

**AIR TRAFFIC SERVICES LICENCE**  
  
**for**  
  
**NATS (EN ROUTE) PLC**

**This consolidated version includes all modifications as at 1 January 2015**

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**AIR TRAFFIC SERVICES LICENCE****PART I TERMS OF THE LICENCE**

1. The Secretary of State, in exercise of the powers conferred by section 6 of the Transport Act 2000 (the “Act”) and of all other powers exercisable by him for that purpose, hereby grants to NATS (En Route) Limited (the “Licensee”) a licence authorising the Licensee:
  - (a) to provide air traffic services in and in respect of the Licensed Area designated in Schedule 1 (“the En route (UK) Area”) from the date specified in paragraph 5 and for the period specified in paragraph 6, subject to the Conditions set out in Parts II and III of this Licence and the terms in Schedule 3; and
  - (b) to provide air traffic services in and in respect of the Licensed Area designated in Schedule 2 (“the En route (Oceanic) Area”) from the date specified in paragraph 5 and for the period specified in paragraph 7, subject to the Conditions set out in Parts II and III of this Licence and the terms in Schedule 3.
2. Without prejudice to the general authorisation conferred by paragraph 1, the Licensee is hereby authorised to provide the UK En route Air Traffic Control Service and Oceanic En route Air Traffic Control Service in respect of each relevant Licensed Area, subject to the Conditions set out in Parts II and III of this Licence and the terms in Schedule 3.
3. The authorisation conferred by paragraph 1 shall be exclusive to the Licensee in respect of the Core Services for a period of ten years from the date of the coming into effect of this Licence.
4. The Conditions set out in Parts II and III of this Licence are subject to modification or amendment in accordance with their terms or with sections 11-19 of the Act, but such modification or amendment shall not have the effect of reducing to a material extent the scope of the authorisation conferred by paragraph 2. This Licence is further subject to the terms as to revocation specified in Schedule 3.
5. This Licence shall have effect from such time as property, rights or liabilities of National Air Traffic Services Limited (registered in England under number 3155567) are transferred to the Licensee by a transfer scheme made by the CAA under section 43 of the Act or a transfer scheme made by the Secretary of State under section 45 of the Act.
6. In so far as it authorises the provision of air traffic services in respect of the En route (UK) Area, unless revoked in accordance with the terms of Schedule 3 this Licence shall continue to have effect until determined by not less than ten years’ notice in writing given by the Secretary of State to the Licensee following consultation with the CAA, such notice not to be served earlier than the twentieth anniversary of the grant of this Licence.

7. In so far as it authorises the provision of air traffic services in respect of the En route (Oceanic) Area, unless revoked in accordance with the terms of Schedule 3, this Licence shall have effect until determined by not less than ten years' notice in writing given by the Secretary of State to the Licensee following consultation with the CAA, such notice not to be served earlier than the twentieth anniversary of the grant of this Licence.

**Minister of State for Transport**

**28 March 2001**

**PART II THE GENERAL CONDITIONS****Condition 1: Interpretation and construction**

1. Unless the contrary intention appears or the context otherwise requires, words and expressions used in the Conditions shall be construed as if they were in an Act of Parliament and the Interpretation Act 1978 applied to them and references to an enactment shall include any statutory modification or re-enactment thereof after the date of the coming into effect of this Licence.
2. Any word or expression defined for the purposes of any provision of Part I of the Act shall, unless the contrary intention appears, have the same meaning when used in the Conditions.
3. In the Conditions unless the context otherwise requires:

**“Act”** means the Transport Act 2000.

**“Advisory Control Service”** means the giving of instructions or advice to aircraft flying on those advisory routes and areas described in the AIP to the extent undertaken by the Licensee as at the date of the coming into effect of this Licence:

- (a) for the purpose of preventing, or assisting in the prevention of, collisions between aircraft; and
- (b) with a view to facilitating the flow of air traffic for the purpose of expediting and maintaining an orderly flow of air traffic where appropriate in consultation with the CAA or any other provider of air traffic services or any international body responsible for co-ordinating air traffic services

but excluding any Airfield Service.

**“affiliate”** in relation to the Licensee, means any holding company of the Licensee, any subsidiary of the Licensee or any subsidiary of a holding company of the Licensee in each case within the meaning of Sections 1159, 1160 and Schedule 6 of the Companies Act 2006.

**“AIP”** means the United Kingdom Aeronautical Information Publication as amended from time to time unless otherwise specified.

<b>“Airfield Service”</b>	<p>means an Air Traffic Control Service in respect of any aircraft:</p> <ul style="list-style-type: none"> <li>(a) on the manoeuvring area or apron of the aerodrome in respect of which the service is being provided; or</li> <li>(b) in the process of arriving at or departing from the aerodrome in respect of which the service is being provided; or</li> <li>(c) in the vicinity of the aerodrome in respect of which the service is being provided.</li> </ul>
<b>“Air Traffic Control Service”</b>	<p>means the giving of instructions or advice to aircraft, whether in flight or on the manoeuvring area or apron of an aerodrome, for the purpose of:</p> <ul style="list-style-type: none"> <li>(a) preventing, or assisting in the prevention of, collisions between aircraft; and</li> <li>(b) managing the flow of air traffic for the purpose of expediting and maintaining an orderly flow of air traffic where appropriate in consultation with the CAA or any other provider of air traffic services or any international body responsible for co-ordinating air traffic services</li> </ul> <p>to which instructions the recipient aircraft are required to submit, save to avoid immediate danger.</p>
<b>“air traffic services”</b>	<p>includes but is not limited to the Core Services.</p>
<b>“Auditors”</b>	<p>means the Licensee’s auditors for the time being holding office in accordance with the requirements of the Companies Act 2006.</p>
<b>“Condition”</b>	<p>means a provision of this licence which is expressed as a condition.</p>
<b>“Controlled Airspace”</b>	<p>means airspace which has been notified as Class A, Class B, Class C, Class D or Class E airspace under the AIP.</p>

<b>“Core Services”</b>	means the: <ul style="list-style-type: none"><li>(a) UK En route Air Traffic Control Service;</li><li>(b) Oceanic En route Air Traffic Control Service;</li><li>(c) Advisory Control Service; and</li><li>(d) London Approach Service</li></ul> as amended from time to time pursuant to the Conditions of this Licence or sections 11-19 of the Act.
<b>“En route (UK) Area”</b>	means the Licensed Area designated in Schedule 1.
<b>“En route (Oceanic) Area”</b>	means the Licensed Area designated in Schedule 2.
<b>“En route Businesses”</b>	means the En route (UK) Business and the En route (Oceanic) Business.
<b>“En route (UK) Business”</b>	means the Licensee’s business which consists of the provision by the Licensee of the UK En route Air Traffic Control Service, the Advisory Control Service, the London Approach Service and the Specified Services.
<b>“En route (Oceanic) Business”</b>	means the Licensee’s business which consists of the provision by the Licensee of the Oceanic En route Air Traffic Control Service.
<b>“financial year”</b>	means the financial year in respect of which the Licensee prepares its accounts for the purposes of the Companies Act 2006..
<b>“holding company”</b>	has the meaning given to it in Section 1159 of the Companies Act 2006.
<b>“Licence”</b>	means this Air Traffic Services Licence and includes its Schedules.
<b>“Licensed Area”</b>	means an area as designated in Schedule 1 or Schedule 2 to this Licence.
<b>“Licensee”</b>	means NATS (En Route) PLC (registered in England under number 4129273) (formerly NATS (En Route) Limited)

<b>“London Approach Service”</b>	means, in respect of Heathrow, Gatwick, London City, Luton and Stansted airports, the Airfield Service other than such element of service as is provided to an aircraft on its final approach path or initial departure path or on the manoeuvring area or apron of the aerodrome.
<b>“notice”</b>	means (unless otherwise specified) notice given in writing.
<b>“Oceanic En route Air Traffic Control Service”</b>	means the provision of an Air Traffic Control Service other than an Airfield Service in respect of the En route (Oceanic) Area.
<b>“parent undertaking”</b>	has the meaning given to it in Section 1162 of the Companies Act 2006.
<b>“Permitted Purpose”</b>	means the purpose of all or any of the following: <ul style="list-style-type: none"><li>(a) the En route (UK) Business, the En route (Oceanic) Business or any business or activity within the limits of Condition 5.9 to 5.12;</li><li>(b) without prejudice to the generality of paragraph (a), any payment or transaction lawfully made or undertaken by the Licensee for a purpose within subparagraphs (i) to (vii) of paragraph 19(b) of Condition 5.</li></ul>
<b>“regulatory year”</b>	means the period of 12 months commencing on 1 January in respect of which the Licensee prepares its accounts for the purposes of Condition 6.
<b>“related undertaking”</b>	in relation to the Licensee means any undertaking in which the Licensee has a participating interest construed in accordance with paragraph 8 of Schedule 8 to The Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008.
<b>“Relevant Company”</b>	means: <ul style="list-style-type: none"><li>(a) the Licensee; or</li><li>(b) a parent undertaking in relation to the Licensee.</li></ul>

- “Retail Price Index”** means the general index of retail prices published by the Office for National Statistics each month in respect of all items or:
- (a) if the index for any month in any year shall not have been published on or before the last day of the third month after such month, such index for such month or months as the CAA may after consultation with the Licensee determine to be appropriate in the circumstances; or
  - (b) if there is a material change in the basis of the index, such other index as the CAA may after consultation with the Licensee determine to be appropriate in the circumstances.
- “Separate Business”** means each of the En route (UK) Business and the En route (Oceanic) Business taken separately from one another and from any other business of the Licensee, but so that where all or any part of such business is carried on by an affiliate or related undertaking of the Licensee such part of the business as is carried on by that affiliate or related undertaking shall be consolidated with any such business of the Licensee (and of any other affiliate or related undertaking) so as to form a single Separate Business.
- “shares”** has the meaning given to it in Section 540 of the Companies Act 2006, and the term “shareholding” is to be construed accordingly.
- “Specified Services”** means the services set out in Schedule 4.
- “subsidiary”** means a subsidiary within the meaning of Section 1159 of the Companies Act 2006.
- “UK En route Air Traffic Control Service”** means an Air Traffic Control Service in respect of the En route (UK) Area other than any Airfield Service or the London Approach Service.

**“ultimate holding company”**

means each of:

- (a) a holding company of the Licensee which is not itself a subsidiary of another company;
- (b) where a holding company of the Licensee which is not a subsidiary of another company has entered into an agreement affecting the exercise of voting rights in or the appointment or removal of directors of the Licensee or any company of which the Licensee is a subsidiary, every party to that agreement; and
- (c) where the exercise of voting rights in or the appointment or removal of directors of a holding company of the Licensee which is not a subsidiary of another company is controlled by agreement, every party to that agreement.

**“undertaking”**

has the meaning given to it in Section 1161 of the Companies Act 2006.

**“User”**

in that capacity only, means an owner or operator of an aircraft who uses any of the air traffic services provided by the Licensee under this Licence or who wishes to use such services.

4. Unless otherwise specified, any reference to a numbered Condition (with or without a suffix letter) or Schedule is a reference to the Condition or Schedule bearing that number in this Licence, and any reference to a numbered paragraph (with or without a suffix letter) is a reference to the paragraph bearing that number in the Condition or Schedule in which the reference occurs.
5. In construing the provisions of this Licence, the heading or title of any Part, Section, Condition, Schedule or paragraph shall be disregarded.
6. Where any obligation of the Licensee is required to be performed by a specified date or within a specified period, and where the Licensee has failed so to perform, such obligation shall continue to be binding and enforceable after the specified date or after the expiry of the specified period (but without prejudice to all rights and remedies available against the Licensee by reason of the Licensee's failure to perform by that date or within the period).
7. The provisions of section 100 of the Act shall apply for the purposes of the delivery or service of any documents, directions or notices to be delivered or served pursuant to any Condition or Schedule, and directions issued by the CAA pursuant to any Condition or Schedule shall be delivered or served as aforesaid.
8. For the purpose of the Licence, an Air Traffic Control Service shall be provided in respect of an area where it is provided to assist and/or control the movement

of the aircraft in that area whether or not the aircraft concerned is in that area when the service is provided.

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**Condition 2: General obligation to provide Core Services and Specified Services**

1. Without prejudice to the general power conferred under this Licence, the Licensee shall make available:
  - (a) the Core Services so as to be capable of meeting on a continuing basis any reasonable level of overall demand for such services; and
  - (b) the Specified Services.
2. The Licensee shall at all times develop and maintain its assets, personnel, systems and other parts of its business:
  - (a) so as to be able to comply with its obligations under paragraphs 1 and 5; and
  - (b) having regard to the objective of permitting access to controlled airspace on the part of all Users while making the most efficient overall use of airspace.
3. The Licensee shall be relieved of its obligations in paragraph 1 above to the extent that the CAA, in response to a written request from the Licensee, notifies the Licensee in writing that it is satisfied that any requirement is or is to be met by other means and that accordingly it would not be reasonable in the circumstances to require the Licensee to provide the services specified in the notice.
4. In determining what is reasonable for the purposes of paragraph 1(a), regard shall be had to:
  - (a) the level of overall demand reasonably expected to be met at the relevant time on the basis of capacity to be made available in accordance with the Service and Investment Plan provided by the Licensee pursuant to Condition 10; and
  - (b) the effect on overall demand of changes in legal or regulatory requirements made subsequent to the provision of such Plan, provided that the Licensee has taken all reasonable steps to meet the resulting changed demand.
5. Without extending the obligation as to the overall level of services to be provided under paragraph 1(a), the Licensee shall meet each request for the provision of the Core Services reasonably made by any person.
6. For the purposes of paragraph 5 above, a person shall be held to have reasonably made a request for the relevant services where:
  - (a) the Licensee has been notified of, and has not rejected, a legitimate flight plan from the commander of an aircraft or a recognised flight plan processing centre to a bona fide flight which is required by applicable standards, rules and safety requirements to submit to the instructions of a person providing air traffic control in the relevant area; or

- (b) that person is in control of an aircraft in flight which has entered or is about to enter Controlled Airspace in respect of a Licensed Area either:
    - (i) with the approval of the Licensee; or
    - (ii) otherwise where the Licensee is or ought reasonably to be aware of the fact and where the person responsible for such aircraft has had no reasonable opportunity to seek such approval and unforeseen circumstances have arisen where failure to provide the services would endanger the safety of any person; or
  - (c) in such other circumstances as the Licensee acting reasonably considers appropriate having regard to the safety of any person.
7. In providing services under paragraph 1 the Licensee shall not unduly prefer or discriminate against any person or class of person in respect of the operation of the Licensee's systems, after taking into account the need to maintain the most expeditious flow of air traffic as a whole without unreasonably delaying or diverting individual aircraft or such other criteria as the Licensee may apply from time to time with the approval of the CAA.
8. Subject to paragraph 7, the Licensee shall not unduly discriminate against or give preferential treatment to any person or class of persons in respect of the terms on which services are provided, to the extent that such terms have or are intended to have or are likely to have the effect of preventing, restricting or distorting competition in any market.

**Condition 3: Modification to Core Services and Specified Services**

1. This Condition applies where the CAA or the Licensee reasonably considers it necessary or appropriate to seek:
  - (a) a modification to the scope of a Core Service (other than one which would have the effect of materially reducing the scope of the UK En route Air Traffic Control Service or the Oceanic En route Air Traffic Control Service);
  - (b) the addition of a service to the list of Specified Services; or
  - (c) a modification to the scope of an Infrastructure Service which would have the effect of materially increasing or reducing the scope of that service or the cost to the Licensee of providing that service to an extent that would be material in the context of that service

as a direct result of:

- (i) technical or operational change;
- (ii) an actual or anticipated change in the patterns of demand for air traffic services in the Licensed Areas;
- (iii) changes in obligations binding on the United Kingdom by virtue of its being a member of an international organisation or a party to an international agreement; or
- (iv) changes in competitive market conditions

and the CAA, subject to paragraph 2, after consultation with the Licensee serves notice on the Licensee requiring it to implement, or the Licensee, subject to paragraph 4, after consultation with the CAA serves notice on the CAA notifying the CAA of the Licensee's intention to implement such an amendment, in each case within a time specified in the notice being a period of not less than four months.

2. If in the opinion of the Licensee it is impracticable for it to take the steps specified in a notice referred to in paragraph 1 given to it by the CAA, or that to do so would have a significantly adverse effect on its finances, the Licensee may within one month of the date of the notice issue a counter notice stating that the Licensee is unable to comply with the terms of the notice and giving detailed reasons and justification for that opinion. If such a counter notice is served, the notice served by the CAA shall not take effect save as provided in paragraph 3.
3. If within four months from the date of the counter notice served by the Licensee pursuant to paragraph 2, the CAA has, in response to the counter notice, neither:
  - (a) modified the Licence pursuant to section 11 of the Act in accordance with such counter notice served by the Licensee; nor

- (b) following a Reference to Members, made a reference to the Competition and Markets Authority pursuant to section 12 of the Act relating to the counter notice served by the Licensee,

the Licensee will be under no obligation to comply with the notice.

4. If the CAA opposes an amendment proposed by the Licensee under a notice referred to in paragraph 1 served by the Licensee on the grounds that the amendment would adversely affect air traffic services operating efficiency or the performance of the United Kingdom's international obligations in respect of air traffic services, and the CAA serves on the Licensee, not later than four months from the date of the notice served by the Licensee, a counter notice setting out in detail the reasons for its objections, the notice served by the Licensee shall not take effect save as provided in paragraph 5.
5. If within six months of the date of the notice served by the Licensee pursuant to paragraph 1, the CAA has not in response to the Licensee's notice:
  - (a) modified the Licence pursuant to section 11 of the Act in accordance with such notice served by the Licensee;
  - (b) served a counter notice on the Licensee proposing that an alternative change should be made which counter notice shall be deemed to be a notice for the purposes of paragraph 1;
  - (c) served a counter notice on the Licensee rejecting any change and, following a Reference to Members, made a reference to the Competition and Markets Authority pursuant to section 12 of the Act to that effect; or
  - (d) following a Reference to Members, made a reference to the Competition and Markets Authority pursuant to section 12 of the Act relating to the notice served by the Licensee,

the Licensee may implement the changes set out in its notice and the Licence will be deemed to have been modified by agreement between the CAA and the Licensee to the extent necessary to allow implementation of such changes pursuant to section 11 of the Act.

6. In this Condition:

**“Infrastructure Service”**

means each of the following services as described in Schedule 4 of this Licence:

- (i) Navigational Infrastructure Service; and
- (ii) Surveillance Infrastructure Service.

**“Reference to Members”**

means a reference by the CAA to the Members pursuant to the Civil Aviation Authority Regulations 1991, or such other legislative instrument as may supersede the Civil Aviation Authority Regulations 1991 in this respect, of the question

whether or not the CAA should make a reference to the Competition and Markets Authority under Section 12 of the Act in respect of the matters considered under this Condition (on which question a written decision by the Members shall be definitive).

**“Members”**

means the members of the CAA appointed pursuant to the Civil Aviation Act 1982.

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**Condition 4: Further Provisions Relating to the Modification of Specified Services**

1. This Condition applies where the CAA or the Licensee reasonably considers it necessary to seek:
  - (a) a modification to the scope of a Specified Service other than one to which Condition 3 applies; or
  - (b) the removal of a service from the list of Specified Services.

and the CAA, subject to paragraph 2, after consultation with the Licensee serves notice on the Licensee requiring it to implement, or the Licensee, subject to paragraph 4, after consultation with the CAA serves notice on the CAA notifying the CAA of the Licensee's intention to implement, as the case may be, such an amendment within a time specified in the notice, being a period of not less than four months.

2. If in the opinion of the Licensee it is impracticable for it to take the steps specified in a notice given to it by the CAA under paragraph 1, or that they would have a significantly adverse effect on its finances, the Licensee may within one month of the date of the notice issue a counter notice stating that the Licensee is unable to comply with the terms of the notice and giving detailed reasons and justification for that opinion. If such a counter notice is served, the notice served by the CAA shall not take effect save as provided in paragraphs 3 and 6.
3. If within three months from the date of the counter notice served by the Licensee pursuant to paragraph 2, the CAA has not, in response to the notice, referred the matter as to whether such notice should be implemented for determination by the Members pursuant to the Civil Aviation Authority Regulations 1991 or such other legislative instrument as may supersede the Civil Aviation Authority Regulations 1991 in this respect, the Licensee will be under no obligation to comply with the notice.
4. If the CAA opposes an amendment proposed by the Licensee under a notice served by the Licensee under paragraph 1 on the grounds that the amendment would adversely affect air traffic services operating efficiency or the performance of the United Kingdom's treaty obligations in respect of air traffic services, and the CAA serves on the Licensee, not later than four months from the date of the notice served by the Licensee, a counter notice setting out in detail the reasons for its objections, the notice served by the Licensee shall not take effect save as provided in paragraphs 5 and 6.
5. If the CAA has not:
  - (a) within four months from the date of the notice served by the Licensee pursuant to paragraph 1, served a counter notice on the Licensee pursuant to paragraph 4; or
  - (b) within eight months of the date of the notice served by the Licensee pursuant to paragraph 1, following a written request by the Licensee made within one month of receipt of a counter notice from the CAA issued pursuant to paragraph 4 above, made a determination by the

Members pursuant to the Civil Aviation Authority Regulations 1991 or such other legislative instrument as may supersede the Civil Aviation Authority Regulations 1991 in this respect as to whether such notice should be implemented,

the Licensee may implement the changes set out in its notice.

6. Where a reference is made for determination by the Members as to whether a notice referred to in paragraphs 3 or 5 should be implemented, a written decision of the CAA or the Secretary of State on appeal, as the case may be, shall be definitive and the Licensee shall act upon it as soon as practicable provided that:
  - (a) the requirements that apply to hearings under the Civil Aviation Authority Regulations 1991 are, so far as appropriate, complied with in respect of the reference; and
  - (b) the written decision addresses the substantive matters set out in the notices of the CAA and the Licensee including the financial effects of the matters the subject of the reference.
7. If the written decision of the CAA or the Secretary of State as referred to in paragraph 6 provides for a variation or removal of a Specified Service, the Licence shall be deemed to be modified by agreement between the CAA and the Licensee to the extent necessary to give effect to such variation or removal accordingly pursuant to section 11 of the Act.
8. In this Condition:  

<b>“Members”</b>	means the members of the CAA appointed pursuant to the Civil Aviation Act 1982.
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**Condition 5: Availability of Resources and Financial Ring-Fencing**

1. The objectives of this Condition are to set out measures which, inter alia:-
  - (a) require the Licensee to act in a manner calculated to secure that it has available to it sufficient resources to perform its Licence obligations;
  - (b) limit the scope of activities which the Licensee undertakes which are outside the En route (UK) Business and the En route (Oceanic) Business;
  - (c) create an effective financial ring-fence around the En route (UK) Business and the En route (Oceanic) Business and promote transparency;
  - (d) require the Licensee to make the CAA aware of any material steps proposed to be taken under the Finance Documents;
  - (e) require the Licensee to notify the CAA on the occurrence of certain events which might prejudice the licensees' financial stability;
  - (f) control the disposal of relevant assets, and place certain restrictions on the ability of the Licensee to incur debt;
  - (g) require the ultimate holding company to undertake not to act, or cause any subsidiary to act, in such a way as to cause the Licensee to breach the Licence;
  - (h) prohibit the Licensee from entering into any agreement or arrangement with any affiliate or related undertaking except on an arm's length basis and on normal commercial terms unless otherwise permitted;
  - (i) require the Licensee to use all reasonable endeavours to maintain at all times an investment grade issuer credit rating; and
  - (j) establish a financial gearing target and cap.

This paragraph 1 provides a descriptive summary of the provisions which follow in this Condition. This paragraph 1 is not intended to add to the provisions which follow, and for the purposes of interpretation it is the detailed provisions which prevail.

**Availability of Resources**

2. The Licensee shall at all times act in a manner calculated to secure that it has available to it sufficient resources including (without limitation) financial, management and staff resources, to enable it to comply with its obligations under the Act and this Licence.
3. The Licensee shall submit a certificate addressed to the CAA, approved by a resolution of the board of directors of the Licensee and signed by a director of

the Licensee pursuant to that resolution. Such certificate shall be submitted within four months of the end of the Licensee's financial year. Each certificate shall be in one of the following forms:

- (a) "After making enquiries based on systems and processes established by the Licensee appropriate to the purpose, the directors of the Licensee have a reasonable expectation that the Licensee will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, any amounts of principal and interest due under any loan facilities and any actual or contingent risks which could reasonably be material to their consideration, sufficient financial and other resources and financial and operational facilities to enable the Licensee to comply with its obligations under the Act and under its Licence to which the Licensee is aware or could reasonably be expected to make itself aware it is or will be subject for a period of two years from the date of this certificate."
  - (b) "After making enquiries based on systems and processes established by the Licensee appropriate to the purpose, the directors of the Licensee have a reasonable expectation, subject to what is said below, that the Licensee will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, any amounts of principal and interest due under any loan facilities, and any actual or contingent risks which could reasonably be material to their consideration, sufficient financial and other resources and financial and operational facilities to enable the Licensee to comply with its obligations under the Act and under its Licence to which the Licensee is aware or could reasonably be expected to make itself aware it is or will be subject for a period of two years from the date of this certificate. However, they would like to draw attention to the following factors which may cast doubt on the ability of the Licensee to comply with its obligations under the Act and under such Licence for that period....."
  - (c) "In the opinion of the directors of the Licensee, the Licensee will not have available to it sufficient financial or other resources and financial and operational facilities to comply with its obligations under the Act and under its Licence to which the Licensee is aware or could reasonably be expected to make itself aware it is or will be subject for a period of two years from the date of this certificate."
4. [Paragraph deleted]
  5. The Licensee shall inform the CAA in writing as soon as practicable if the directors of the Licensee become aware of any circumstance which causes them no longer to have the reasonable expectation expressed in the then most recent certificate given under paragraph 3(a) or 3(b).
  6. The Licensee shall obtain and submit to the CAA with each certificate provided for in paragraph 3 a report prepared by its Auditors stating whether or not the Auditors are aware of any inconsistencies between, on the one hand, that certificate and the statement submitted with it and, on the other hand, any

information which they obtained during their audit of the relevant year end accounts of the Licensee.

7. [Paragraph deleted]
8. [Paragraph deleted]

### **Restriction on Activity and Financial Ring-Fencing**

9. Save as required under this Licence or as provided by paragraphs 11 and 12 below, neither the Licensee nor any related undertaking of the Licensee shall conduct any business or carry on any activity other than the En route (UK) Business and the En route (Oceanic) Business.
10. The Licensee shall not without the written consent of the CAA acquire shares in any undertaking except:
  - (a) in any body corporate which was a subsidiary of the Licensee prior to the date of this Licence coming into effect;
  - (b) in a body corporate which conducts business only for a Permitted Purpose; or
  - (c) acquired in order to avoid dilution of a shareholding in a body corporate in which the Licensee holds shares in conformity with this Licence.

If the Licensee does so acquire shares, it shall do so subject to the provisions of paragraph 2.

11. Nothing in paragraph 9 of this Condition shall prevent:
  - (a) any affiliate or related undertaking of the Licensee from conducting any businesses or carrying on any activity;
  - (b) the Licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this Licence;
  - (c) the Licensee from performing the supervisory or management functions of a holding company in respect of any subsidiary; or
  - (d) the Licensee from carrying on any business or conducting any activity to which the CAA has given its consent in writing.
12. Nothing in paragraph 9 of this Condition shall prevent the Licensee conducting any business complying with the following limitations:
  - (a) the business consists of all or any of:
    - i) the collection of route charges on behalf of other air traffic service providers pursuant to an international agreement;

- ii) activities required by any contract with the CAA or with the Crown related to services required by the Licence;
  - iii) transactions which the En route (UK) Business and the En route (Oceanic) Business make with each other;
  - iv) transactions with its affiliates which comply with paragraph 19;
  - v) the provision of air traffic services in conjunction with other air traffic service providers in a Functional Airspace Block established in accordance with Regulation (EC) No.551/2004 of 10 March 2004 on the organisation and use of airspace in the single European sky (as amended) or established in substantially similar arrangements but not associated with the single European sky; and
  - vi) any other business not otherwise permitted pursuant to any of paragraphs 11 and 12(a)(i) to (v) inclusive of this Condition and which is a Connected Business, provided the turnover of such business when aggregated with that of any related undertaking of the Licensee does not in any regulatory year of the Licensee exceed four and a half per cent of the aggregate turnover of the En route Businesses;
- (b) the aggregate amount of all investments by the Licensee in the businesses described in sub-paragraph 12(a)(vi) above does not at any time exceed one per cent of the share of capital in issue, share premium and consolidated reserves of the Licensee as shown by its most recent audited historic cost financial statements then available.

13. [Paragraph deleted]

### **Amendments to the Finance Documents**

14. The Licensee shall:-

- (a) not amend, vary, supplement or modify or concur in the amendment, variation, supplementation or modification of any of the finance documents (whether in each case in the form of a written instrument, agreement or document or otherwise) (a "Variation") unless it has given prior written notice thereof to the CAA. The Licensee shall, as soon as reasonably practicable:
  - i) notify the CAA of the possibility of any such Variation;
  - ii) provide to the CAA a copy of any written instrument, agreement or document proposed to be executed to give effect to any such Variation; and

- iii) provide to the CAA a copy of any executed written instrument, agreement or document giving effect to any such Variation.

The provisions of this Condition 5(14)(a) shall not apply to any administrative or procedural Variation;

- (b) not seek any consent to a waiver or release of, or cancel, terminate, suspend or surrender, or seek any consents under any of, the finance documents (whether in each case in the form of a written instrument, agreement or document or otherwise) (a "Consent") unless it gives written notice thereof to the CAA simultaneously with seeking such Consent. The Licensee shall, as soon as reasonably practicable, provide to the CAA a copy of any executed written instrument, agreement or document giving effect to any such Consent. The provisions of this Condition 5(14)(b) shall not apply to any Consent which will not cause a material increase in financial risk to the Licensee;
- (c) promptly notify the CAA in writing upon becoming aware of any default (howsoever described) under the finance documents other than:
  - i) any default of a technical, administrative or minor nature which is capable of remedy and which is either being remedied by the Licensee or in respect of which, whether or not capable of remedy, compliance has been waived under the finance documents; or
  - ii) any default in respect of which the CAA has received notice of a Variation under Condition 5(14)(a) or a Consent under 5(14)(b);
- (d) promptly notify the CAA in writing upon becoming aware of any event of default or trigger event (howsoever described) under the finance documents;
- (e) notify the CAA in writing at the same time as any party under the finance documents is notified, of the occurrence of any event of default in relation to third parties;
- (f) provide to the CAA at the time of providing them to any party under the finance documents:-
  - i) copies of any details delivered by it to any party under the finance documents setting out details of the occurrence of any event which would be reasonably likely to have a material adverse effect (however described in the finance documents); and
  - ii) following the occurrence of a trigger event (howsoever described in the finance documents) which is subsisting, all

information given to any party to the finance documents under the requirements of the finance documents as a consequence of the occurrence of such trigger event, at the same time as it is given to such other party;

- (g) [Sub-paragraph deleted]
- (h) promptly notify the CAA if at any time the Licensee receives notice that a rating agency with which, at that time, it has a credit rating, is likely to or is considering reducing that rating.
- (i) [Sub-paragraph deleted]

### **Disposal of Relevant Assets and Indebtedness**

15. The Licensee shall not:

- (a) dispose of any interest which it holds in; or
- (b) relinquish operational control which it has over

any relevant asset otherwise than in accordance with the following paragraphs 16 to 20 of this Condition.

16. Save as provided in paragraph 17, the Licensee shall give to the CAA not less than three months' prior written notice of its intention to dispose of or relinquish operational control over any relevant asset, and shall supply such further information as the CAA may reasonably request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions of which the Licensee is aware or could reasonably be expected to make itself aware in regard thereto of the person proposing to acquire such asset or operational control over such asset where that asset is to remain a relevant asset.

17. Notwithstanding paragraphs 15 and 16, the Licensee may dispose of or relinquish operational control over any relevant asset:

- (a) where:
  - i) the CAA has issued directions for the purposes of paragraphs 16 to 20 containing a general consent (whether or not subject to conditions) to:
    - (aa) transactions of a specified description; or
    - (bb) the disposal of or relinquishment of operational control over relevant assets of a specified description; and

- ii) the transaction or the relevant assets are of a description to which such directions apply and the disposal or relinquishment is in accordance with any conditions to which the consent is subject; or
  - (b) where the disposal or relinquishment of operational control in question is required by or under any enactment or subordinate legislation.
- 18. Notwithstanding paragraph 15, the Licensee may dispose of or relinquish operational control over any relevant asset as is specified in any notice given under paragraph 16 in circumstances where:
  - (a) the CAA confirms in writing that it consents to such disposal or relinquishment (such consent not to be unreasonably delayed, but which may be made subject to the acceptance by the Licensee or any third party in favour of whom the relevant asset is proposed to be disposed or operational control is proposed to be relinquished of such conditions as the CAA may reasonably specify); or
  - (b) the CAA does not inform the Licensee in writing of any objection to such disposal or relinquishment of control within the notice period referred to in paragraph 16.
- 19. Without prejudice to paragraphs 15 to 18, the Licensee shall not without the written consent of the CAA (such consent not to be unreasonably delayed) after the disclosure of all facts of which the Licensee is aware and reasonably considers to be material:
  - (a) create any mortgage, charge, pledge, lien or other form of security or encumbrance of whatsoever form, undertake any indebtedness to any other person or enter into any liability in respect of any obligation of another person in any such case otherwise than:
    - (i) on an arm's length basis;
    - (ii) on normal commercial terms;
    - (iii) for a Permitted Purpose; and
    - (iv) if the transaction is within the ambit of paragraph 15, in accordance with paragraphs 17 and 18;
  - (b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any affiliate or related undertaking of the Licensee otherwise than by way of:
    - (i) a dividend or other distribution out of distributable reserves;

- (ii) repayment of capital;
  - (iii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;
  - (iv) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis and on normal commercial terms;
  - (v) repayment of or payment of interest on a loan not prohibited by sub-paragraph (a);
  - (vi) payments for group corporation tax relief or for the surrender of Advance Corporation Tax calculated on a basis not exceeding the value of the benefit received; or
  - (vii) an acquisition of shares in conformity with paragraph 10 made on an arm's length basis and on normal commercial terms;
- (c) enter (directly or indirectly) into any agreement or arrangement with any affiliate or related undertaking other than on an arms length basis, and on normal commercial terms;
  - (d) subject to sub-paragraph 19(f) below, enter into an agreement or incur a commitment incorporating a cross-default obligation; or
  - (e) subject to sub-paragraph 19(f) below, continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation subsisting at the date of the coming into effect of this Licence,
  - (f) no written consent of the CAA shall be required under sub-paragraph 19(d) or 19(e) (as the case may be) in circumstances where the cross default obligation in such agreement or commitment is a restatement of a cross default obligation to which the CAA has given its written consent (which is subsisting) under paragraph 19 and the potential liability of the Licensee is not increased thereby;

which in each case causes a material increase in risk to the Licensee whether assessed alone or with any other such transactions as have occurred or are intended.

20. The provisions of sub-paragraphs 19(d) and (e) shall not prevent the Licensee from giving any guarantee permitted by and compliant with the requirements of sub-paragraph 19(a).

**Ultimate Holding Company Undertaking**

21. The Licensee shall procure from each company or other person which is at any time an ultimate holding company of the Licensee a legally enforceable undertaking in favour of the Licensee in the form specified by the CAA that that ultimate holding company (“the Covenantor”) will:
- (a) refrain from any action, and procure that every subsidiary of the Covenantor (other than the Licensee and its subsidiaries) will refrain from any action, which would then be likely to cause the Licensee to breach any of its obligations under the Act or this Licence;
  - (b) promptly upon request by the CAA (specifying the information required) provide to the CAA (with a copy to the Licensee) information of which they are aware and which the CAA reasonably considers necessary in order to enable the Licensee to comply with this Licence.

Such undertaking shall be obtained within seven days of the company or other person in question becoming an ultimate holding company of the Licensee and shall remain in force for so long as the Licensee remains the holder of this Licence and the Covenantor remains an ultimate holding company of the Licensee.

22. The Licensee shall:
- (a) deliver to the CAA, within seven days of obtaining the undertaking required by paragraph 21, a copy of such undertaking;
  - (b) inform the CAA as soon as practicable in writing if the directors of the Licensee become aware that the undertaking has ceased to be legally enforceable or that its terms have been breached; and
  - (c) comply with any direction from the CAA to enforce any such undertaking; and shall not, save with the consent in writing of the CAA, enter (directly or indirectly) into any agreement or arrangement with any affiliate or related undertaking of the Licensee where there is a breach of the Licensee's obligations under paragraph 22 of this Condition in respect of which the CAA has taken steps to issue an order for securing compliance under the Act by publishing a notice under Section 22 of the Act.

**Credit rating of Licensee**

23. The Licensee shall use all reasonable endeavours to ensure that the Licensee maintains at all times an investment grade issuer credit rating.

**Financial Indebtedness**

24. The Licensee shall use its reasonable endeavours to ensure that at 31 March and 30 September of each year (each a “measurement date”) the total amount

of Gearing (defined in paragraph 29) of the Licensee and any related undertakings, shall not exceed 65 per cent.

25 If, despite the reasonable endeavours of the Licensee, Gearing of the Licensee and any related undertakings, exceeds 65 per cent at the measurement date, or its best estimate for Gearing at any of the next four measurement dates exceeds 65 per cent, which in itself would not constitute a contravention of a licence condition for the purpose of section 20 of the Act, and the Licensee has not obtained the written consent of the CAA to that limit being exceeded, then the Licensee and any related undertakings:

- (a) may not without the prior written consent of the CAA (following disclosure of all material facts) declare or pay dividends and may not transfer, lease, license or lend any sum or sums, asset, right or benefit to any affiliate, otherwise than by way of:
  - (i) payment properly due for any goods, services or assets in relation to commitments entered into prior to the date on which the circumstances described in paragraph 25 arise, and which are provided on an arm's length basis and on normal commercial terms;
  - (ii) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is paid in full when the transaction is entered into;
  - (iii) repayment of, or payment of interest on, a loan which was contracted prior to the date on which the circumstances in paragraph 25 arise, provided that such payment is not made earlier than the original due date for payment in accordance with its terms;
  - (iv) further loans to employees in respect of the £25 million facility provided by NSL to the licensee for the purpose of funding employee relocation property transactions; and
  - (v) payments for group Corporation Tax relief calculated on a basis not exceeding the value of the benefit received, provided that the payments are not made before the date on which the amounts of tax thereby relieved would otherwise have been due;
- (b) shall,
  - (i) within two months of the measurement date or other such time periods as the CAA may reasonably notify as being appropriate in the circumstances, provide to the CAA details of the steps the Licensee intends to take to reduce the Gearing to 65 per cent or below or such other level that has been authorised by the CAA;
  - (ii) within six months of the measurement date or other time periods as the CAA may reasonably notify as being appropriate in the circumstances take those steps; and

- (iii) within time periods as the CAA may reasonably notify as being appropriate in the circumstances provide to the CAA evidence that it has taken those steps.
- (c) If at any time the Licensee, in its reasonable judgement, becomes aware of any circumstance that:
  - (i) means it is no longer complying with paragraph 25(a) and 25 (b);  
or
  - (ii) causes it to have the reasonable expectation that it is no longer likely to comply with paragraph 25(a) and 25(b);

then the Licensee shall notify the CAA immediately in writing of that fact or expectation together with a written statement, with such accompanying evidence if applicable, setting out any explanation of circumstances that have caused or are likely to cause it no longer to comply, together with such further or amended steps that the Licensee proposes to take and the time period in which it proposes to take such steps, to reduce the Gearing to 65% or below. Upon receipt of such statement and any accompanying evidence, the CAA shall determine, acting reasonably, and upon further inquiry of the Licensee if appropriate, whether such further or amended steps and time periods are acceptable.

- (d) If such further or amended steps are acceptable, sub-paragraph 25(c) shall apply to those steps in the same way that it applies in relation to sub-paragraphs 25(a) and (b).
- (e) If the further or amended steps proposed by the Licensee pursuant to sub-paragraph 25(c) are not acceptable to the CAA, the CAA shall, within 15 working days of the notification by the Licensee under sub-paragraph 25(c), either notify the Licensee of such alternative steps and the relevant time periods that it considers appropriate in the circumstances or notify the Licensee of its intention to invoke sections 20 and 21 of the Act in relation to the steps notified by the Licensee pursuant to sub-paragraph 25(c).

26. The Licensee shall:

- (a) provide from time to time as reasonably requested by the CAA and in any event within 25 business days of a measurement date:
  - (i) in respect of the measurement date to which it relates, the value of Gearing and its best estimate of Gearing on each of the four subsequent measurement dates;
  - (ii) for the four subsequent measurement dates, confirmation that it is not aware of any circumstances which will result in Gearing being above 65 per cent or prevent it complying (where applicable) with paragraph 25, or if the Licensee is aware of any such circumstances disclosure of those circumstances; and

- (iii) if so requested by the CAA, the financial model in support of that confirmation;
    - (b) provide from time to time as reasonably requested by the CAA and in any event within 25 business days of 31 March every year:
      - (i) its best estimate of expected average Gearing over the period from 1 April 2015 to 31 March 2020 as a whole (as a simple arithmetic average of the ten measurement dates within that period); and
      - (ii) an explanation of any difference between expected average gearing in paragraph 26(b)(i) and the target level of gearing of 60 per cent;
27. The Licensee may request a temporary lifting or suspension of the gearing requirements of paragraph 24 and 25. The request will set out the full explanation of the reasons for the request and details of the steps the Licensee intends to take to reduce the Gearing to 65 per cent or below.
28. For the purposes of paragraphs 24 to 27 of this condition:
- “Gearing” means Financial Indebtedness of the Licensee and related undertakings divided by the Value of the RAB of the Licensee and related undertakings and expressed as a percentage
- “Financial Indebtedness” means, at any time, the aggregate amount of all obligations of the Licensee and related undertakings for or in respect of Borrowings at that time but:
- (a) excluding any such obligations to any related undertaking;
  - (b) excluding any such obligations in respect of any New Shareholder Injections to the extent they constitute Borrowings;
  - (c) including the RPI Swap Liability;
  - (d) in the case of Finance Leases only, including their capitalised value; and
  - (e) deducting the aggregate amount of Cash and Cash Equivalent Investments held by the Licensee and related undertakings.
- “Borrowings” means, at any time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of any indebtedness of the Licensee and related undertakings for or in respect of:
- (a) moneys borrowed and debit balances at banks or other financial institutions;
  - (b) any acceptances under any acceptance credit or bill discount facility (or dematerialised equivalent);
  - (c) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

- (d) any lease or hire purchase or instalment credit agreement entered into primarily as a method of raising finance or of financing the acquisition of the asset leased;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis and meet any requirements for de-recognition under the relevant accounting principles);
- (f) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of an entity which is not a related undertaking which liability would fall within one of the other paragraphs of this definition;
- (g) any amount raised by the issue of shares which are redeemable (other than at the option of the issuer) or are otherwise classified as borrowings under the relevant accounting principles;
- (h) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind the entry into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 30 days after the date of supply;
- (i) any amount raised under any other transaction (including any forward sale or purchase agreement, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under the relevant accounting principles; and
- (j) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

“Cash” means, at any time, cash denominated in Sterling or euros (or in a currency which is readily available and freely convertible into Sterling) in hand or at bank and (in the latter case) credited to an account in the name of the Licensee or any related undertakings with a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of at least either A- granted by Standard & Poor’s Rating Services or A3 granted by Moody’s Investor Services Limited (or a comparable rating from an internationally recognised credit rating agency) to which the Licensee or related undertaking is beneficially entitled and for so long as that cash is repayable on demand (or within 30 days of a demand) without condition.

“Cash Equivalent Investments” means:

- (a) marketable debt securities with a maturity of one year or less which has a credit rating of at least A-1 granted by Standard & Poor’s Rating Services or P-1 granted by Moody’s Investor Services Limited (or a comparable rating from an internationally recognised credit rating

agency) to which the Licensee or related undertaking is beneficially entitled;

- (b) any other authorised investment made by the Licensee or related undertaking as permitted by the terms of the Licensee's finance documents from time to time,

provided that all such investments are denominated in Sterling or euros (or in a currency which is readily available and freely convertible into Sterling) and can be promptly realised by the Licensee or related undertaking without condition.

“New Shareholder Injections” means the aggregate amount subscribed for by any person (other than a member of the Group) for equity share capital in the Licensee.

“RPI Swap Liability” means the aggregate amount of the Licensee's liabilities, if any, under any index-linked hedging arrangements to which it is a party at the relevant measurement date calculated in accordance with the financial ratio definitions and calculations in the Licensee's finance document.

The CAA will consider but is under no obligation to accept any amendment to the definition of Financial Indebtedness proposed from time to time by the Licensee, but recognises the advantages of the definition being as similar to the equivalent definition in the Licensee's finance documents.

At the time of inception of this Condition, the CAA acknowledges that there is an intention by the relevant accounting standards body to amend the accounting treatment of operating leases such that they are likely to be classified as debt. However it is not the CAA's intention to amend the definition of Financial Indebtedness during CP3 to incorporate operating leases to reflect such amended accounting treatment. The CAA intends to review the treatment of operating leases alongside other considerations in its CP4 review

The CAA may vary the definition of Financial Indebtedness from time to time, as it considers reasonable, in order that it is consistent with the economic substance of indebtedness for the purposes of this condition.

“Value of the RAB” means

- (a) at 31 December each year, the value of the Licensee's assets calculated in accordance with the Regulatory Accounting Guidelines, prepared in accordance with Condition 6 of this Licence, in force at the applicable time; and
- (b) at 31 March each year, the value interpolated between the value of the RAB at the preceding 31 December and the forecast value for the following 31 December, taking into account the timing of material transactions affecting the RAB; and
- (c) at 30 September each year, the value of the RAB at the preceding 31 December and the forecast value for the following 31 December, taking into account the timing of material transactions affecting the RAB.

## Interpretation

29. In this Condition:

- “aggregate amount”** means, at any relevant time, the sum of
- (i) the value at which such investment was included in the audited historic cost balance sheet of the Licensee as at the latest accounting reference date to have occurred prior to the date of this Licence coming into effect (or, where the investment was not so included, zero),
  - (ii) the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by the Licensee in respect of such investment in all completed accounting reference periods since such accounting reference date and
  - (iii) all commitments and liabilities (whether actual or contingent) of the Licensee relating to such investment outstanding at the end of the most recently completed accounting reference period.
- “Connected Business”** means any business that arises from, is connected with, or is incidental to the provision of any of the Core Services, the Specified Services, or, as the case may be, any relevant asset (as defined in paragraph 30 of Condition 5) and can be undertaken by the Licensee without prejudice to the obligations of the Licensee in paragraph 2 of Condition 5.
- “cross-default obligation”** means a term of any agreement or arrangement whereby the Licensee’s liability to pay or repay any debt or other sum arises or is increased or accelerated or is capable of arising, increasing or accelerated by reason of a default (howsoever such default may be described or defined) by any person other than the Licensee, unless:
- (i) that liability can arise only as the result of a default by a subsidiary of the Licensee, and
  - (ii) the Licensee holds a majority of the voting rights in that subsidiary and has the right to appoint or remove a majority of its board of directors, and
  - (iii) that subsidiary carries on business only for a Permitted Purpose.
- “disposal”** includes any sale, gift, lease, licence, loan, mortgage, charge or the grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition to a third party, and “dispose” shall be construed accordingly.
- “finance”** means any of the financing documents to which the Licensee

<b>documents”</b>	is a party from time to time setting out the terms on which the Licensee’s senior debt is made available to the Licensee.
<b>“indebtedness”</b>	means all liabilities now or hereafter due, owing or incurred, whether actual or contingent, whether solely or jointly with any other person and whether as principal or surety, together with any interest accruing thereon and all costs, charges, penalties and expenses incurred in connection therewith.
<b>“investment grade issuer credit rating”</b>	means: <ul style="list-style-type: none"><li>(i) an issuer rating of not less than BBB – by Standard &amp; Poor’s Ratings Group or any of its subsidiaries or Fitch Inc or any of its subsidiaries or a corporate rating of not less than Baa3 by Moody’s Investors Service, Inc. or any of its subsidiaries or such higher rating as shall be specified by any of them from time to time as the lowest investment grade credit rating, or</li><li>(ii) an equivalent rating from any other reputable credit rating agency which, in the opinion of the CAA, notified in writing to the Licensee, has comparable standing in the United Kingdom and the United States of America.</li></ul>
<b>“investment”</b>	means any form of financial support or assistance given by or in respect of an obligation of the Licensee for the ancillary business whether on a temporary or permanent basis including (without limiting the generality of the foregoing) any commitment to provide any such support or assistance in the future.
<b>“relevant asset”</b>	means any asset forming part of the system by which the Licensee provides air traffic services which it is required by this Licence to provide, including (without limitation) the Licensee’s air traffic control system, any control centre for use in conjunction therewith, any area control centres, communication, navigation and surveillance systems and parts thereof, and any legal or beneficial interest in land upon which any of the foregoing is situate.
<b>“senior debt”</b>	means at any time, indebtedness of the Licensee ranking at all times in priority to all its other indebtedness, (excepting indebtedness as would be preferred by operation of law in the event of the winding up of the Licensee).

**Condition 6: Regulatory accounting requirements**

1. This Condition applies for the purpose of making available, in a form and to a standard reasonably satisfactory to the CAA, such regulatory accounting information as will, in furtherance of the requirements of this Licence:
  - (a) enable the CAA and the public to assess the financial position of the Licensee and the financial performance of the UK Air Traffic Services Business and the En Route (Oceanic) Business on a consistent basis, distinct from each other and its affiliate or related undertakings;
  - (b) assist the CAA to assess the Licensee's compliance with this Licence;
  - (c) assist the CAA and the public to assess performance against the assumptions underlying the current price control; and
  - (d) inform future price control reviews.
2. The Licensee shall draw up in consultation with the CAA, and implement in a form approved by the CAA (such approval not to be unreasonably withheld or delayed), guidelines governing the format and content of such regulatory accounts and the basis on which they are to be prepared so as to fulfil the purpose set out in paragraph 1 as from time to time amended by the Licensee with the approval of the CAA.
3. The Licensee shall keep, shall procure that any affiliate keeps and, so far as it is able, procure that any related undertaking keeps the accounting records which each is required by the Companies Act 2006 to keep in such form as is necessary to enable the Licensee to comply with this Condition and the Regulatory Accounting Guidelines.
4. The Licensee shall prepare on a consistent basis from the accounting records referred to in paragraph 3, in respect of the regulatory year commencing on 1 January 2015 and each subsequent regulatory year, regulatory accounts in conformity with the Regulatory Accounting Guidelines for the time being in force and identifying separately the amounts attributable to the UK Air Traffic Services Business, the En route (Oceanic) Business and the Licensee as a whole in accordance with this Condition and the Regulatory Accounting Guidelines.
5. The Regulatory Accounting Guidelines prepared pursuant to paragraph 2 shall, without limitation:
  - (a) provide that, except so far as the CAA reasonably considers necessary, the regulatory accounts shall be prepared in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU from time to time; and
  - (b) state the accounting policies to be adopted, including the basis on which any amount has been either:
    - (i) charged from or to the UK Air Traffic Services Business and the En route (Oceanic) Business together with a description of the basis of that charge; or

- (ii) determined by apportionment or allocation between the UK Air Traffic Services Business and the En route (Oceanic) Business.

6. The Licensee shall:

- (a) procure, in respect of the regulatory accounts prepared in accordance with paragraph 4 in respect of a regulatory year, a report by the Auditors addressed to the CAA stating whether in their opinion those accounts have been properly prepared in accordance with this Condition and the Regulatory Accounting Guidelines and on that basis fairly present the financial performance of the UK Air Traffic Services Business and the En route (Oceanic) Business, and the financial position of the Licensee;
- (b) deliver to the CAA the Auditors' report referred to in sub-paragraph (a) and the regulatory accounts referred to in paragraph 4 as soon as reasonably practicable, and in any event not later than seven months after the end of the regulatory year to which they relate; and
- (c) arrange for copies of the regulatory accounts and Auditors' report referred to in sub-paragraphs (a) and (b), respectively, to be made publicly available.

7. The regulatory year of the Licensee shall run from 1 January to 31 December unless otherwise agreed with the CAA.

8. In this Condition:

**“Regulatory Accounting Guidelines”**

means the guidelines drawn up in accordance with paragraph 2 of this Condition.

**“UK Air Traffic Services Business”**

means the Licensee's business other than the En route (Oceanic) Business.

**Condition 7: [Not Used]**

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**Condition 8: [Not Used]**

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**Condition 9: Prohibition of cross-subsidies**

1. The Licensee shall procure that no Separate Business or part of a Separate Business gives any cross-subsidy (whether in money or money's worth) to, or receives any cross-subsidy from, any other business or part of any other business of the Licensee or any affiliate or related undertaking of the Licensee (whether or not a Separate Business) where such cross-subsidy has or is intended to have or is likely to have the effect of preventing, restricting or distorting competition in any market for the provision of air traffic services.
2. Where the CAA is satisfied the Licensee is giving or receiving, or has given or received, any cross-subsidy prohibited by paragraph 1 the Licensee shall take such steps, set out in directions issued by the CAA, as are necessary to ensure that it complies with paragraph 1.

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**Condition 10: Business Plans, Service and Investment Plans and Periodic Reports**

1. The Licensee shall prepare a full five year business plan fulfilling the requirements of Paragraph 4 of this Condition. The business plan must be consistent with any overall business plan of the Licensee but, provided that it fulfils the requirements of paragraph 3, for the avoidance of doubt need not constitute the entirety of any such overall business plan. The Licensee's RP2 Revised Business Plan (2015-2019) delivered on 18 October 2013 and published on the CAA's website as amended subsequently for the purpose of producing the UK's RP2 Performance Plan and any further changes made and published by the European Commission following its own assessment process shall be deemed to meet this requirement.
2. Business plans prepared under paragraph 1 shall be submitted to the CAA not less than twelve months before each Plan Renewal Date and shall relate to the five year period beginning on that Plan Renewal Date (or the period until expiry of the Licence whichever is the shorter period). Later business plans shall always supersede any earlier business plan in respect of a period which is covered by both. Business Plans shall also comply with the relevant requirements for a business plan in Annex 1 of Commission Implementing Regulation No 1035/2011 laying down common requirements for the provision of air navigation services (or in any subsequent legislation)
3. Every year the Licensee shall submit:
  - (a) not later than 28 February 2015 and subsequently not later than 31 December in each year, a service and investment plan fulfilling the requirements of Paragraph 5 of this Condition; and
  - (b) with effect from 1 January 2016, not later than seven months after the end of the regulatory year, a business plan report fulfilling the requirements of Paragraph 6 of this Condition which shall relate to the previous regulatory year.
4. The purpose of each business plan shall be to describe in detail the Licensee's plans and expectations for each of the En route Businesses including its capital investment and operational plans, together with measures which it proposes to take to improve the efficiency and effectiveness of its operation in providing the services required by this Licence. Business plans shall include such information as is reasonably necessary to achieve this including, but not limited to, details concerning the following:
  - (a) the demands, in terms of the volumes of flights, which the Licensee forecasts that it will be required to serve in meeting its general obligation under Condition 2 together with the principal factors which it expects to determine those demands;
  - (b) the standards of service that the Licensee plans to meet in serving the demands in sub-paragraph (a), including the expected levels of and variations in delays to the flights in respect of which services are provided, and other appropriate measures;

- (c) the capacities which the Licensee plans to provide in order to meet the demands in sub-paragraph (a) at the standards of service in sub-paragraph (b);
  - (d) any underlying assumptions regarding airspace;
  - (e) the likely level of and developments in any constraints on the volume of services which the Licensee may provide in each of the Licensed Areas and any proposed changes thereto;
  - (f) the Licensee's capital investment plans and how these will contribute to the provision of the planned outputs;
  - (g) the Licensee's plans with respect to operating and human resources and practices, operating expenditure and how these will contribute to the provision of the planned outputs; and
  - (h) forecasts of the Licensee's financial results in terms of a regulatory income statement with associated cash flow statements and the effects on the regulatory asset base projection.
5. Each service and investment plan shall provide (by reference to the most recent business plan) an update each year of:
- (a) the Licensee's investment plans; and
  - (b) material changes in the Licensee's expectations as to the level and quality of the services it will provide, the means by which the services will be provided, and the likely implications for charges to Users beyond the expiry of the period for which charges are for the time being set pursuant to the Charge Control Conditions.

Service and investment plans shall include such information as is reasonably necessary to achieve this including, but not limited to, material changes in the Licensee's expectations as to its operating practices and resources.

6. Each business plan report shall provide a description of progress achieved in relation to the business plan and the latest service and investment plan, reconciling actual performance against these plans. Each business plan report shall also include information on the performance of the Licensee against its obligations in Condition 2(1)(a) of this Licence.
7. The form, scope and level of detail of the plans referred to in this Condition shall be as reasonably approved by the CAA and shall take into account the views of Users consulted in accordance with Condition 16.
8. The Licensee shall make available a copy of the latest business plan, business plan report and service and investment plan to any person who requests a copy of such plan or report.
9. The Licensee may with the prior consent of the CAA (provided that such consent is not unreasonably withheld or delayed) omit from any document made available under paragraph 8 any details as to the terms of any agreement between the Licensee and any User, or other information disclosure of which

the Licensee satisfies the CAA, or the CAA otherwise considers, would seriously and prejudicially affect the commercial interests of the Licensee or any third party.

10. The Licensee may make a charge for any copy document given or sent pursuant to paragraph 8 of an amount reflecting the Licensee's reasonable costs of providing such copy document.
11. In this Condition:

**“Plan Renewal Date”**

means 1 January 2015 and every fifth anniversary thereof.

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**Condition 10a: Implementation of and reporting on programmes under the Future  
Airspace Strategy (“FAS”) Deployment Plan**

1. Subject to meeting its general obligations under Condition 2, the Licensee shall use reasonable endeavours to further implement the major air traffic management (“ATM”) modernisation programmes set out in the UK FAS Deployment Plan of December 2012. These programmes are: the raising of the United Kingdom Transition Altitude (“TA”); the terminal airspace redesign under the London Airspace Modernisation Programme (“LAMP”); and the implementation of the Pilot Common Project.
2. For the purposes of this condition, the “Pilot Common Project” means the ATM functionalities stemming from the European ATM Master Plan set out in Commission Implementing Regulation (EU) No 716/2014 *On the establishment of the Pilot Common Project supporting the implementation of the European Air Traffic Management Master Plan*.
3. In relation to the TA programme, by 31 December 2015, and without prejudice to Condition 10 of this Licence, the Licensee shall submit to the CAA a detailed project plan for implementing by 31 March 2018 a TA of 18,000 feet for the airspace that the Licensee is accountable under the Licence. Implementation shall be subject to the successful outcome of consultation by the CAA in relation to TA, and also to any LAMP dependencies. This project plan shall include significant delivery milestones and the dependencies associated with those milestones, and the implementation plan shall have been subject to consultation with Users. Such consultation shall, so far as is reasonably practicable, take place in the context of the Service and Investment Plan (“SIP”) consultation under Condition 10, or any enhancement to that process.
4. In relation to the LAMP programme, by 31 December 2015, and without prejudice to Condition 10 of this Licence, the Licensee shall submit to the CAA a project plan for LAMP for the period until 31 December 2019. This shall be a detailed plan for the period until 31 December 2017 and an outline plan for the period from 31 December 2017 to 31 December 2019. By 31 December 2017, a detailed plan shall be submitted to the CAA replacing the outline plan for the period to 31 December 2019. These plans shall include significant delivery milestones and the dependencies associated with those milestones, and the implementation plans shall have been subject to consultation with Users including Airports. Such consultation shall, so far as is reasonably practicable, take place in the context of the SIP consultation under Condition 10, or any enhancement to that process.
5. Without prejudice to Condition 17 of this Licence, the Licensee shall furnish to the CAA, at the frequency and in such form as the CAA may reasonably require (but no more frequently than six-monthly), such information as the CAA may reasonably require in relation to the deliverables of the TA and LAMP programmes against their respective project and implementation plans, and as

may relate to the progress of, and delivery under, the priority major ATM programmes referred to in paragraph 1.

6. The Licensee shall co-operate fully with any person the CAA may appoint to advise it on the Licensee's progress and delivery against the TA, LAMP and Pilot Common Projects referred to in paragraph 1 in this Condition.
7. This Condition shall apply with effect from 1 January 2015, in alignment with the start of the second reference period under Commission Implementing Regulation (EU) No 390/2013 *laying down a performance scheme for air navigation services and network functions*.

**Condition 11: Service standards**

1. The Licensee shall produce, following consultation with Users and their representatives, and no later than three months after this Licence comes into effect, a statement in a form approved by the CAA, setting out:
  - (a) measures (including but not limited to delays, service interruptions and complaints) against which the Licensee's performance and quality of service may reasonably be assessed;
  - (b) indicators of performance based on the measures referred to in subparagraph (a); and
  - (c) standards of service to be met by the Licensee.
2. The Licensee shall, following consultation with Users and their representatives, revise the statement referred to in paragraph 1 and re-submit it to the CAA for approval no later than six weeks before the beginning of the regulatory year to which it relates. Where the Licensee has re-submitted the statement to the CAA for approval no later than six weeks before the beginning of the regulatory year to which it relates, and the CAA has not responded to the Licensee before the end of the regulatory year, the revised statement shall have effect from the start of the following regulatory year.
3. The Licensee shall conduct its business in the manner best calculated to achieve the standards of service set pursuant to paragraph 1.
4. The Licensee shall submit to the CAA, and make available to Users, at such intervals as the CAA may reasonably require but no less often than every six months, reports containing such information (in such form as may be determined by the CAA) as enables the CAA and Users to assess the Licensee's performance against the measures, indicators and standards referred to in paragraph 1.

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**Condition 12: Restriction on use of En route Business information**

1. The Licensee shall not disclose or permit to be disclosed to an affiliate or related undertaking any En route Business information, the disclosure of which may confer a competitive advantage on that affiliate or related undertaking, unless the information is made available to competing undertakings on comparable terms to those on which it is disclosed to an affiliate or related undertaking.
2. Paragraph 1 does not apply to the disclosure of En route Business information to the Licensee's holding company for the purpose of normal business management:
  - (a) of the Licensee, provided that the holding company undertakes (such undertaking to be in a form reasonably approved by the CAA) not to disclose or use the information in a manner which may obtain for any of the Licensee's affiliates or related undertakings any competitive advantage; or
  - (b) of the Licensee and its affiliates together, provided that the Licensee has satisfied the CAA that arrangements are in place to prevent the disclosure and use of such information resulting in a breach of any Condition of this Licence.
3. The Licensee shall not disclose En route Business information to any professional or other advisers of the Licensee or of an affiliate or related undertaking of the Licensee unless:
  - (a) such information is necessary for the purpose of providing advice which is necessary for the effective conduct of the En route Business; and
  - (b) the Licensee obtains from such person an undertaking not to disclose the information to any affiliate or related undertaking of the Licensee except in compliance with paragraphs 1 and 2.
4. Nothing in this Condition shall prevent the Licensee from providing En route Business information:
  - (a) in compliance with directions, orders or requests made by the CAA pursuant to this licence, under the Act or under any other statutory instrument;
  - (b) in compliance with its duties under the Act or any other requirement of a Competent Authority;
  - (c) in compliance with the conditions of any licence granted under the Act or any document referred to in such licence with which it is required by virtue of the Act or that licence to comply;
  - (d) in compliance with any other requirement of law;
  - (e) in response to a requirement of any stock exchange, the Panel on Takeovers and Mergers or any other regulatory authority; or

- (f) pursuant to or in anticipation of any judicial or other arbitral process or tribunal of competent jurisdiction.

5. In this Condition:

**“Competent Authority”**

means the Secretary of State, the CAA and any local or national agency, authority, department, inspectorate, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, the United Kingdom, of the European Community or their successors.

**“En route Business information”**

means all information relating to or deriving from the management and operation of each of the En route Businesses and which is not in the public domain.

**Condition 13: Advice to the Secretary of State and the CAA in relation to the UK's international obligations**

1. Subject to paragraphs 3 and 4, the Licensee shall furnish to the Secretary of State, in such manner and at such times as he may reasonably require, such advice, and shall procure and furnish to him such reports, as he may reasonably require for the purposes of assisting him in relation to the discharge of any obligations relating to the provision of air traffic services arising from the United Kingdom being a member of an international organisation or a party to an international agreement.
2. Subject to paragraph 4, the Licensee in its capacity as such shall participate in any consultation specified by the CAA or the Secretary of State and taking place between the CAA or the Secretary of State and Users, other providers of air traffic services or international organisations.
3. In this Condition, "advice" shall include comments or opinions in respect of any document sent to the Licensee by the Secretary of State or the CAA.
4. Where the Licensee is providing advice or reports on a consultancy basis, or is, at the request of the CAA or the Secretary of State, representing the CAA or the Secretary of State, the obligations in paragraphs 1 and 2 do not apply unless the CAA or the Secretary of State has issued a notice specifying to the reasonable satisfaction of the Licensee the terms on which the CAA or the Secretary of State, as the case may be, is prepared to reimburse the Licensee in respect of such consultancy or representation.

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**Condition 14: Cooperation with other service providers**

1. The Licensee shall at all times employ all reasonable efforts to consult and cooperate:
  - (a) with the CAA and with other providers of air traffic services with the objective of achieving high standards of operational efficiency and compliance with the United Kingdom's international treaty obligations in relation to air traffic services; and
  - (b) in particular with the Ministry of Defence, with the objective of developing, implementing and sustaining a joint and integrated approach to the provision of services to Users by each of the Licensee and the Ministry of Defence.
2. The Licensee shall participate in any consultative forum established by the CAA for the purposes of furthering the objectives set out in paragraph 1.
3. The Licensee shall, in consultation with the Ministry of Defence, draw up, implement and comply with an Operating Protocol approved by the CAA and setting out the role of each of the Licensee and the Ministry of Defence in their capacity as service providers in relation to the achievement of the objectives set out in paragraph 1.
4. The Licensee shall consult with the CAA and such other third parties as the CAA recommends in order to establish, maintain and participate in an appropriate administrative machinery or forum for the joint consideration of matters of mutual concern in respect of the reporting of incidents raising safety concerns in relation to civil aviation.
5. For the purposes of this Condition, the "Ministry of Defence" refers to the Ministry's military air navigation services and assisting activity.

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**Condition 15: Secondment of air traffic controllers to the CAA**

1. At the written request of the CAA, the Licensee shall use all reasonable endeavours to second recently experienced and appropriately qualified air traffic controllers (or suitably qualified operational staff) to the CAA for a period of no more than three years each to provide advice on airspace policy and safety matters.
2. The number of air traffic controllers (or suitably qualified operational staff) seconded under paragraph 1 shall not exceed two (or two full time equivalents) at any one time.
3. The terms on which air traffic controllers (or suitably qualified operational staff) are seconded shall be as agreed between the Licensee and the CAA.

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**Condition 16: Consultation and complaint handling**

1. Within six months of this Licence coming into effect, the Licensee shall consult on, draw up, publish in a form reasonably approved by the CAA and implement a code of practice setting out:
  - (a) its methods and procedures for consulting Users and persons who appear to the Licensee to be representative of Users on its current and future provision of air traffic services under this Licence; and
  - (b) its methods and procedures for handling and responding to complaints from Users and persons who appear to the Licensee to be representative of Users concerning its provision of air traffic services under this Licence.
2. In establishing methods and procedures in accordance with paragraph 1, the Licensee may take into account existing and proposed fora for the consultation of the same interests.
3. The Licensee shall revise the code of practice referred to in paragraph 1 in consultation with Users and shall resubmit it to the CAA for approval by no later than the end of the period for which the CAA has last set price control conditions in respect of Eurocontrol charges.

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**Condition 17: Provision of information to the CAA for regulatory purposes**

1. Subject to paragraphs 3 and 4, the Licensee shall furnish to the CAA, in such manner and at such times as the CAA may reasonably require, such information as the CAA may reasonably consider necessary in the light of the Conditions or as it may reasonably require for the purpose of performing:
  - (a) the functions assigned to it by or under the Act; and
  - (b) any functions transferred to it under the Actother than those functions described in Condition 13.
2. The Licensee shall not be required to furnish the CAA with any information in relation to an enforcement matter which the Licensee could not be compelled to produce or give under Section 25 of the Act.
3. The power of the CAA to call for information under paragraph 1 is in addition to the power of the CAA to call for information under or pursuant to any other Condition.
4. In this Condition, "information" shall include any documents, accounts, estimates, forecasts, projections, returns or reports (whether or not prepared specifically at the request of the CAA) of any description specified by the CAA and whether stored in paper-based form, on CD-Rom or in any other electronic or digital form.

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**Condition 18: Payment of fees**

1. The Licensee shall, at the times stated hereunder, pay to the CAA fees of the amount specified in, or determined under, this Condition.
2. The Licensee shall pay to the CAA a fee which is the aggregate of the following amounts:
  - (a) in respect of each year, a basic fee of an amount which is a fair proportion as determined by the CAA of the amount estimated by the CAA, according to a method which has previously been disclosed in writing to the Licensee, as the total costs likely to be incurred by it during that year in the regulation and enforcement of this Licence and any other licences granted under section 6 of the Act and in the carrying out of its other functions under Chapters I, IV, V and VI of Part I of the Act;
  - (b) in respect of each of the penultimate and final years of a Charge Control Period, an additional fee of an amount estimated by the CAA as the cost (if any) in excess of the basic fee likely to be incurred by it during the coming year in reviewing the Charge Control Conditions;
  - (c) in respect of each year, the difference (being a positive or a negative amount), if any, between:
    - (i) the amount of the fee paid by the Licensee in respect of the year two years before that financial year; and
    - (ii) the amount that fee would have been if it had been calculated by reference to the actual total costs of the CAA for that year and the proportion attributable to the Licensee

provided that:

- (A) the Adjusted Basic Fee payable for a particular year does not exceed the Adjusted Basic Fee in respect of the preceding year as adjusted by the percentage increase (if any) in the Retail Price Index as published or determined in respect of the 12 month period ending with August of the preceding year; and
- (B) the sum of the Adjusted Basic Fee and the Adjusted Additional Fee in respect of a year does not exceed 0.25% of the Licensee's turnover as recorded in the latest available annual statutory accounts of the Licensee;
- (d) in respect of each year, an amount which is a fair proportion as determined by the CAA of the amount (if any) estimated by the CAA (in consultation with the Competition and Markets Authority) as having been incurred in the year immediately preceding the 1st January in question by the Competition and Markets Authority in connection with references made to it under section 12 of the Act with respect to this Licence or any other licence granted under section 6 of the Act.

3. The fee calculated in accordance with paragraph 2 shall be paid by the Licensee to the CAA within one month of the CAA giving notice to the Licensee of its amount if that notice is given within six months of the beginning of the year in respect of which the fee is payable.

4. In this Condition:

**“Adjusted Additional Fee”** means the sum of the additional fee calculated pursuant to paragraph 2(b) in respect of a year and the adjustment to that fee calculated pursuant to paragraph 2(c).

**“Adjusted Basic Fee”** means the sum of the basic fee calculated pursuant to paragraph 2(a) in respect of a year and the adjustment to that fee calculated pursuant to paragraph 2(c).

**“Charge Control Period”** means the period in respect of which the CAA has set charge control conditions under condition 20 of this Licence.

**Condition 19: Notification of changes in shareholdings**

1. The Licensee shall notify the Secretary of State as soon as practicable following its becoming aware that an undertaking has become or intends to become a parent undertaking in relation to the Licensee.
2. The Licensee shall, as soon as practicable following its becoming aware of the relevant circumstances, notify the Secretary of State of:
  - (a) any change or intended change in the proportion of shares held in a Relevant Company by any person; or
  - (b) the acquisition or intended acquisition of any shares in a Relevant Company by a person not already holding any such shares or being held in trust for that person, and the proportion of any such shares held by that person immediately after that acquisition

where, by reason of that acquisition or change, the total number of shares in that Relevant Company held by that person otherwise than as trustee or nominee for another person together with any shares held by any nominee or trustee for that person immediately after that change or acquisition:

- (i) exceeds or would exceed 15 per cent of the total number of shares in that Relevant Company (where it did not exceed 15 per cent prior to that change or acquisition);
  - (ii) exceeds or would exceed 30 per cent of the total number of shares in that Relevant Company (where it did not exceed 30 per cent prior to that change or acquisition); or
  - (iii) exceeds or would exceed 50 per cent of the total number of shares in that Relevant Company (where it did not exceed 50 per cent prior to that change or acquisition).
3. Without prejudice to paragraphs 1 and 2 above, the Licensee shall notify the Secretary of State as soon as practicable following its becoming aware of any change, transaction or arrangement which would enable a person or group of persons directly or indirectly to control or materially to influence the policy of the Licensee or would enable that person or group of persons to do so to a greater degree.

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**PART III CONDITIONS RELATING TO CHARGE CONTROL****Condition 20: Price Control Conditions: Definitions**

In Conditions 21 to 25, unless the context otherwise requires:

<b>"Average Charge Per Oceanic Flight"</b>	means the Oceanic Revenue in the Oceanic Relevant Year divided by the number of Oceanic Flights attracting an Oceanic Charge in that year.
<b>"Charge Control Conditions"</b>	means Conditions 20 to 25 inclusive, as from time to time modified in accordance therewith or pursuant to sections 11 to 19 of the Act.
<b>"Determined Costs"</b>	means the costs as defined in Article 15.2(a) of the Service Provision Regulation (EC) 550/2004
<b>"Eurocontrol"</b>	means the European Organisation for the Safety of Air Navigation, founded by the 1960 Brussels Convention relating to Co-operation for the Safety of Air Navigation, or any successor body.
<b>"Eurocontrol Business"</b>	means the business of the Licensee consisting in the provision of services for which Eurocontrol Charges are paid.
<b>"Eurocontrol Charge"</b>	means any charge collected by the Central Route Charges Office of Eurocontrol on behalf of the United Kingdom and reimbursed to the UK Government and its nominees.
<b>"Eurocontrol Relevant Year"</b>	means a calendar year commencing on 1 January in each year.
<b>"Eurocontrol Relevant year t"</b>	means that Eurocontrol Relevant Year for the purpose of which any calculation falls to be made; "Eurocontrol Relevant year t-1" means the Eurocontrol Relevant Year preceding the Eurocontrol Relevant year t.
<b>"Exceptional Circumstances"</b>	means circumstances which are outside the Licensee's control and which: <ul style="list-style-type: none"> <li>(a) have had or will have a negative effect on its financial position; and</li> <li>(b) that effect is such that the Licensee's ability to meet its current or future obligations under the Act or this Licence is, or is threatened to be, materially impaired.</li> </ul>
<b>"London Approach Relevant Year"</b>	means a period of 12 months commencing on

1 January in each year,

<b>“London Approach Relevant Year <math>t</math>”</b>	means that London Approach Relevant Year for the purpose of which any calculation falls to be made; “London Approach Relevant year $t-1$ ” means the London Approach Relevant Year preceding the London Approach Relevant year $t$ .
<b>“London Approach Charge”</b>	means a charge paid to the Licensee from the provision of the London Approach Service
<b>"London Approach Service Revenue"</b>	means the revenue derived beneficially by the Licensee from the London Approach Service.
<b>“Maximum Permitted Average Charge Per Oceanic Flight”</b>	means the amount calculated in accordance with Condition 22.
<b>"National Security Period"</b>	means a period commencing on the date on which any direction issued by the Secretary of State under section 94 of the Act enters into effect and terminating on the date such direction, as varied, is revoked or expires.
<b>"Oceanic Charge"</b>	means a charge paid to the Licensee from the provision of services in the En Route (Oceanic) Area.
<b>"Oceanic Flight"</b>	means a flight in the En Route (Oceanic) Area in an Oceanic Relevant Year.
<b>"Oceanic Relevant Year"</b>	means a period of 12 months commencing on 1 January in each year.
<b>"Oceanic Relevant Year <math>t</math>"</b>	means that Oceanic Relevant Year for the purposes of which any calculation falls to be made; "Oceanic Relevant Year $t-1$ " means the Oceanic Relevant Year preceding Oceanic Relevant Year $t$ .
<b>"Oceanic Revenue"</b>	means the revenue derived beneficially by the Licensee from Oceanic Charges.
<b>“Reference Period”</b>	means the first reference period established under Commission Regulation (EU) No 691/2010, namely 1 January 2012 to 31 December 2014 or the second reference period established under Commission Regulation (EU) No 390/2013, namely 1 January 2015 to 31 December 2019.
<b>"Relevant Year <math>t</math>"</b>	means that Relevant Year for the purposes of which any calculation falls to be made;

"Relevant Year  $t-1$ " means the Relevant Year preceding Relevant Year  $t$  ; and similar expressions shall be construed accordingly.

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**Condition 21: Control of Eurocontrol Service Charges**

1. Without prejudice to Condition 25 (Suspension and Modification of Charge Control Conditions), for each Eurocontrol Relevant Year beginning on 1 January 2015, 2016, 2017, 2018 and 2019, the maximum Permitted Average Charge Per Service Unit shall be calculated as follows:

$$\text{Maximum Charge}_t = \frac{\text{DC}_t + \text{INF}_t + \text{ReS}_t + \text{TRS}_t + \text{CSM}_t + \text{FI}_t + \text{MOD}_t + \text{Tvar}_t + \text{Pre2011}_t - \text{VFR}_t}{\text{ForecastTSU}_t} - \text{DISCOUNT}_t$$

Where:

Maximum Charge <sub>t</sub>	means the Maximum Permitted Average Charge Per Service Unit in Eurocontrol Relevant Year t.	
DC <sub>t</sub>	means the determined costs, expressed in nominal terms for relevant year t.	
	Year t	(£)
	2013	630,086,536
	2014	637,473,295
	2015	598,801,065
	2016	597,514,750
	2017	598,642,208
	2018	589,585,024
	2019	579,006,611
INF <sub>t</sub>	means the adjustment of the difference between forecasted and actual inflation in relevant year t calculated in accordance with Paragraph 3 of this condition.	
ReS <sub>t</sub>	means the restructuring costs in relevant year t authorised in accordance with Article 7(4) of Commission Implementing Regulation (EU) No 391/2013. For all years t = 2015, 2016, 2017, 2018, 2019, ReS <sub>t</sub> = 0	
TRS <sub>t</sub>	means the Traffic Risk Sharing element from previous years calculated in accordance with Paragraph 4 of this condition.	
CSM <sub>t</sub>	means the carry-overs from the previous reference period	

	resulting from the implementation of the cost sharing mechanism referred to in Article 14 of Commission Implementing Regulation (EU) No 391/2013;	
	Year t	CSM <sub>t</sub>
	2015	to be determined by a licence modification prior to 1 January 2016 following further interpretation by the Commission of the requirements of Article 14 of Commission Implementing Regulation (EU) No 391/2013.
	2016	
	2017	
	2018	
	2019	
FI <sub>t</sub>		means the Financial Incentives relating to performance as calculated in accordance with Paragraphs 7-18 of this condition.
MOD <sub>t</sub>		means the over-or under-recoveries that may result from the modulation of air navigation charges in application of Article 16 of Commission Implementing Regulation (EU) No 391/2013.
Tvar <sub>t</sub>	means the over-or under-recoveries resulting from traffic variations as defined in Paragraph 5 of this condition.	
Pre2011 <sub>t</sub>	<p>means the over- or under-recoveries incurred up to and including the year 2011.</p> <p>For t = 2015</p> $\text{Pre2011}_t = 7,844,247 \times \left(1 - \frac{\text{Actual TSU}_{t-2}}{\text{Forecast TSU}_{t-2}}\right) \times (1 + \text{INT}_{t-1})^2$ <p>For t = 2016</p> $\text{Pre2011}_t = 35,813,019 \times \left(1 - \frac{\text{Actual TSU}_{t-2}}{\text{Forecast TSU}_{t-2}}\right) \times (1 + \text{INT}_{t-1})^2$ <p>For years t = 2017, 2018, 2019, Pre2011<sub>t</sub> = 0</p>	
VFR <sub>t</sub>	<p>means the expected cost of services to traffic operating under Visual Flight Rules in relevant year t.</p> <p>For all years t = 2015, 2016, 2017, 2018, 2019, VFR<sub>t</sub> = 0</p>	
DISCOUNT <sub>t</sub>	means an adjustment to the maximum charge per Total Service Unit in relevant year t where the Licensee at its own discretion decides to recover less than it would otherwise be allowed to recover and has declared to the CAA that it will not pursue this	

	as under-recovery in subsequent years.	
ForecastTSU <sub>t</sub>	means the forecast of Total Service Units for relevant year t established at the beginning of the reference period as follows:	
	Year t	TSU
	2013	10,667,227
	2014	11,034,647
	2015	10,244,000
	2016	10,435,000
	2017	10,583,000
	2018	10,758,000
	2019	10,940,000
Total Service Units (TSUs)	means the route service units calculated in accordance with Annex IV of Commission Implementing Regulation (EC) No 391/2013 as amended from time to time <i>including</i> the service units relating to military exempt flights.	
INT <sub>t-1</sub>	means the average of the yield (expressed as an annual percentage interest rate) on 3 month Treasury Bills published weekly by the UK Debt Management Office, during the 12 months from 1 September in Relevant Year t-2 .	

### Inflation Assumptions

2. The forecast values of the inflation index referenced in paragraph 3 shall be as follows:

FHICP <sub>t</sub>	means the reference values of the HICP (all items) index in respect of the UK for Eurocontrol Relevant Year t established prior to the control period, consistent with the projections in nominal prices (for years 2013 and 2014 the index base is 2009=100; for years 2015 to 2019 the index base is 2012=100), which shall be:		
	Year t	Index (base 2009=100)	Index (base 2012=100)
	2013	109.657	
	2014	111.733	
	2015		106.489
	2016		108.512
	2017		110.683
	2018		112.896
	2019		115.154

**Inflation Adjustment**

3. The adjustment of the difference between forecasted and actual inflation shall be calculated as follows:

For t = 2015 and t = 2016

$$INF_t = DC_{t-2} \left( \frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right) \times (1 + INT_{t-1})^2$$

For t = 2017, 2018 and 2019

$$INF_t = DC_{t-2} \left( \frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right)$$

Where  $HICP_{t-2}$  is calculated as follows:

Year t-2	Calculation
2013	113.90
2014	$HICP_{2014} = 113.90 \times (1 + Inflation_{2014})$
2015	$HICP_{2015} = 102.60 \times (1 + Inflation_{2014}) \times (1 + Inflation_{2015})$
2016	$HICP_{2016} = 102.60 \times (1 + Inflation_{2014}) \times (1 + Inflation_{2015}) \times (1 + Inflation_{2016})$
2017	$HICP_{2017} = 102.60 \times (1 + Inflation_{2014}) \times (1 + Inflation_{2015}) \times (1 + Inflation_{2016}) \times (1 + Inflation_{2017})$

Where:

Inflation <sub>t</sub>	means the annual Inflation rate produced by Eurostat in the Harmonised Index of Consumer Prices in respect of calendar year t as published by Eurostat in April of year t+1 (the published rate of inflation is rounded to one significant place of decimals).
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**Traffic Risk Sharing**

4. Article 13 of Commission Implementing Regulation (EU) No 391/2013 sets out the basis of traffic risk sharing.

Traffic Risk Sharing ( $TRS_t$ ) shall be calculated as follows:

For t = 2015 and 2016

$$TRS_t = RSF_{t-2} \times DC_{t-2} \times (1 + INT_{t-1})^2$$

For t = 2017, 2018 and 2019

$$TRS_t = RSF_{t-2} \times DC_{t-2}$$

Where:		
	$DC_{t-2}$	has the meaning in Paragraph 1 of this condition.
And	$RSF_{t-2}$	means the risk sharing factor relating to Eurocontrol Relevant Year t-2 based on the actual number of Total Service Units which shall be calculated as follows:
	Where:	$0.98 \leq \frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} \leq 1.02$ $RSF_{t-2} = 0$
	Where:	$1.02 < \frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} \leq 1.10$ $RSF_{t-2} = -0.7 \left[ \frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} - 1.02 \right]$
	Where:	$0.90 \leq \frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} < 0.98$ $RSF_{t-2} = -0.7 \left[ \frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} - 0.98 \right]$
	Where:	$\frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} < 0.90$ $RSF_{t-2} = - \left[ \frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} - 0.90 \right] + 0.056$
	Where:	$\frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} > 1.10$ $RSF_{t-2} = - \left[ \frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} - 1.10 \right] - 0.056$
Where:	$\text{ActualTSU}_{t-2}$	means the actual level of Total Service Units for relevant year t-2 published by Eurocontrol.

**Correction of INF and TRS Adjustments for Subsequent Traffic Variations (TVar)**

5. The TVar component shall be calculated as follows:

TVar <sub>t</sub>	<p>is an adjustment to allow for variations between actual and forecast TSUs in the year that a correction originally takes place.</p> $TVar_t = (INF_{t-2} + TRS_{t-2} + CSM_{t-2} + Pre2011_{t-2} + FI_{t-2} + TVar_{t-2}) \left( 1 - \frac{Actual\ TSU_{t-2}}{Forecast\ TSU_{t-2}} \right)$ <p>For t = 2015 and 2016 TVar<sub>t</sub> = 0.</p>
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**Calculation of FAB Capacity Target (C1)**

6. The C1 (FAB capacity target) shall be calculated as follows:

C1 <sub>t</sub>	<p>means the average minutes of en route air traffic flow management (ATFM) delay in the UK-Ireland FAB in relevant year t.</p> <p>Where:</p> $C1_t = \frac{FABEnRouteDelay_t}{FABFlights_t}$	
FABEnRouteDelay <sub>t</sub>	<p>means the en route ATFM flight delay from all causes which has been attributed by Eurocontrol to the UK or Ireland in relevant year t.</p>	
FABFlights <sub>t</sub>	<p>means the Network Manager (STATFOR) determined count of all IFR flights for the UK-Ireland FAB as a whole for year t. For the avoidance of doubt these include flights which depart or arrive at airports in the UK or which overfly the area of the Functional Airspace Block (FAB). Any flight which flies through both the relevant UK and Irish airspace is only counted once.</p>	
C1Target <sub>t</sub>	<p>means the FAB target set in the FAB performance plan which have the following values:</p>	
	Year t	C1Target <sub>t</sub>
	2015	0.25
	2016	0.26
	2017	0.26
	2018	0.26
	2019	0.26

**Calculation of financial incentives (FI)**

7. Financial incentives for capacity and environment performance shall be calculated as follows:

For $FI_{2015}$ and $FI_{2016}$	$FI_{2015}$ and $FI_{2016}$ shall have meanings set out in Paragraph 18 of this condition with reference to Condition 21 of the Air Traffic Services Licence for NATS En Route plc which was in effect on 1 January 2014.		
For $FI_{2017}$ , $FI_{2018}$ , and $FI_{2019}$	$FI_t = FC2_{t-2} + FC3_{t-2} + FC4_{t-2} + F3DI_{t-2}$		
Where:	$FC2_{t-2}$	means the financial incentive for the C2 measure of NERL's contribution to FAB performance for relevant year t-2 as defined at Paragraph 8 of this condition.	
	$FC3_{t-2}$	means the financial incentive from the C3 Impact Score for relevant year t-2 as defined at Paragraph 9 of this condition.	
	$FC4_{t-2}$	means the financial incentive from the C4 Daily Excess Delay Score for relevant year t-2 as defined at Paragraph 12 of this condition.	
	$F3DI_{t-2}$	means the element of financial incentives relating to measure 3DI for relevant year t-2 as calculated in Paragraph 16 of this condition .	
In respect of all the elements of the Financial Incentives:			
Licensee Attributable En Route ATFM Delay	means En Route ATFM Delay attributed by Eurocontrol which meet the regulation cause and regulation location in the following tables:		
	<b>Regulation Cause</b>	<b>NM Code</b>	<b>Regulation Location</b>
	ATC Capacity	C	En route
	ATC Routings	R	En route
	ATC Staffing	S	En route
	ATC Equipment	T	En route
	Military	M	En route
	Special Event	P	En route
En Route ATFM Delay	means en route ATFM delay calculated by the Network Manager of ATFM as defined in Commission Regulation (EC) No 255/2010 on ATFM and expressed as the difference between the take-off time requested by the aircraft operator in the last submitted flight plan and the calculated take-off time		

		allocated by the Network Manager.
	FLT <sub>t-2</sub>	means the Network Manager (STATFOR) determined count of all IFR flights for the UK for year t-2.

**Calculation of FC2**

8. For the purpose of Paragraph 7, the term FC2<sub>t-2</sub> shall be calculated in accordance with the following formulae where Eurocontrol relevant years t-2 are 2015, 2016 and 2017 (relating to penalties or bonuses in 2017, 2018 and 2019 respectively).

FC2 <sub>t-2</sub>	<p>If C1<sub>t-2</sub> &gt; C1Target<sub>t-2</sub> and C2<sub>t-2</sub> &gt; 1.1 × C2ParValue<sub>t-2</sub> (where C1<sub>t</sub> and C1Target<sub>t</sub> have the meaning in Paragraph 6 of this condition; and 1.1 × C2ParValue<sub>t-2</sub> is rounded to 2 significant figures.) FC2<sub>t-2</sub> =</p> $- \text{MIN} \left[ \left( \left( \frac{C2_{t-2} / C2Target_{t-2} - 1.1}{0.4} \right) \times 0.0025 \times REV_{t-2} \right), (0.0025 \times REV_{t-2}) \right]$
	<p>If C1<sub>t-2</sub> &lt; C1Target<sub>t-2</sub> and C2<sub>t-2</sub> &lt; 0.8 × C2ParValue<sub>t-2</sub> (where C1<sub>t</sub> and C1Target<sub>t</sub> have the meaning in Paragraph 6 of this condition; and 0.8 × C2ParValue<sub>t-2</sub> is rounded to 2 significant figures.) FC2<sub>t-2</sub> =</p> $+ \text{MIN} \left[ \left( \left( \frac{0.8 - C2_{t-2} / C2Target_{t-2}}{0.4} \right) \times 0.0025 \times REV_{t-2} \right), (0.0025 \times REV_{t-2}) \right]$
	Otherwise FC2 <sub>t-2</sub> = 0
C2 <sub>t-2</sub>	<p>means the average minutes of en route ATFM delay in the UK-Ireland FAB in relevant year t. C2<sub>t-2</sub> = <math>\frac{\text{Licensee Attributable En Route ATFM Delay}_{t-2}}{FLT_{t-2}}</math> Where: Licensee Attributable En Route ATFM Delay<sub>t-2</sub> has the meaning in</p>

	Paragraph 7 of this condition; and $FLT_{t-2}$ has the meaning in Paragraph 7 of this condition.
$C2ParValue_{t-2}$	means the UK par values for C2 set in the UK-Ireland FAB performance plan which have the following values in the relevant years: t-2 = 2015 $C2ParValue_{t-2} = 0.17$ t-2 = 2016, 2017, 2018, 2019 $C2ParValue_{t-2} = 0.18$
$REV_{t-2}$	means the revenues from that part of the charges paid to Eurocontrol by users which is reimbursed to the United Kingdom and relates to services provided by the Licensee in year t-2. Where: $REV_{t-2} = \text{Maximum Charge}_{t-2} \times \text{ActualTSU}_{t-2}$ Where $\text{Maximum Charge}_{t-2}$ and $\text{ActualTSU}_{t-2}$ have the meanings in Paragraphs 1 and 4 respectively of this condition.

### Calculation of FC3

9. FC3 is the financial incentive relating to C3 (an Impact Score placing greater weight on long delays and departures in the morning and the evening peaks).

For the purpose of Paragraph 7, the term  $FC3_{t-2}$  shall be calculated in accordance with the following formulae where Eurocontrol relevant years t-2 are 2015, 2016 and 2017 (relating to penalties or bonuses in 2017, 2018 and 2019 respectively).

$FC3_{t-2}$	<p>If <math>C1_{t-2} &gt; C1Target_{t-2}</math> and <math>C3_{t-2} &gt; C3Upper_{t-1}</math></p> $FC3_{t-2} = -\text{MIN} \left[ \begin{array}{l} (C3PenRate_{t-2} (C3_{t-2} - C3Upper_{t-1})) FLT_{t-2}, \\ (0.0050 \times REV_{t-2}) \end{array} \right]$
	<p>If <math>C1_{t-2} &lt; C1Target_{t-2}</math> and <math>C3_{t-2} &lt; C3Lower_{t-2}</math></p> $FC3_{t-2} = +\text{MIN} \left[ \begin{array}{l} (C3BonusRate_{t-2} (C3Lower_{t-2} - C3_{t-2}) FLT_{t-2}), \\ (0.0075 \times REV_{t-2}) \end{array} \right]$

Where:	
$C3_{t-2}$	is defined in Paragraph 10.
$C3PenRate_{t-2}$	means the penalty rate for the reduction of revenues relating to the C3 score in Eurocontrol relevant year t-2 (to take effect in relevant year t) calculated as follows:  $C3PenRate_{t-2} = \text{£}0.112 \times \frac{HICP_{t-2}}{100}$
$C3BonusRate_{t-2}$	means the bonus rate for the reduction of revenues relating to the C3 score in Eurocontrol relevant year t-2 (to take effect in relevant year t)  $C3BonusRate_{t-2} = \text{£}0.112 \times \frac{HICP_{t-2}}{100}$
$C3Upper_{t-2}$	is the value of the C3 score in Eurocontrol relevant year t-2 above which a penalty becomes payable calculated in Paragraph 11.
$C3Lower_{t-2}$	is the value of the C3 score in Eurocontrol relevant year t-2 below which a bonus becomes payable calculated in Paragraph 11.

### The Calculation of $C3_{t-2}$

10.  $C3_{t-2}$  shall be calculated as follows:

$C3_{t-2}$	$C3_{t-2} = \frac{\sum w_{p,b} d_{p,b}}{FLT_{t-2}}$ For all flights in year t-2	
Where:	Where p denotes that each flight in relevant year t-2 shall be considered as falling into one of three periods:	
	Morning Peak (p=1)	means flights in relevant year t-2 with an off-block estimated time $\geq 0400$ and $< 0800$ UTC in Summer (April –October inclusive) and between $\geq 0500$ and $< 0900$ UTC in Winter (January -March inclusive and November-December inclusive).
	Evening Peak (p=2)	means flights in relevant year t-2 with an off-block estimated time $\geq 1500$ and $< 1900$ UTC in Summer (April –October inclusive) and $\geq 1600$ and $< 2000$ UTC in Winter (January-March inclusive and November-December inclusive).

	Other (p=3)	means flights in relevant year t-2 with an off-block estimated block time not in the morning peak and not in the evening peak.		
And	b denotes bands of delay for each flight where:			
	$b = d_{p,1}$	means the Licensee Attributable En Route ATFM Delay for each flight in seconds up to and including 15 minutes per flight in relevant year t-2 of flights which fall into relevant period p as defined above.		
	$b = d_{p,2}$	means the Licensee Attributable En Route ATFM Delay in seconds over 15 minutes but less than or equal to 30 minutes per flight in relevant year t-2 of flights which fall into relevant period p as defined above.		
	$b = d_{p,3}$	means the Licensee Attributable En Route ATFM Delay in seconds over 30 minutes but less than or equal to 60 minutes per flight in relevant year t-2 of flights which fall into relevant period p as defined above.		
	$b = d_{p,4}$	means the Licensee Attributable En Route ATFM Delay in seconds over 60 minutes per flight in relevant year t-2 of flights which fall into relevant period p as defined above.		
	$w_{p,b}$	means the weighting to be applied to bands of delay b for each flight subject to the period of the flight p where the weightings applied shall be:		
		<b>p=1 Morning Peak Period</b>	<b>p=2 Evening Peak Period</b>	<b>p=3 Other Times</b>
	b=1 (Delay > 0 and <=15 minutes)	3	2	1
	b =2 (Delay >15 and <= 30 minutes)	6	3	2
	b =3 (Delay >30 and <= 60 minutes)	9	6	3
	b =4 (Delay >60 minutes)	18	9	6

**Definition of Thresholds at which Bonuses or Penalties for C3<sub>t-2</sub> become payable**

11. The thresholds for bonuses or penalties shall be calculated as follows:

Where	$LFT_{t-2} \leq FLT_{t-2} \leq UFT_{t-2}$													
		$C3Upper_{t-2} = 24$ $C3Lower_{t-2} = 16$												
where	$LFT_{t-2} > FLT_{t-2}$													
		$C3Upper_{t-2} = 24 \left( 1 + \frac{5(FLT_{t-2} - LFT_{t-2})}{LFT_{t-2}} \right)$												
		$C3Lower_{t-2} = 16 \left( 1 + \frac{5(FLT_{t-2} - LFT_{t-2})}{LFT_{t-2}} \right)$												
where	$FLT_{t-2} > UFT_{t-2}$													
		$C3Upper_{t-2} = 24 \left( 1 + \frac{5(FLT_{t-2} - UFT_{t-2})}{UFT_{t-2}} \right)$												
		$C3Lower_{t-2} = 16 \left( 1 + \frac{5(FLT_{t-2} - UFT_{t-2})}{UFT_{t-2}} \right)$												
Where:														
$FLT_{t-2}$		has the meaning in Paragraph 7.												
$LFT_{t-2}$		$LFT_{t-2} = 0.96 \times FFlight_{t-2}$												
$UFT_{t-2}$		$UFT_{t-2} = 1.04 \times FFlight_{t-2}$												
$FFlight_{t-2}$		<p>means the forecast of flights for relevant year t established at the beginning of the reference period as set out as follows:</p> <table border="1"> <thead> <tr> <th>t-2</th> <th><math>FFlight_{t-2}</math></th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>2,294,000</td> </tr> <tr> <td>2016</td> <td>2,339,000</td> </tr> <tr> <td>2017</td> <td>2,377,000</td> </tr> <tr> <td>2018</td> <td>2,420,000</td> </tr> <tr> <td>2019</td> <td>2,465,000</td> </tr> </tbody> </table>	t-2	$FFlight_{t-2}$	2015	2,294,000	2016	2,339,000	2017	2,377,000	2018	2,420,000	2019	2,465,000
t-2	$FFlight_{t-2}$													
2015	2,294,000													
2016	2,339,000													
2017	2,377,000													
2018	2,420,000													
2019	2,465,000													

**Calculation of FC4**

12. FC4 is the financial incentive relating to C4 (a daily excess delay score based on weighted delays exceeding pre-determined thresholds on a daily basis).

For the purpose of Paragraph 7,  $FC4_{t-2}$  shall be calculated in accordance with the following formulae:

Where:	$C4_{t-2} \geq 2000$	
		$FC4_{t-2} = -\text{MIN} \left[ \begin{array}{l} C4\text{PenRate} \times (C4_{t-2} - 2000) \times \text{FLT}_{t-2}, \\ 0.0025 \times \text{REV}_{t-2} \end{array} \right]$
Where:	$C4_{t-2} < 2000$	
		$FC4_{t-2} = 0$
Where:	$C4_{t-2}$	means the annual sum of the weighted daily excess delay score calculated as set out in Paragraph 13.
	$C4\text{PenRate}_{t-2}$	means the penalty rate for the reduction of revenues relating to the C4 score in Eurocontrol relevant year t-2 (to take effect in relevant year t) calculated as follows:
		$C4\text{PenRate}_{t-2} = 0.0008025 \times \frac{\text{HICP}_{t-2}}{100}$

### Calculation of C4

13.  $C4_{t-2}$  shall be calculated as follows subject to the exemption in Paragraph 15:

$C4_{t-2}$	= $C4\text{DailyScore}_d$ for all days in year t-2 except where an exemption applies as defined in Paragraph 15.
Where:	d is a day in the months January to March inclusive or November to December inclusive:
Where:	$\frac{\text{DT1}_d}{\text{DailyFlights}_d} \leq 40$
then	$C4\text{DailyScore}_d = 0$
Where:	$40 < \frac{\text{DT1}_d}{\text{DailyFlights}_d} \leq 80$
then	$C4\text{DailyScore}_d = \frac{\text{DT1}_d}{\text{DailyFlights}_d} - 40$
Where:	$\frac{\text{DT1}_d}{\text{DailyFlights}_d} > 80$
	$C4\text{DailyScore}_d = 40 + 2 \left( \frac{\text{DT1}_d}{\text{DailyFlights}_d} - 80 \right)$
Where:	d is a day in the months April to October inclusive.

	Where	$\frac{DT1_d}{DailyFlights_d} \leq 60$
	then	$C4DailyScore_d = 0$
	Where	$60 < \frac{DT1_d}{DailyFlights_d} \leq 110$
	then	$C4DailyScore_d = \frac{DT1_d}{DailyFlights_d} - 60$
	Where	$110 < \frac{DT1_d}{DailyFlights_d}$
	then	$C4DailyScore_d = 50 + 2 \left( \frac{DT1_d}{DailyFlights_d} - 110 \right)$
Where:	$DT1_d$	means total Licensee Attributable En Route ATFM Delay in seconds on day d.
	$DailyFlights_d$	means the actual aggregate number of flights on day d to be calculated by reliance on figures of chargeable flights reported to the CAA by the Network Manager (STATFOR).

#### Mitigation of C3<sub>t-2</sub> or C4<sub>t-2</sub> scores for equipment failure

14. On days where both the following two conditions apply:
- the scores relate to a day for which the relevant  $C4DailyScore_d$  as calculated in Paragraph 13 is greater than zero; and
  - there is a C3 score relating to Licensee Attributable to En Route ATFM recorded as equipment failure greater than zero.

The following mitigation should apply:

If:	$ C3PenRate_{t-2} (C3_d)DailyFlights_d >  C4PenRate_{t-2} (C4DailyScore_d)FLT_{t-2}$
then:	for day d, the C3 numerator for all NERL attributable cause codes shall be included in the annual FC3 penalty or bonus term, the C4 score shall be excluded from the calculation of the annual $FC4_t$ penalty or bonus.
If:	$ C3PenRate_{t-2} (C3_d)DailyFlights_d \leq  C4PenRate_{t-2} (C4DailyScore_d)FLT_{t-2}$
then:	for day d the C3 numerator for all NERL attributable technical cause codes shall be excluded from the annual FC3 penalty or bonus term; the C4 score shall be included in the annual $FC4_t$ penalty or bonus term.

Where:	$C3PenRate_{t-2}$	has the meaning in Paragraph 9.
	$DailyFlights_d$	has the meaning in Paragraph 13.
	$C4PenRate_{t-2}$	has the meaning in Paragraph 12.
	$C4DailyScore_d$	has the meaning in Paragraph 13.
	$FLT_{t-2}$	has the meaning in Paragraph 7.
	$C3_d$	<p>has the following meaning:</p> $C3_d = \frac{\sum w_{p,b} d_{p,b}}{DailyFlights_d}$ <p>for all flights in day d</p> <p>Where:</p> $\sum w_{p,b} d_{p,b}$ has the meaning in Paragraph 10.

For the avoidance of doubt the C3 and C4 measures are based on different units and the estimation of the penalty for each in the tests above requires the different parameters as specified.

#### Exemptions for $C3_{t-2}$ and $C4_{t-2}$ in respect of Major Changes in Operations

15. C3 weighted delays and C4 Daily scores for the relevant day shall not be counted for the purposes of calculating  $C3_{t-2}$  or  $C4_{t-2}$  where all the following conditions apply:
- The day falls into a period designated by the Licensee in advance as a period when major changes are being introduced to the operation;
  - Users have been notified and consulted in advance over the timing of such exemptions;
  - The total number of days falling into such periods designated by the Licensee shall not exceed 75 in aggregate for the period of the five Eurocontrol relevant years 2015 to 2019 inclusive, considered as a whole.

**Calculation of the Flight Efficiency Incentive (F3DI)**

16. For the purpose of Paragraph 7, the term  $F3DI_{t-2}$  shall be calculated in accordance with the following formulae where relevant years t-2 are 2015, 2016 and 2017 (relating to penalties or bonuses in 2017 and 2018 and 2019 respectively):

$3DI_{t-2}$	means the average 3Di score for all flights for year t-2 as calculated by NERL in accordance with the FEM calculation protocol.																			
Where:	$3DI_{t-2} > 3DIUpper_{t-2}$																			
	Then	$F3DI_{t-2} = -\text{MIN} \left[ \begin{array}{l} 3DIPenRate_{t-2} (3DI_{t-2} - 3DIUpper_{t-2}), \\ REV_{t-2} \times 0.01 \end{array} \right]$																		
Where:	$3DI_{t-2} < 3DILower_{t-2}$																			
	Then	$F3DI_{t-2} = \text{MIN} \left[ \begin{array}{l} 3DIBonusRate_{t-2} (3DILower_{t-2} - 3DI_{t-2}), \\ REV_{t-2} \times 0.01 \end{array} \right]$																		
Where:	$3DIUpper_{t-2}$  $3DILower_{t-2}$	is the upper deadband limit on the flight efficiency metric in year t-2; and  is the lower deadband limit on the flight efficiency metric in year t-2: which shall be calculated in accordance with: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>t-2</th> <th><math>3DILower_{t-2}</math></th> <th><math>3DIUpper_{t-2}</math></th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>28.2</td> <td>31.2</td> </tr> <tr> <td>2016</td> <td>27.8</td> <td>30.8</td> </tr> <tr> <td>2017</td> <td>27.5</td> <td>30.3</td> </tr> <tr> <td>2018</td> <td>26.7</td> <td>29.5</td> </tr> <tr> <td>2019</td> <td>26.3</td> <td>29.1</td> </tr> </tbody> </table>	t-2	$3DILower_{t-2}$	$3DIUpper_{t-2}$	2015	28.2	31.2	2016	27.8	30.8	2017	27.5	30.3	2018	26.7	29.5	2019	26.3	29.1
t-2	$3DILower_{t-2}$	$3DIUpper_{t-2}$																		
2015	28.2	31.2																		
2016	27.8	30.8																		
2017	27.5	30.3																		
2018	26.7	29.5																		
2019	26.3	29.1																		
	$3DIPenRate_{t-2}$	Is the penalty rate in year t-2 = $3DIBonusRate_{t-2}$																		
	$3DIBonusRate_{t-2}$	Is the bonus rate in year t-2 which is calculated as follows: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>t-2</th> <th><math>3DIBonusRate_{t-2}</math></th> </tr> </thead> <tbody> <tr> <td>2015</td> <td><math>(0.01 \times REV_{2015}) / 6.8</math></td> </tr> <tr> <td>2016</td> <td><math>(0.01 \times REV_{2016}) / 6.7</math></td> </tr> <tr> <td>2017</td> <td><math>(0.01 \times REV_{2017}) / 6.7</math></td> </tr> <tr> <td>2018</td> <td><math>(0.01 \times REV_{2018}) / 6.5</math></td> </tr> <tr> <td>2019</td> <td><math>(0.01 \times REV_{2019}) / 6.4</math></td> </tr> </tbody> </table>	t-2	$3DIBonusRate_{t-2}$	2015	$(0.01 \times REV_{2015}) / 6.8$	2016	$(0.01 \times REV_{2016}) / 6.7$	2017	$(0.01 \times REV_{2017}) / 6.7$	2018	$(0.01 \times REV_{2018}) / 6.5$	2019	$(0.01 \times REV_{2019}) / 6.4$						
t-2	$3DIBonusRate_{t-2}$																			
2015	$(0.01 \times REV_{2015}) / 6.8$																			
2016	$(0.01 \times REV_{2016}) / 6.7$																			
2017	$(0.01 \times REV_{2017}) / 6.7$																			
2018	$(0.01 \times REV_{2018}) / 6.5$																			
2019	$(0.01 \times REV_{2019}) / 6.4$																			

17. For the avoidance of doubt, the treatment of C2, C3, C4 and 3DI occurring in 2018 and 2019 will be subject to review before the end of Relevant Year 2019 under the provisions of Commission Implementing Regulation (EU) No 390/2013 and the provisions of sections 11 to 19 of the Transport Act 2000. (Subject to those provisions, the CAA would expect to take the performance in 2018 and 2019 into account in the charges for subsequent years as if this condition applied to charges in 2020 and 2021.) Eligibility to earn 3DI bonuses in respect of 2018 and 2019 (to be paid in 2020 and 2021) will be contingent on the successful implementation of a harmonised transition altitude of 18,000 feet by 31 March 2018 (Implementation is subject to successful consultation by the CAA in relation to TA, and also any LAMP dependencies).
18. Financial Incentives Carried Forward From RP1

<b>In respect of charges in year 2015</b>		
$FI_{2015} = FT1_{2013} + FT2_{2013} + FT3_{2013} + FEMM_{2013}$		
Subject to:		
$FT1_{2013} + FT2_{2013} + FT3_{2013} \leq \text{£}9,360,000 \frac{\text{CHAW}_{\text{Aug2013}}}{198.1}$		
$FT1_{2013} + FT2_{2013} + FT3_{2013} \geq -\text{£}19,200,000 \frac{\text{CHAW}_{\text{Aug2013}}}{198.1}$		
$FEMM_{2013} \geq -\text{£}4,800,000 \frac{\text{CHAW}_{\text{Aug2013}}}{198.1}$		
$FEMM_{2013} \leq \text{£}2,400,000 \frac{\text{CHAW}_{\text{Aug2013}}}{198.1}$		
<b>In respect of charges in year 2016</b>		
$FI_{2016} = FT1_{2014} + FT2_{2014} + FT3_{2014} + FEMM_{2014}$		
Subject to:		
$FT1_{2014} + FT2_{2014} + FT3_{2014} \leq \text{£}9,360,000 \frac{\text{CHAW}_{\text{Aug2014}}}{198.1}$		
$FT1_{2014} + FT2_{2014} + FT3_{2014} \geq -\text{£}19,200,000 \frac{\text{CHAW}_{\text{Aug2014}}}{198.1}$		
$FEMM_{2014} \geq -\text{£}4,800,000 \frac{\text{CHAW}_{\text{Aug2014}}}{198.1}$		
$FEMM_{2014} \leq \text{£}2,400,000 \frac{\text{CHAW}_{\text{Aug2014}}}{198.1}$		
Where:		
$FT1_{2013}$	$FT1_{2014}$	have the meanings defined in Condition 21 of the Air Traffic Services Licence for NATS En Route plc which was in effect on 1 January 2014.
$FT2_{2013}$	$FT2_{2014}$	
$FT3_{2013}$	$FT3_{2014}$	
$FT4_{2013}$	$FT4_{2014}$	

FEMM <sub>2013</sub>	FEMM <sub>2014</sub>	
CHAW <sub>Aug2013</sub>	CHAW <sub>Aug2014</sub>	

**Condition 21a: Control of London Approach Charges**

1. Without prejudice to Condition 25 (Suspension and Modification of Charge Control Conditions), for each London Approach Relevant Year beginning on 1 January 2015, 2016, 2017, 2018 and 2019, the maximum Permitted Average Charge Per London Approach Service Unit shall be calculated as follows:

$$\text{Maximum Charge}_t = \frac{\text{LDC}_t + \text{LINF}_t + \text{LReS}_t + \text{LTRS}_t + \text{LCSM}_t + \text{LFI}_t + \text{LMOD}_t + \text{LTvar}_t + \text{LPre2014}_t - \text{LVFR}_t}{\text{ForecastLTSU}_t} - \text{LDISCOUNT}_t$$

Where:

Maximum Charge <sub>t</sub>	means the Maximum Permitted Average Charge Per London Approach Service Unit in Relevant Year t.	
LDC <sub>t</sub>	Means the determined costs, expressed in nominal terms for relevant year t.	
	Year t	(£)
	2015	12,011,867
	2016	12,371,198
	2017	12,749,490
	2018	13,092,087
2019	13,399,855	
LINF <sub>t</sub>	means the adjustment of the difference between forecasted and actual inflation calculated in accordance with Paragraph 3 of this condition.	
LReS <sub>t</sub>	means the restructuring costs authorised in accordance with Article 7(4) of Commission Implementing Regulation (EU) No391/2013. For all years t =2015, 2016, 2017, 2018, 2019, ReS <sub>t</sub> = 0	
LTRS <sub>t</sub>	means the Traffic Risk Sharing element from previous years calculated in accordance with Paragraph 4 of this condition.	
LCSM <sub>t</sub>	means the carry-overs from the previous reference period resulting from the implementation of the cost sharing mechanism referred to in Article 14 of Commission Implementing Regulation (EU) No391/2013; For all years t =2015, 2016, 2017, 2018, 2019 LCSM <sub>t</sub> = 0	

LFI <sub>t</sub>	means the Financial Incentives relating to performance. For all years t =2015, 2016, 2017, 2018, 2019 LFI <sub>t</sub> = 0	
LMOD <sub>t</sub>	means the over-or under-recoveries that may result from the modulation of air navigation charges in application of Article 16 of Commission Implementing Regulation (EU) No391/2013. For all years t= 2015,2016,2017,2018,2019 LMOD <sub>t</sub> = 0	
LTvar <sub>t</sub>	means the over-or under-recoveries resulting from traffic variations as defined in Paragraph 5.	
LPre2014 <sub>t</sub>	means the over- or under-recoveries incurred up to and including the year 2014. For Year 2016 $LPre2014_t = 0.75 \times (ML_{2014/15} - AL_{2014/15}) \times (1 + INT_{t-1})^2$ Where: ML <sub>2014/15</sub> and AL <sub>2014/15</sub> have the meanings in Condition 21a of the Air Traffic Services Licence for NATS En Route plc which was in effect on 1 January 2014. For years t = 2015, 2017, 2018, 2019, LPre2014 <sub>t</sub> = 0	
LVFR <sub>t</sub>	means the expected cost of services to traffic operating under Visual Flight Rules. For all years t =2015, 2016, 2017, 2018, 2019. LVFR <sub>t</sub> = 0	
LDISCOUNT <sub>t</sub>	means an adjustment to the maximum charge per LTSU in year t where the Licensee at its own discretion decides to recover less than it would otherwise be allowed to recover and has declared to the CAA that it will not pursue this as under-recovery in subsequent years.	
ForecastLTSU <sub>t</sub>	means the forecast of Total London Approach Service Units for relevant year t established at the beginning of the reference period as set out as follows:	
	Year t	LTSU
	2015	884,691
	2016	905,513
	2017	921,933
	2018	940,093

	2019	958,830
Total London Approach Service Units	means the terminal service units calculated in accordance with Annex V of Commission Implementing Regulation (EC) No391/2013 as amended from time to time <i>including</i> any service units relating to military exempt flights for the aggregate of Heathrow, Gatwick, Stansted, Luton, and London City airports .	
INT <sub>t-1</sub>	means the average of the yield (expressed as an annual percentage interest rate) on 3 month Treasury Bills published weekly by the UK Debt Management Office, during the 12 months from 1 September in Relevant Year t-2 .	

**Inflation Assumptions**

2. The forecast values of the inflation index referenced in paragraph 3 shall be as follows:

FHICP <sub>t</sub>	means the reference values of the HICP (all items) index in respect of the UK for Eurocontrol Relevant Year t established prior to the control period, consistent with the projections in nominal prices (for years 2015 to 2019 the index base is 2012=100), which shall be:	
	Year t	Index
	2015	106.489
	2016	108.512
	2017	110.683
	2018	112.896
	2019	115.154

**Inflation Adjustment**

3. The adjustment of the difference between forecasted and actual inflation shall be calculated as follows:

For t=2015 and t=2016 $LINF_t = 0$  For t = 2017, 2018 and 2019 $LINF_t = LDC_{t-2} \left( \frac{HICP_{t-2}}{FHICP_{t-2}} - 1 \right)$  Where $HICP_{t-2}$ is calculated as follows:	
Year t-2	Calculation
2015	$HICP_{2015} = 102.60 \times (1 + Inflation_{2014}) \times (1 + Inflation_{2015})$
2016	$HICP_{2016} = 102.60 \times (1 + Inflation_{2014}) \times (1 + Inflation_{2015}) \times (1 + Inflation_{2016})$
2017	$HICP_{2017} = 102.60 \times (1 + Inflation_{2014}) \times (1 + Inflation_{2015}) \times (1 + Inflation_{2016}) \times (1 + Inflation_{2017})$
Where:	
Inflation <sub>t</sub>	means the annual Inflation rate produced by Eurostat in the Harmonised Index of Consumer Prices in respect of calendar year t as published by Eurostat in April of year t+1 (the published rate of inflation is rounded to one significant place of decimals).

**Traffic Risk Sharing**

4. The Traffic Risk Sharing (TRS<sub>t</sub>) term shall be calculated as follows:

For t = 2015 ,2016 $LTRS_t = 0$  For t = 2017,2018,2019 $LTRS_t = (LDC_{t-2} \times LRSF_{t-2})$	
Where:	$LDC_{t-2}$ has the meaning in Paragraph 1 of this condition.
And	$LRSF_{t-2}$ means the risk sharing factor relating to Relevant year t-2 based on the actual number of Total London Approach Service Units which shall be calculated as follows:
Where:	$0.98 \leq \frac{ActualLTSU_{t-2}}{ForecastLTSU_{t-2}} \leq 1.02$

		$LRSF_{t-2} = 0$
	Where:	$1.02 < \frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} \leq 1.10$ $LRSF_{t-2} = -0.7 \left[ \frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} - 1.02 \right]$
	Where:	$0.90 \leq \frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} < 0.98$ $LRSF_{t-2} = -0.7 \left[ \frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} - 0.98 \right]$
	Where:	$\frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} < 0.90$ $LRSF_{t-2} = - \left[ \frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} - 0.90 \right] + 0.056$
	Where	$\frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} > 1.10$ $LRSF_{t-2} = - \left[ \frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} - 1.10 \right] - 0.056$
Where:	$\text{ActualLTSU}_{t-2}$	means the actual level of Total London Approach Service Units for relevant year t-2 published by Eurocontrol for the aggregate of Heathrow, Gatwick, Stansted, Luton, and London City airports.

**Correction of LINF and LTRS Adjustments for Subsequent Traffic Variations (LTVar)**

5. The LTVar component shall be calculated as follows:

$LTVar_t$	<p>is an adjustment to allow for variations between actual and forecast LTSUs in the year that a correction originally takes place.</p> $LTVar_t = (LINF_{t-2} + LTRS_{t-2} + LPre2014_{t-2} + LTVar_{t-2}) \times \left( 1 - \frac{\text{ActualLTSU}_{t-2}}{\text{ForecastLTSU}_{t-2}} \right)$
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**Condition 22: Oceanic Charges**

1. Subject to paragraph 2 of this Condition and without prejudice to Condition 25 (Suspension and Modification of Charge Control Conditions) the Licensee shall use its best endeavours to ensure that in each Oceanic Relevant Year beginning on 1 January 2015, 2016, 2017, 2018 and 2019 the Average Charge Per Oceanic Flight shall not exceed the Maximum Permitted Average Charge Per Oceanic Flight calculated in accordance with the following formula:

$$O_t = U_t + L_t$$

where:

$O_t$	means the Maximum Permitted Average Charge Per Oceanic Flight in Oceanic Relevant Year t.	
	For the Oceanic Relevant Year beginning on 1 January 2015 the value of $O_{2015}$ shall be £64.93	
	For the Oceanic Relevant Year beginning on 1 January 2016, 2017, 2018 and 2019 the value of $O_t$ shall be: $O_t = U_t + L_t$	
$U_t$	is a base charge per Oceanic Flight in Oceanic Relevant Year t calculated in accordance with the following formula:  $U_t = U_{t-1} \left[ 1 + \frac{CPI_t - Z_t}{100} \right]$ For the purpose of the above calculation for the Oceanic Relevant Year beginning on 1 January 2016 the value of $U_{t-1}$ shall be £64.93.	
$CPI_t$	means the percentage points change (whether of a positive or a negative value) in the Consumer Price Index between the index published or determined with respect to August in Oceanic Relevant Year t-1 and the index published or determined with respect to August in Oceanic Relevant Year t-2.	
$Z_t$	means a value set by the CAA in respect of each of the Oceanic Relevant Years beginning on 1 January 2016, 2017, 2018 and 2019 and shall have the following values:	
	Year t	Value of Z
	2016	5
	2017	5
	2018	5

	2019	5
$L_t$	<p>means the correction factor (whether of a positive or negative value) which is calculated in accordance with the following formula:</p> <p>where:</p> $L_{2015} = L_{2016} = 0$ <p>Otherwise:</p> $L_t = \frac{(QO_{t-2} O_{t-2}) - TO_{t-2}}{QO_t} \left[ 1 + \frac{IO_{t-1}}{100} \right]^2$	
	$QO_{t-2}$	means the quantity of Oceanic Flights in Oceanic Relevant Year t-2 attracting an Oceanic Charge.
	$O_{t-2}$	means the Maximum Permitted Average Charge Per Oceanic Flight in Oceanic Relevant Year t-2.
	$TO_{t-2}$	means the total Oceanic Revenue in Oceanic Relevant Year t-2.
	$IO_{t-1}$	means the average of the yield (expressed as an annual percentage interest rate) on 3 month Treasury Bills published weekly by the UK Debt Management Office, during the 12 months from 1 September in Oceanic Relevant Year t-2 where the value of $((QO_{t-2} O_{t-2}) - TO_{t-2})$ is positive, or 300 basis points per annum above this average rate where the value is negative

**Condition 23: Charges for North Sea Helicopter Advisory Service and London Approach Service**

1. The Licensee shall, not less than one month before it intends to give effect to such charges, or to changes to the basis on which they are calculated, show to the reasonable satisfaction of the CAA that charges in respect of North Sea Helicopter Advisory Services for any period have been set following, and taking into account the outcome of, appropriate consultation with Users and other interested parties.
2. In the event that the Licensee intends to make changes to the charges for London Approach Services (other than changes to charges which are specified in or ascertainable from contracts existing at the time of the grant of this Licence), the Licensee shall, not less than one month before such changes are intended to take effect, show to the reasonable satisfaction of the CAA that charges in respect of London Approach Services for any period have been set following, and taking into account the outcome of, appropriate consultation with Users and other interested parties.

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**Condition 24: Information to be provided to the CAA in connection with the Charge Control Conditions**

1. The Licensee shall, not later than 1st June on a provisional basis in the year preceding the Eurocontrol Relevant Year  $t$  in which any change in Eurocontrol Charges is to take effect, provide the CAA with:
  - (i) a written forecast of the average charge per Service Unit in respect of the Eurocontrol Relevant Year  $t$  in which such change is to take effect and in respect of the next following Relevant Year  $t+1$ ; and
  - (ii) to the extent that such information has not already been provided to the CAA under paragraph 7, a written estimate of the average charge per Service Unit in respect of the Eurocontrol Relevant Year  $t-1$  immediately preceding the Eurocontrol Relevant Year in which the change is to take effect.
  
2. The Licensee shall, not later than 1st November on a final basis in the year preceding the Eurocontrol Relevant Year  $t$  in which any change in Eurocontrol Charges is to take effect, provide the CAA with:
  - (i) a written forecast of the average charge per Service Unit, together with its components, and a reconciliation of the components to the overall forecast, in respect of the Eurocontrol Relevant Year  $t$  in which such change is to take effect and in respect of the next following Eurocontrol Relevant Year  $t+1$ ; and
  - (ii) to the extent that such information has not already been provided to the CAA under paragraph 7, a written estimate of the average charge per Service Unit, together with its components, and a reconciliation of the components to the overall forecast, in respect of the Eurocontrol Relevant Year  $t-1$  immediately preceding the Eurocontrol Relevant Year in which the change is to take effect.
  
3. Where the Licensee is intending to make any change in Oceanic Charges, the Licensee shall, not later than one month prior to the date it intends to give effect to such change, provide the CAA with:
  - (i) a written forecast of the maximum Average Charge Per Oceanic Flight, together with its components, and a reconciliation of the components to the overall forecast, in respect of the Oceanic Relevant Year  $t$  in which such change is to take effect and in respect of the next following Oceanic Relevant Year  $t+1$ ; and
  - (ii) to the extent that such information has not already been provided to the CAA under paragraph 7, a written estimate of the maximum Average Charge Per Oceanic Flight, together with its components, and a reconciliation of the components to the overall forecast, in respect of the Oceanic Relevant Year  $t-1$  immediately preceding the Oceanic Relevant Year in which the change is to take effect.

4. Where the Licensee is intending to make any change in London Approach Charges, the Licensee shall, not later than one month prior to the date it intends to give effect to such change, provide the CAA with:
  - (i) a written forecast of the charge(s) to be applied in respect of the London Approach Service for London Approach Relevant Year t; and
  - (ii) a written forecast of the Total Controlled Revenue from the London Approach Charges for London Approach Relevant Year t.
  
5. If within six weeks prior to the commencement of any Oceanic Relevant Year or London Approach Relevant Year the Licensee has not published an intention to make any change in r Oceanic Charges or London Approach Charges (respectively) the Licensee shall in any event provide the CAA with the information specified in paragraph 3 or 4 above (as appropriate).
  
6. The Licensee shall comply with any directions issued by the CAA providing that any forecast or estimate provided in accordance with paragraphs 1 to 4 shall be accompanied by such information as regards the assumptions underlying the forecast or estimate as may be necessary to enable the CAA to be satisfied that the forecast or estimate has been properly prepared on a consistent basis.

**Condition 25: Suspension and Modification of Charge Control Conditions****A. Suspension and Modification other than during a National Security Period**

1. Subject to paragraph 4, the Licensee may, only on the occurrence of any Exceptional Circumstances where it would not be reasonable for the circumstances not to be taken into account prior to the next price review, give notice in writing to the CAA suspending, insofar as they apply to Eurocontrol Charges or to London Approach Charges, application of such of the Charge Control Conditions as may be specified in the notice, with effect from a specified date being not less than three months after the date of receipt of the notice by the CAA.
2. Subject to paragraph 4, the Licensee may, in the following circumstances only, give notice in writing to the CAA suspending, insofar as they apply to the Oceanic Charges, application of such of the Charge Control Conditions as may be specified in the notice with effect from a specified date being not less than three months after the date of receipt of the notice by the CAA:
  - (a) on the occurrence of any Exceptional Circumstances where it would not be reasonable for the circumstances not to be taken into account prior to the next price review; or
  - (b) where the Licensee is able to demonstrate to the reasonable satisfaction of the CAA that, after proper consultation with Users and other interested parties, there is an acceptable level of support for the Licensee's proposals and that they would be in the general interests of Users.
3. Where the Licensee gives notice under paragraph 1 or 2, and the CAA has not, before the end of the period of three months which will end with the specified date, or such longer period as it may agree with the Licensee in writing, either:
  - (a) agreed in writing to the suspension;
  - (b) made a reference to the Competition and Markets Authority under Section 12 of the Act relating to the modification of the Charge Control Conditions; or
  - (c) given written notice to the Licensee that it does not accept the requirements of paragraph 1 or 2 (as appropriate) entitling the Licensee to serve the notice have been met,

the Licensee may deliver written notice to the CAA terminating the application of such of the Charge Control Conditions (or any part or parts thereof) as are specified in the notice given under paragraph 1 or 2 (as appropriate) with effect from the specified date or a later date.

4. Where the CAA gives notice to the Licensee under paragraph 3(c) above, then the Licensee may within three months serve notice on the CAA requesting it to refer to the members of the board of the CAA the question whether the requirements of paragraph 1 or 2 (as appropriate) entitling the Licensee to

serve the notice have been met. If the CAA has not within one month either sought to modify the Charge Control Conditions or made the requested reference, then the Licensee may deliver written notice to the CAA terminating the application of such of the Charge Control Conditions (or any part or parts thereof) as are specified in the notice given under paragraph 1 or 2 (as appropriate) with effect from the specified date or a later date. Where a reference is made for determination by the members of the board of the CAA, and provided the requirements that apply to hearings under the Civil Aviation Authority Regulations 1991 (other than as to the right of appeal) are complied with, so far as appropriate, in respect of the reference, a written decision of the CAA shall be definitive.

5. If the Competition and Markets Authority makes a report on a reference made by the CAA relating to the modification of the Charge Control Conditions (or any part or parts thereof) specified in the notice given under paragraph 1 or 2 (as appropriate) and such report does not include a conclusion that the cessation of such Charge Control Conditions, in whole or in part, operates or may be expected to operate against the public interest, the Licensee may within one month after the publication by the CAA of the report in accordance with Section 13 of the Act deliver to the CAA written notice terminating the application of such Charge Control Conditions with effect from the disapplication date or later.
6. Paragraphs 1 to 5 above shall not apply during a National Security Period.

#### B. Provisions in relation to National Security Periods

7. The Licensee may, during a National Security Period, give notice in writing to the CAA suspending application of such of the Charge Control Conditions as may be specified in the notice with effect from a specified date (the "disapplication date") being not less than one month after the date of receipt of the notice by the CAA.
8. In the event that the Licensee gives notice under paragraph 7, and the CAA has not either agreed to the suspension in writing or within a reasonable period not exceeding one month after the date of receipt of such notice issued directions under paragraph 9 as to the application of the Charge Control Conditions for the duration of the National Security Period, the Licensee may deliver written notice to the CAA terminating the application of such of the Charge Control Conditions (or any part or parts thereof) as are specified in the notice under paragraph 7 with effect from the disapplication date or a later date.
9. If at any time during a National Security Period, the CAA (having regard to its duties under the Act) issues directions:
  - (a) suspending or modifying for the remainder of the National Security Period the Charge Control Conditions or any part or parts thereof; or
  - (b) introducing for the remainder of the National Security Period new Charge Control Conditions

the Licensee shall comply with the terms of any directions so issued.

10. If at any time following a National Security Period, the CAA (following such consultation with the Licensee and others as the CAA consider appropriate)

issues directions suspending or modifying the Charge Control Conditions or any part or parts thereof applying during a National Security Period or replacing such directions as may have been made during the National Security Period and introducing such new Charge Control Conditions as in the opinion of the CAA are appropriate in all the circumstances to take account of effects arising out of the National Security Period, the Licensee shall comply with any directions so issued.

11. At any time within three months after the issue of directions by the CAA under paragraph 10, the Licensee may serve on the CAA a notice under paragraph 7 in respect of such of the Charge Control Conditions or any part or parts thereof as are specified in the request.
12. If within three months of the receipt by the CAA of the notice referred to in paragraph 11, the CAA has not either agreed in writing to such disapplication request or made a reference to the Competition and Markets Authority under Section 12 of the Act relating to the modification of the Charge Control Conditions, the Licensee may deliver one month's written notice to the CAA terminating the application of the Charge Control Conditions (or any part or parts thereof) as were specified in the notice.
13. If the Competition and Markets Authority makes a report on a reference made by the CAA relating to the modification of the Charge Control Conditions (or any part or parts thereof) specified in the notice under paragraph 7 and such report does not include a conclusion that the cessation of such Charge Control Conditions, in whole or in part, operates or may be expected to operate against the public interest, the Licensee may within one month after the publication by the CAA of the report in accordance with Section 13 of the Act deliver to the CAA written notice terminating the application of such Charge Control Conditions with effect from the disapplication date or later.
14. In the event of a modification of the Charge Control provisions under Part B of this Condition, such account shall be taken of the following matters as in the opinion or estimation of the CAA is requisite or appropriate in all the circumstances:
  - (a) any increase or decrease in the Licensee's costs during or following a National Security Period;
  - (b) any profit that has been or will be gained or foregone by the Licensee during or following the National Security Period;
  - (c) the extent to which the Licensee has otherwise recovered or been compensated for matters within (a) and (b) above.
15. This condition shall expire on the later of:
  - (a) 31 December 2011; and
  - (b) the date on which an equivalent condition takes effect pursuant to Article 18 of EU Regulation No 691/2010.

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**SCHEDULE 1: DESCRIPTION OF EN ROUTE (UK) AREA**

1. The En route (UK) Area shall consist of the following airspace:

- London Flight Information Region
- London Upper Flight Information Region
- Scottish Flight Information Region
- Scottish Upper Flight Information Region

as detailed in sections 2-1-1 and 2-1-2 of the AIP current as at the date of the coming into effect of this Licence.

2. The En route (UK) Area shall also include those areas of airspace adjacent to the regions set out in paragraph 1 for which responsibility has been delegated to the United Kingdom by virtue of an international agreement as detailed in the AIP current as at the date of the coming into effect of this Licence but excluding the area described in Schedule 2.

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**SCHEDULE 2: DESCRIPTION OF EN ROUTE (OCEANIC) AREA**

1. The En route (Oceanic) Area shall consist of the following airspace:

- Shanwick Flight Information Region; and
- Shanwick Oceanic Control Area

as detailed in section ENR 2-1-2 of the AIP current as at the date of the coming into effect of this Licence.

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**SCHEDULE 3: REVOCATION OF LICENCE (EN ROUTE (UK) AREA) AND  
(EN ROUTE (OCEANIC) AREA)**

1. The Secretary of State may at any time following consultation with the CAA revoke this Licence in respect of the Licensed Area designated in Schedule 1 or the Licensed Area designated in Schedule 2 by the requisite period of notice in writing given to the Licensee in any of the following circumstances:
  - (a) if the Licensee requests or otherwise agrees in writing with the Secretary of State that this Licence (in whole or in respect of either the Licensed Area designated in Schedule 1 or the Licensed Area designated in Schedule 2) should be revoked;
  - (b) if any amount payable under Condition 18 of this Licence is unpaid 30 days after it becomes due and remains unpaid for a period of 14 days after the Secretary of State notifies the Licensee that the amount is overdue such notification not to be given earlier than the sixteenth day after the day on which the amount payable became due;
  - (c) if the Licensee fails to comply with a final order (within the meaning of section 20 of the Act) or a provisional order (within the meaning of that section) which has been confirmed under that section and which relates to the provision of air traffic services in respect of the Licensed Area designated in Schedule 1 or the Licensed Area designated in Schedule 2 (as the case may be) and such failure is not rectified to the satisfaction of the Secretary of State within three months after the Secretary of State has given notice in writing of such failure to the Licensee provided that no notice under this sub-paragraph shall be given by the Secretary of State before the expiration of the period within which an application under section 23 of the Act could be made questioning the validity of the final or provisional order or before any such application, if made, is finally adjudicated upon;
  - (d) if the Licensee fails to comply with any order made by the Secretary of State under section 56, 73, 74 or 89 of the Fair Trading Act 1973 or with any court order made on application by the CAA or the Director General of Fair Trading under Section 34 of the Competition Act 1998 which relates to the provision of air traffic services authorised or required by this Licence;
  - (e) if the Licensee ceases to carry on its business as a provider of air traffic services in respect of the En route (UK) Area or the En route (Oceanic) Area (as the case may be);
  - (f) if the Licensee:
    - (i) is deemed to be unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986 or is otherwise insolvent or has any voluntary arrangement proposed in relation to it under section 1 of that Act or makes any composition or scheme of arrangement with its creditors (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved by the CAA);

- (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 29 of the Insolvency Act 1986) of the whole or any part of its assets or undertaking appointed;
    - (iii) becomes subject to an air traffic administration order under section 28 of the Act or if a petition is presented to the court in respect of such an order;
    - (iv) passes a resolution for winding up; or
  - (g) if:
    - (i) the Licensee has given notification to the Secretary of State under Condition 19 of this Licence and the Secretary of State has notified the Licensee in writing within 21 days of receiving such notification that he is minded to revoke this Licence on the grounds that, in his opinion, the change, acquisition, transaction or arrangement so notified is or would be against the interests of national security or relations with the government of a country or territory outside the United Kingdom; or
    - (ii) the Licensee commits any breach of Condition 19;
- and
- (iii) in either case the proposed change or arrangement has taken place.
2. The requisite period of notice shall be:
- (a) for the purposes of paragraphs 1(f) and 1(g), 24 hours; and
  - (b) for all other purposes, 30 days.
3. The provisions of section 100 of the Act shall have effect for the purposes of this Schedule as if set out herein and as if for the words “this Part” there were substituted “this Schedule”.
4. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978:
- (a) this Schedule shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the said Act of 1978, and
  - (b) expressions used in this Schedule which are also used in Part I of the Act shall, except where the context otherwise requires, have the same meanings as in that Part.

**SCHEDULE 4: SPECIFIED SERVICES****“Aeronautical Messaging Network”**

The making available of a system for the conveyance of messages, primarily in data form:

- (a) between providers and Users of air traffic services as members of a closed User group and relating to the intended flight paths of flights within the Licensed Areas; and
- (b) between other equivalent interconnected messaging networks and provided for a similar purpose pursuant to international arrangements.

**“Emergency Fixing Facility”**

The making available of radiocommunications facilities to enable the identification of the position within the Licensed Areas of aircraft communicating on very high frequency.

**“Emergency Frequency Facility”**

The making available of a dedicated radiocommunications facility operating at 121.5 MHz for the purpose of emergency air to ground to air communication.

**“Navigational Infrastructure Services”**

The provision to all Users operating in the UK FIRs/UIRs of an appropriate navigation infrastructure service which satisfies:

- a) An operational specification, produced by the Licensee and approved by the CAA, governing the scope and nature of navigation coverage to be provided; and
- b) the safety, regulatory and performance requirements, including accuracy, availability and integrity in each case relevant to the level of service to be provided to support agreed navigation performance as determined in international and national regulatory requirements as may be amended from time to time.

**“North Sea Helicopter Advisory Service”**

The giving of instructions or advice in connection with flights to, from and in the vicinity of, oil and gas installations situated in the North Sea (whether within or outside the United Kingdom) excluding the East Shetland Basin and associated mainland facilities, to helicopters and other aircraft as to their position or other aviation activity in the vicinity of the helicopter for the purpose of preventing collisions between aircraft and expediting search and rescue activities, as described in the AIP as at the date of the coming into effect of this Licence.

**“Surveillance Infrastructure Services”**

The provision of an appropriate surveillance infrastructure which satisfies the safety, regulatory and performance requirements, including accuracy, availability and integrity relevant to the level of service to be provided to meet the separation standards required in respect of Users of services of the Licensee as determined in international and national regulatory requirements as may be amended from time to time.

**“UK Aeronautical Information Service”**

The preparation and dissemination of the United Kingdom Integrated Aeronautical Information Package, including the associated data management task and the production of aeronautical charts and other civil aviation information necessary to meet:

- (a) relevant International and European requirements;
- (b) United Kingdom regulatory requirements as described in the AIP and as amended from time to time by the CAA; and
- (c) an operational specification, produced by the Licensee and approved by the CAA, governing the methods and standards (including for the measurement and control of those standards) to be adopted for the collection and verification of the information.

**“UK Flight Information Service”**

London and Scottish Information Services

The giving of advice and information o aircraft flying within the UK FIR for the purpose of supporting the safe and efficient conduct of flights. This may include weather information, changes of serviceability of facilities, conditions at aerodromes, general airspace activity information, and any other information likely to affect safety.

**“UK Meteorological Information Service”**

The making available, in accordance with relevant international requirements, of meteorological information (specified by the CAA in its capacity as the United Kingdom Meteorological Authority) supplied to the Licensee by third parties to:

- (a) Users;
- (b) air traffic service providers for their own use or for onward dissemination to civil aviation Users (including the Licensee); and
- (c) persons authorised by the United Kingdom Meteorological Authority.

**Modifications to the Licence  
(not forming part of the Licence)**

<b>Date modification made</b>	<b>Effective date of modification</b>	<b>Condition(s)</b>	<b>Effect of Modification</b>
9 November 2001	9 November 2001	10.2(a)	Extended period for submission of first Business Plan from 4 to 8 months.
20 December 2002	1 January 2003	20 and 21	Revised Eurocontrol price cap on a conditional basis
18 March 2003	19 March 2003	5, 7 and 8	Conditions combined in single Condition 5. Enhanced financial ring-fencing of NERL's business
12 June 2003	12 June 2003	21.5	Modified delay term increasing penalties from 2004
23 October 2003	23 October 2003	1.3, 5.19, 6.8, 10.3, 20.3, 21, 23.1, 23.2, 24.3 and Schedule 1	Mostly technical changes but including reduction in period of notification of North Sea Helicopter and Terminal Approach charges
24 May 2005	24 May 2005	1.3, 5.14, 18, 21 and 22	Minor editorial and technical changes
1 December 2005	1 January 2006 and 1 April 2006	1, 20, 21, 22, 23 and 24	Modified price control and related conditions for second five year price control period from 1 January 2006 for Eurocontrol and London Approach charges and from 1 April 2006 for Oceanic charges.
29 January 2007	1 February 2007	Schedule 4	Removal from the Licence of the Nuclear and Chemical Accident Service
5 April 2007	5 April 2007	2.2, 5.1, 5.4, 5.7, 5.8, 5.13, 5.14, 5.19, 6.1, 6.4, 6.5, 6.6, 6.8, 10.8, 10.9, 10.10, 11.2, 11.4, 15.1, 15.2, 15.3, 16.3, 17.2, 24.1, 24.2, 24.5.	Various modifications following review of Licence conditions, inter alia, to remove unnecessary reporting burdens on the Licensee, to align financial reporting requirements with the CP2 price control decision and to clarify various notification and approval processes in the Licence.
10 December 2010	1 January 2011	1, 5, 20, 21,	Modified price control and

	and 1 April 2011	21a (new) 24 and 25	related conditions for third price control period (2011-2014) for Eurocontrol charges. New financial gearing limits in Condition 5.  Modified price control and related conditions for London Approach and Oceanic services from 1 April 2011. Extension of London Approach service to include London City and Luton.
16 December 2010	1 January 2011	1, 2, 5, 6, 10, 12, 13, 14, 16, 18, 19, 23 and Schedule 4	Various modifications to clarify, streamline and update the licence.
19 December 2011	1 January 2012	21	Addition of flight efficiency metric to Eurocontrol price control condition.
6 June 2013	1 January 2014	21	Eurocontrol price control becomes a maximum and revised calculation of correction terms (n+2).
20 January 2015	1 January 2015	1, 5, 6, 10, new 10a, 11, 20, 21, 21a, 22, 24, and Schedule 4.	Modified price controls and related conditions for Eurocontrol, London Approach and Oceanic services from 1 January 2015. New condition 10a in relation to FAS reporting. Reporting requirements generally moved to a regulatory year (ie 1 January to 31 December). Removal of the Air Traffic Operational Telephone Network from the Specified Services and modified definitions for Navigational Infrastructure Services, Surveillance Infrastructure Services and UK Flight Information Service.