

Mr Paul Taylor
Civil Aviation Authority

20th March 2006

Dear Mr Taylor

Consultation on Policy Issues – Airport Price Control Review

Airport Regulation – Cross-Subsidy

KLM supports a separate price cap for each airport, which should reflect the recovery of the level of investment required at each individual airport. We are totally against any form of cross subsidy between the airports.

Incentivising Investment

KLM recognizes that in the next 10 – 15 years a substantial amount of investment may be required to re-develop Heathrow and we are broadly supportive of the plans laid before us. However, though there may be sound reasons why a project has to span 2 quinquennia we do not believe that money should be transferred nor brought forward from one quinquennia to the other.

Single Till

We wish to see the 'single till' continue as the method for cost recovery. The airlines and the BAA have reached a very positive partnership in this quinquennia and we would wish this to go forward into the next. In addition, on a positive note it means that customer service and retail remain at the forefront but are balanced by each other.

Service Quality Rebate

This has been a true success during this quinquennia. Due to the public interest finding prior to Quinquennium 4 additional focus has been brought to items covered under this umbrella. We would strongly urge the CAA to continue with the SQR into the next quinquennium. Operational and customer service items have received additional focus ensuring that items such as lifts, conveyors etc are always maintained in working order, more so than previously, which leads us to believe that the penalty system has achieved success in an area which was always problematical previously.

'S' Factor

We would wish the S Factor to remain in place. It works and we do not believe that the current mechanism compromises security in any way.

Francesca Freeland



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JIM HUNTER
General Secretary – Heathrow AOC