

BAA Limited

The Compass Centre,
Nelson Road, Hounslow,
Middlesex TW6 2GW

T: +44 (0)844 335 1801

W: baa.com

Registered in England No: 05757208
Registered Office: The Compass Centre, Nelson Road,
Hounslow, Middlesex TW6 2GW

Chris Hemsley
CAA
CAA House
45-59 Kingsway
London
WC2B 6TE

5th December 2011

Dear Chris,

CAA Competition Assessment

Further to the CAA's competition assessment, please accept my apologies for writing beyond the 30th November deadline. Publication of the draft Bill the indicative Licence and other recent operational events have, diverted considerable resource.

I note the CAA were seeking "substantive" input and comment from industry on or by 30th November. While a number of different working papers and presentations have been released, the CAA has not, as yet, published a complete or overarching assessment on which Heathrow is able to provide "substantive" and/or detailed comments.

The workshop of 15th November was helpful in understanding the CAA's initial thinking, as is some of the background material published sometime thereafter. We understand that input and comments from the recent workshop, and other information, is intended to inform the CAA's Initial Assessment, scheduled for publication in January. Heathrow intends to utilise the consultation period following publication of the Initial Assessment to further consider all the issues and the CAA's analysis, and will submit "substantive" comments and any supporting information in its response to the CAA's Initial Assessment.

One point that we would wish to reiterate in advance of our submission relates to the CAA's preliminary views, that the CAA are minded to determine that Heathrow has market power. Unsurprisingly it is Heathrow's contention that absent a detailed, evidence-based and overarching assessment of both market definition and market power, the CAA's provisional views cannot be supported. We expressed this view at the recent workshop.

Finally, the CAA indicated at the workshop that the competition assessment is not being conducted under section 40B of the Airports Act 1986 (as amended by the Airport Charges Regulations 2011). We would be grateful if you could confirm which powers the CAA are using for the review, and the legal status of the final decision.

We look forward to the CAA's paper in January.

Yours sincerely,

BY E-MAIL

Duncan O'Neill
Competition Policy Director