

23 November 2011

Dear Stakeholder

CAA'S DEVELOPMENT OF AN INDICATIVE AIRPORT LICENCE

Today, the Secretary of State for Transport (SoS) published the draft Civil Aviation Bill that includes the Airport Economic Regulation (AER) reforms¹. The SoS has also revised her request to the CAA asking for our advice on the preparation of an indicative Airport Licence to help support the passage of the draft Civil Aviation Bill during Parliament².

I wanted to let you know how we are preparing to meet this request for advice and offer you an opportunity to inform our thinking.

The SoS has asked the CAA to provide an indicative Licence (using Heathrow as an example) with the following remit:

- A transposition of the Q5 price control and accounting condition;
- A transposition of the Public Interest Conditions including any changes CAA considers requisite;
- Such example 'operable' conditions required to make the Licence work;
- High-level examples of conditions that would give the CAA flexibility to strengthen airports' operational resilience; and
- High-level examples of how alternative forms of regulation to the price control might be reflected in licence conditions.

Attached to this letter is a Discussion Document (slide pack) the CAA published today that sets out our initial thoughts on meeting the SoS' request for advice.

We would welcome views sent by e-mail to barbara.peratasmith@caa.co.uk by **14 December 2011**. I appreciate this is a very tight timescale. It is driven by the Secretary of State's desire to receive our advice by January 2012 as there is an opportunity for the Government to introduce the draft Civil Aviation Bill early next year.

I want to assure you that the indicative Licence is only the first stage in a much longer and comprehensive process to develop the full airport Licences for introduction by the CAA on

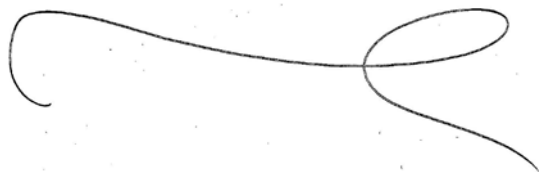
¹ This can be obtained here <http://dft.gov.uk/>

² This can be obtained here www.caa.co.uk/docs/5/Section16Nov11.pdf

1 April 2014. You will see in the Discussion Document we have also set out a high-level timetable and stakeholder consultation process for the development of the full airport Licences as well as further issues that may need to be addressed that go beyond the remit of the indicative Licence. Again, we would welcome your feedback on this.

If you have any further queries or would like to discuss the project please do not hesitate to contact me or Vanessa Jones on 020 7453 6214.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'R Moriarty', with a large loop at the end.

Richard Moriarty
Director of Economic Regulation