

# **Update to Annex G of the Q5 Price Control at Heathrow Airport**

## **‘The Enhanced Consultation Protocol’**

The purpose of this document is to initiate a formal process to finalise the Enhanced Consultation Protocol (also known as Annex G) at Heathrow Airport.

In March 2008 the CAA published its Q5 (2008-13) price control decision for Heathrow which was recently extended by a year to March 2014. The decision included an agreement, referred to as Annex G, between Heathrow Airport Limited (HAL) and the CAA that set out the way in which HAL would consult with its airport users during Q5.

In March 2009 the Competition Commission (CC), as part of its market investigation, recommended that the CAA should lead the development of an enhanced Annex G setting out the process of consultation with airlines in relation to capex at Heathrow. The CC was concerned that Heathrow’s failure to consult effectively was having an adverse effect on competition.

Following the CC investigation, HAL and airline users made significant progress in updating Annex G but a number of significant issues in relation to the ‘equitable treatment’ of airlines across the airport stalled the process. In 2010 the CAA and CC worked co-operatively with HAL and the airlines to assist them in reaching agreement on an Enhanced Consultation Protocol. In September 2010 the CC published a series of recommendations in order that an update to Annex G could be finalised once the CAA completed its own “mid-term” review<sup>1</sup> of capex efficiency and consultation at Heathrow. Since then the CAA has worked with HAL and airlines to finalise an updated Annex G which is attached to this document.

The CAA is therefore initiating a process to formally update Annex G of the Q5 price control. The process is similar to that applied to changes to capital expenditure triggers (although triggers are largely agreed by the airport and the airlines). In this case the CAA is:

1. publishing a revised Annex G that has been the subject of extensive consultation between Heathrow Airport Limited (HAL), airlines, the CC and the CAA. The CAA invites objections from interested parties, only on issues that have not previously been tabled or were not dealt with in the CC’s recommendations of September 2010. The recommendations of the CC can be found [here](#);
2. allowing 28 days for any objections or comments; and
3. unless these comments raise significant new issues, the CAA expects to approve the revised Annex G within 14 days of the end of the consultation period.

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<sup>1</sup> The findings of the review completed in March 2011 can be found [here](#)

At the conclusion of the consultation, if HAL does not agree with the revised Annex G, or the recommendations made by the CC, the CAA will write to the CC outlining where areas of disagreement remain.

As the CAA is allowing 28 days for this consultation, the closing date for objections is 25 July 2011. Written responses should be sent, if possible by e-mail, to [Barbara.PerataSmith@caa.co.uk](mailto:Barbara.PerataSmith@caa.co.uk). Alternatively comments may be posted to:

**Barbara Perata-Smith**  
**Regulatory Policy Group**  
**CAA**  
**45-59 Kingsway**  
**London WC2B 6TE**

The CAA will acknowledge all responses. It expects to make responses available on its website for other parties to read as soon as practicable after the period for written comments has expired. Any material that is regarded as confidential should be clearly marked and included in a separate annex which, subject to further discussion with the author and subject to the criteria the CAA has established for treating information as confidential, will not be published.

If you have any immediate questions on this document please contact James Mackay on 0207 453 6233 or by email to [james.mackay@caa.co.uk](mailto:james.mackay@caa.co.uk)