This approach would be similar to that adopted in February 2017 in making the modification to allow £10m of early expansion costs to be passed through into charges with effect from 2016.

A detailed timetable of our consultations is attached. Please note that the timings in it are still indicative as the continued uncertainty over the recovery from the current downturn could lead to further changes. However, I remain committed to publishing our final proposals for the licence modifications before the end of the Q6 price control.

You will note that we have built two forecast updates from you into our timetable. We are discussing the format and content of those with you. It is important that these are provided at the right time in order to allow us to maintain the timetable set out in this letter. The August update, in particular, must be provided in sufficient time to allow stakeholders to assess the information and provide feedback to us as part of their responses to our initial proposals at the end of September. Any delays to this may require us to reconsult before we start the statutory licence modification process, further delaying the process.

The licence under CAA12 will remain in place throughout to avoid any question over HAL's ability to levy charges for the airport operation services it provides. Therefore, most of the obligations in it will remain in full effect. There may be a disconnect between the final decision on the price control and the annual charge setting process under the Airport Charges Regulations 2011, which you normally run from August to December. However, this would be the case even if we made our final decision in November as originally planned. To address this, the mechanism in the price control condition to allow for corrections within the period (the "k factor") will continue and we consider it to be the appropriate tool for managing this issue.

We will use our regular meetings with you and the airline community to discuss any future updates and will confirm the timetable in the upcoming consultations. In the interests of transparency, I am copying this letter to the airline community representatives and will put a copy on our website.

Yours sincerely

A handwritten signature in blue ink that reads "Rob Toal". The signature is written in a cursive, slightly slanted style.

**Rob Toal**  
H7 Programme Director

**Indicative timetable for developing the H7 Price Control and associated modifications to HAL's economic licence.**

