AIR TRAFFIC SERVICES LICENCE

for

NATS (EN ROUTE) PLC

This consolidated version includes all modifications as at 25 March 2026

Published 6 May 2026

UK Civil Aviation Authority

(page left intentionally blank)

Table of contents

Table of contents 3

Part I Terms of the Licence 5

Part II The General Conditions 7

Condition 1: Interpretation and construction 7

Condition 2: General obligation to provide Core Services and Specified Services 16

Condition 3: Modifications to Core Services and Specified Services 20

Condition 4: Further Provisions Relating to the Modification of Specified Services 23

Condition 5: Availability of Resources and Financial Ring-Fencing 25

Condition 6: Regulatory accounting requirements 48

Condition 7: Requirement to maintain an intervention plan 52

Condition 8: Requirement for mandated independent directors and corporate governance 54

Condition 9: Prohibition of cross-subsidies 58

Condition 10: Business Plans, Service and Investment Plans and Periodic Reports 59

Condition 11: Service standards 64

Condition 12: Restriction on use of En route Business information 65

Condition 13: Advice to the Secretary of State and the CAA in relation to the UK's international obligations 67

Condition 14: Cooperation with other service providers 68

Condition 15: Secondment of air traffic controllers to the CAA 69

Condition 16: Consultation and complaint handling 70

Condition 17: Provision of information to the CAA for regulatory purposes 71

Condition 18: Provision of the Airspace Design Service and related activities 72

Condition 19: Notification of charges in shareholdings 77

Part III Conditions Relating To Charge Control 78

Condition 20: Price Control Conditions: Definitions 78

Condition 21: Control of Eurocontrol Service Charges 82

OFFICIAL - Public. This information has been cleared for unrestricted distribution.

Condition 21a: Control of London Approach Charges 102

Condition 21b: Control of Airspace Design Charge 110

Condition 22: Oceanic Charges 111

Condition 23: Charges for North Sea Helicopter Advisory Service 118

Condition 24: Information to be provided to the CAA in connection with the Charge Control Conditions 119

Condition 25: Suspension and Modification of Charge Control Conditions 123

Schedule 1: Description of En Route (UK) Area 127

Schedule 2: Description of En Route (Oceanic) Area 128

Schedule 3: Revocation of Licence (En Route (UK) Area) and (En Route (Oceanic) Area) 129

Schedule 4: Specified Services 132

Modifications to the Licence (not forming part of the Licence) 135

OFFICIAL - Public

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 the Secretary of State for that purpose, hereby grants to NATS (En Route) plc (the "Licensee") a licence authorising the Licensee:

   a) to provide air traffic services, except those set out in paragraph (c), 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, except those set out in paragraph (c), 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; and

   c) to provide air traffic services as set out in section 98(1)(f) of the Act, in and in respect of the London Flight Information Region, the London Upper Flight Information Region, the Scottish Flight Information Region, the Scottish Upper Flight Information Region and the En route (Oceanic) Area, 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.

2) Without prejudice to the general authorisation conferred by paragraph **Error! Reference source not found.**, 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 **Error! Reference source not found.** 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 1)a)i)(1)1. 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 fifteen years' notice in writing given by the Secretary of State to the Licensee following consultation with the CAA.

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 fifteen years' notice in writing given by the Secretary of State to the Licensee following consultation with the CAA.

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.
"Airfield Service"	means an Air Traffic Control Service in respect of any aircraft: (a) on the manoeuvring area or apron of the aerodrome in respect of which the service is being provided; or (b) in the process of arriving at or departing from the aerodrome in respect of which the service is being provided; or (c) in the vicinity of the aerodrome in respect of which the service is being provided.
"Airspace Change Process"	means the procedures and guidance which airspace change proposals (as that term is defined in Section 1 of the Air Traffic Management and Unmanned Aircraft Act 2021) must follow, developed from time to time by the CAA in accordance with directions given under section 66 of the Act (air navigation directions given by the Secretary of State to the CAA).
"Airspace Coordination Service"	means carrying out the activities set out in CAP 3220, as amended, revised or replaced by the CAA from time to time.
"Airspace Design Business"	means: (i) the provision of the Airspace Design Service;

(ii) the provision of the activities required by paragraph 4 of Condition 18;

(iii) the provision of the Airspace Coordination Service; and

(iv) the administration of the Airspace Design Support Fund.

"Airspace Design Service" means undertaking the activities set out in section 98(1)(f) of the Act for airspace designs in UK airspace in relation to any area containing at least one Strategically Important Interdependent Airspace Change.

"AMS" shall bear the same meaning as it does in Directions given by the Secretary of State to the CAA under s66 and 68 TA00 (as amended, revised or replaced from time to time).

"Air Traffic Control Service" 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:

(a) preventing, or assisting in the prevention of, collisions between aircraft; and

(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

to which instructions the recipient aircraft are required to submit, save to avoid immediate danger.

"air traffic services"	includes but is not limited to the Core Services.
"Auditors"	means the Licensee's auditors for the time being holding office in accordance with the requirements of the Companies Act 2006.
"Condition"	means a provision of this licence which is expressed as a condition.
"Controlled Airspace"	means airspace which has been notified as Class A, Class B, Class C, Class D or Class E airspace under the AIP.
"Core Services"	means the: (a) UK En route Air Traffic Control Service; (b) Oceanic En route Air Traffic Control Service; (c) Advisory Control Service; and (d) London Approach Service as amended from time to time pursuant to the Conditions of this Licence or sections 11-19 of the Act.
"En route (UK) Area"	means the Licensed Area designated in Schedule 1.
"En route (Oceanic) Area"	means the Licensed Area designated in Schedule 2.
"En route Businesses"	means the En route (UK) Business and the En route (Oceanic) Business.
"En route (UK) Business"	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.

"En route (Oceanic) Business"	means the Licensee's business which consists of the provision by the Licensee of the Oceanic En route Air Traffic Control Service.
"financial year"	means both the financial year in respect of which the Licensee prepares its accounts for the purposes of the Companies Act 2006.
"holding company"	has the meaning given to it in Section 1159 of the Companies Act 2006.
"Licence"	means this Air Traffic Services Licence and includes its Schedules.
"Licensed Area"	means an area as designated in Schedule 1 or Schedule 2 to this Licence.
"Licensee"	means NATS (En Route) PLC (registered in England under number 4129273) (formerly NATS (En Route) Limited)
"London Approach Service"	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.
"notice"	means (unless otherwise specified) notice given in writing.
"Oceanic En route Air Traffic Control Service"	means the provision of an Air Traffic Control Service other than an Airfield Service in respect of the En route (Oceanic) Area.
"parent undertaking"	has the meaning given to it in Section 1162 of the Companies Act 2006.
"Permitted Purpose"	means the purpose of all or any of the following:

(a) the En route (UK) Business, the En route (Oceanic) Business, the Airspace Design Business, or any business or activity within the limits of Condition 5.9 to 5.12; and

(b) without prejudice to the generality of paragraph (a), any payment or transaction lawfully made or undertaken by the Licensee for a purpose within sub-paragraphs (i) to (vii) of paragraph 19(b) of Condition 5.

"regulatory year" 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.

"related undertaking" 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.

"Relevant Company" means:

(a) the Licensee; or

(b) a parent undertaking in relation to the Licensee.

"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:

(i) the En route (UK) Business;

(ii) the En route (Oceanic) Business; and

(iii) the Airspace Design Service

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.

Strategically Important Interdependent Airspace Change" means a proposal for an airspace change determined by the CAA and the DfT to be strategically important and interdependent with at least one other proposal for airspace change in accordance with CAP 3220 as amended or replaced by the CAA from time to time.

"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.

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.

9. The Licensee shall, within nine months of this paragraph 9 coming into force, submit to the CAA a Resilience Plan in accordance with any relevant guidance issued by the CAA.

10. The Resilience Plan shall set out the principles, policies and processes by which the Licensee will comply with its obligations under Paragraph 2 and its duties under section 8 of the Act, with regard to Resilience, Contingency and Business Continuity.

11. The Licensee shall submit a Resilience Plan Certificate with the Resilience Plan.

12. The form, scope and level of detail of the Resilience Plan shall be as reasonably approved by the CAA and shall take into account the views of Users consulted in accordance with Condition 16.

13. At least every 24 months or when so directed by the CAA, the Licensee shall review and, if necessary and following consultation, revise its Resilience Plan to ensure continued compliance with Paragraph 2. Following each review the Licensee shall submit any revised plan, or a letter confirming that no revision was required, to the CAA with a Resilience Plan Certificate.

14. The CAA may appoint a person (the Independent Reviewer) to review the Resilience Plan and any revisions to ensure continued compliance with Paragraph 2. The CAA will publish the conclusions reached by the Independent Reviewer. Unless the CAA directs otherwise, the Independent Reviewer will be paid for by the Licensee.

15. No CAA guidance, whether produced within the timeframe envisaged in Paragraph 9 or thereafter, or CAA direction under Paragraph 13, shall have effect unless the CAA has first consulted the Licensee and other relevant parties. If the CAA issues guidance at any time within the nine month period mentioned in paragraph 9, that nine month period will be extended accordingly.

16. Definitions

    (a) Business Continuity means the capability of an Air Navigation Service Provider (ANSP) to continue delivery of Air Traffic Management Services at a pre-agreed level of service following a disruptive event, including provision for both resilience and contingency;

    (b) Contingency means the capability of an ANSP to resume operation from an alternative site within a defined time period and at pre-defined levels following a catastrophic disruptive incident;

    (c) Resilience means the capability of an ANSP's assets, networks, people and procedures to anticipate, prevent, absorb and adapt to a disruptive event with any disruption or degradation of service managed in alignment with pre-agreed performance standards and to safely and rapidly recover to normal services;

    (d) A Resilience Plan Certificate means 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 in the following form:

    "The Licensee has developed and reviewed its Resilience Plan. In the

opinion of the directors of the Licensee the Resilience Plan is fit for purpose and complies with its obligations under its Licence".

Condition 3: Modifications 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.

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:

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

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 and that it informs the CAA about the resources available to it and its compliance with certain conditions of this Licence;

   (b) limit the scope of activities which the Licensee undertakes which are outside the En route (UK) Business, the En route (Oceanic) Business and the Airspace Design Business;

   (c) create an effective financial ring-fence around the En route (UK) Business, the En route (Oceanic) Business and the Airspace Design 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 part of the Condition nor is it 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, fixed and moveable assets, rights, licences, consents and facilities, on such terms and with all such rights as shall ensure that at all times it is able to:

   (a) carry out its Permitted Purpose activities; and

   (b) comply in all respects with its obligations under the Act and this Licence including, without limitation, its duties under section 8 of the Act,

   provided always that nothing in this paragraph 2 shall require the Licensee to prioritise the availability of its resources in favour of the Airspace Design Business to the detriment of the En route (UK) Business, the En Route (Oceanic) Business or any business or activity within the limits of paragraphs 9, 10, 12(a)(iii) and 12(a)(v) of this Condition.

Compliance Certificates in relation to financial resources

3. With effect from 1 April 2016, the Licensee shall submit a Compliance Certificate to the CAA within four months of the end of the Licensee's financial year in one of the following forms:

   (a) Certificate 1F

   "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 itself, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the Licensee, 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 resources and financial facilities to enable the Licensee to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence (as amended from time to time) for a period of two years from the date of this certificate."

   or

   (b) Certificate 2F

   "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 itself, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the Licensee, 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 resources and financial facilities to enable the Licensee to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence (as amended from time to time) 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 carry on the permitted Purpose activities and to comply with its obligations under the Act and under such Licence for that period."

or

(c) Certificate 3F

"In the opinion of the directors of the Licensee, the Licensee will not have available to itself sufficient financial resources and financial facilities to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence (as amended from time to time) for a period of two years from the date of this certificate."

4. The Licensee shall ensure that the Compliance Certificate given to the CAA under paragraph 3 is accompanied by a statement of the main factors that the Licensee's directors have taken into account in giving that certificate including reference to:

(a) the systems and processes established by the Licensee to support the giving of the certificate by the directors;

(b) the main financial resources and financial facilities available to the Licensee; and

(c) the most recent management projected cash flows of the Licensee.

together with 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.

Compliance Certificates in relation to operational resources

5. With effect from 1 April 2016, the Licensee shall submit a Compliance Certificate to the CAA within four months of the end of the Licensee's financial year in one of the following forms:

(a) Certificate 1R

"After making enquiries, the Licensee's directors have a reasonable expectation that the Licensee will have sufficient operational resources available to itself, including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities to enable the Licensee to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence (as amended from time to time) for a period of two years from the date of this certificate."

or

(b) Certificate 2R

""After making enquiries, the Licensee's directors have a reasonable expectation, subject to what is explained below, that the Licensee will have sufficient operational resources available to itself, including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities to enable the Licensee to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence (as amended from time to time) for a period of two years from the date of this certificate.

However, the directors of the Licensee would like to draw attention to the following factors, which may cast doubt on the Licensee's ability to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence [*followed by a description of the factors concerned*]."

or

(c) Certificate 3R

"In the opinion of the Licensee's directors, the Licensee will not have available to itself sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities to enable the Licensee to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence (as amended from time to time) for a period of two years from the date of this certificate."

6. The Licensee shall ensure that the Compliance Certificate given to the CAA under paragraph 5 is accompanied by a statement of the systems and processes

established by the licensee to support the giving of the certificate by the directors and the main factors that the Licensee's directors have taken into account in giving that certificate.

Compliance Certificates in relation to certain Conditions

7. With effect from 1 April 2016, the Licensee shall submit a Compliance Certificate to the CAA within four months of the end of the Licensee's financial year in one of the following forms:

(a) Certificate 1C

"After making enquiries, the Licensee's directors consider that, at the time of their approval of this certificate, the Licensee is in compliance in all material respects with all of the obligations imposed on it by Condition 17 (Provision of information to the CAA for regulatory purposes), Condition 5 (Availability of resources and Financial Ring Fencing) and Condition 9 (Prohibition of cross-subsidies)."

or

(b) Certificate 2C

"In the opinion of the Licensee's directors, the Licensee is not at the time of their approval of this certificate in compliance in all material respects with all of the obligations imposed on it by Condition 17 (Provision of information to the CAA for regulatory purposes), Condition 5 (Availability of resources and Financial Ring Fencing) and Condition 9 (Prohibition of cross-subsidies) [*followed by a description of the way in which the Licensee is not complying*]."

8. The Licensee shall inform the CAA in writing as soon as reasonably practicable if:

(a) the directors of the Licensee become aware of any circumstance that causes them no longer to have the reasonable expectations expressed in the most recent certificate given under paragraph 3(a), 3(b), 5(a) or 5(b); or

(b) the directors of the licensee consider that any adverse factors that caused them to give the CAA a Compliance Certificate in the form of under paragraph 3(b), 3(c), 5(b) or 5(c) and referred to in that certificate have materially worsened.

Certificates for the CAA in relation to dividends

8A. Subject to paragraph 8D, the directors of the Licensee shall not declare or recommend a dividend, and the Licensee shall not make any other form of distribution within the meaning of sections 829, 830, 849 and 850 of the

OFFICIAL - Public. This information has been cleared for unrestricted distribution.

Companies Act 2006, or redeem or repurchase any share capital of the Licensee, unless before declaring, recommending, or making the distribution, redemption, or repurchase (as the case may be) the licensee has given the CAA a Compliance Certificate that complies in all respects with the two requirements set out in paragraphs 8B and 8C.

8B. The first requirement is that the Compliance Certificate shall be in the following form:

"After making enquiries, the directors of the Licensee are satisfied:

(a) that, at the time of their approval of this certificate, the Licensee is in compliance in all material respects with all of the obligations imposed on it by Condition 17 (Provision of information to the CAA for regulatory purposes), Condition 5 (Availability of resources and Financial Ring Fencing) and Condition 9 (Prohibition of cross-subsidies); and

(b) that the making of a distribution, redemption, or repurchase of [value] on [date] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the Licensee to be in breach to a material extent of any of those obligations in the future."

8C. The second requirement is that the Compliance Certificate shall have been approved by the Licensee's board of directors not more than 14 days before the date on which the declaration, recommendation, or payment is to be made.

8D. The Licensee need not give the CAA a Compliance Certificate of the type required by paragraph 8A in circumstances where:

(a) during the six months preceding the declaration or recommendation of a dividend, the making of any other form of distribution or the redemption or repurchase of share capital, it has given the CAA a Compliance Certificate in the form of Certificate 1C under the requirement set out in paragraph 7 of this Condition; and

(b) that certificate includes an appropriate addendum using the wording given at paragraph 8B(b) of this Condition.

8E. Where the Compliance Certificate given under paragraph 8A, or relied upon under paragraph 8D, relates to the declaration or recommendation of a dividend, the Licensee is under no obligation to issue a further Compliance Certificate before paying that dividend so long as such payment is made within six months of the date on which the Compliance Certificate was given.

OFFICIAL - Public

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, the En route (Oceanic) Business and the Airspace Design 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

(aa) the En route (UK) Business;

(bb) the En route (Oceanic) Business; and

(cc) the Airspace Design 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. 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 and the Airspace Design 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.

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) 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.

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 paragraphs 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-paragraph 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-paragraph 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 January 2023 to 31 December 2027 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 monitoring threshold 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.

For the duration of the charge controls set out in Conditions 21, 21a and 22, the definition of financial indebtedness under the licence has not changed. This definition excludes lease liabilities that have been generally been classified as debt since 1 April 2019 as a result of a change to the accounting treatment of operating leases.

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" 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 this Condition) 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 documents" means any of the financing documents to which the Licensee is a party from time to time setting out the terms on which the Licensee's senior debt is made available to the Licensee.

"finance leases" means all leases entered into by the Licensee, except those that are treated as though they were operating leases (and therefore included within operating costs) in any relevant national performance plan (or equivalent regulatory document).

"indebtedness" 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.

"investment grade issuer credit rating" means:

(i) an issuer rating of not less than BBB – by Standard & 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

(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.

"investment" 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.

"relevant asset" mean 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 situated.

"senior debt" 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:

      (i) the UK Air Traffic Services Business;

      (ii) the En Route (Oceanic) Business; and

      (iii) the Airspace Design 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 2020 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:

   (i) the UK Air Traffic Services Business;

(ii) the En route (Oceanic) Business;

(iii) the Airspace Design Business; and

(iv) 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:

(aa) the UK Air Traffic Services Business;

(bb) the En route (Oceanic) Business; and

(cc) the Airspace Design Business

together with a description of the basis of that charge; or

(ii) determined by apportionment or allocation between:

(aa) the UK Air Traffic Services Business;

(bb) the En route (Oceanic) Business; and

(cc) the Airspace Design Business.

(c) explain the basis on which incurred costs have been apportioned or allocated to services provided to New Users, specifying in particular which services have been provided and, where possible, to which types of New User.

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 which provides their opinion on those accounts. The opinion should be worded in the form required by those professional bodies

accountable for prescribing the form of audit reports on regulatory accounts and should reference compliance with the Condition and Regulatory Accounting Guidelines;

(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 Licensee shall also:

(a) make reasonable endeavours to secure agreement between itself, the CAA and the Auditors on Agreed Upon Procedures which are designed to provide the CAA with factual findings, where, from time to time, the CAA reasonably considers such procedures are relevant to the fulfilment of its duties and proportionate to any concerns of the CAA in respect of the CAA in respect of its fulfilment of those duties, in each case relating to the following:

(i) the appropriateness of any amounts referred to in paragraphs 5(b)(i) and 5(b)(ii) of this Condition;

(ii) the Licensee's compliance with the prohibition of cross-subsidies in paragraph 1 of Condition 9; and

(iii) any other aspect of the regulatory accounts on which the CAA reasonably considers it requires factual findings.

(b) procure, as required from time to time by the CAA, in respect of the regulatory accounts prepared in accordance with paragraph 4, a report by the Auditors addressed to the CAA which states that they have carried out Agreed Upon Procedures and which sets out their findings.

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

9. 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 or the Airspace Design Business.
"Agreed Upon Procedures"	means procedures which are from time to time agreed between the CAA, the Auditors and the Licensee and which the Auditors carry out and report on factual findings.
"New Users"	means a User who: - is or is in the process of applying to be an "unmanned aircraft system operator" or "UAS operator" carrying out "UAS operations" as defined in UK Regulation (EU) 2019/947; - is the holder of or is in the process of applying for an "operator licence" or a "spaceport licence" as defined in the Space Industry Act 2018; - is the owner of a "spacecraft" or a "carrier aircraft "as defined in the Space Industry Act 2018; or - is any other User who owns, operates, or is in the process of applying for the relevant approvals to own or operate, a novel type of aircraft for which the Licensee has not previously provided air traffic services and who wishes to use such services.

Condition 7: Requirement to maintain an intervention plan

1. The Licensee shall prepare by 1 April 2016, or within 6 months of this condition coming into effect in this Licence, whichever is the later and, thereafter, maintain an intervention plan fulfilling the criteria set out in paragraph 3.

2. The requirement for the information described in paragraph 3 will be satisfied if the plan provides details of other documents or records (including electronic records) where that information can readily be obtained and those documents or records are either maintained by the Licensee itself or are available to the Licensee at all times under a legal or contractual right.

3. For the purposes of this condition, an intervention plan shall be a document or set of documents (which may be in a suitably secure electronic format) containing information that would be sufficient to allow any person appointed under an air traffic administration order (within the meaning in Chapter I of the Act) in respect of the Licensee readily to obtain the information they could reasonably be expected to require in order for that person efficiently to carry out his functions and to remain compliant with the Act and this Licence. The form of the intervention plan shall, as a minimum, contain information on:

   (a) the financial assets, resources and facilities of the Licensee;

   (b) the non-financial assets, rights and resources of the Licensee, including information on key management and operational personnel and information technology systems;

   (c) the liabilities of the Licensee, including contingent and contractual liabilities with counterparty and maturity information;

   (d) the tax affairs of the Licensee;

   (e) the personnel of the Licensee and any personnel employed by any affiliate or related undertaking of the Licensee who are engaged in operating any aspect of the Permitted Purpose activities of the Licensee;

   (f) any pension schemes of which those personnel referred to in sub-paragraph (e) are members and which are sponsored or administered by the Licensee or any affiliate or related company of the Licensee;

   (g) any mortgages, charges, or other forms of security over the Licensee's assets; the systems and processes by which the Licensee carries on the En route Businesses and the Airspace Design Business with information on any significant contractual arrangements, including those that impose

obligations on the Licensee.

(h) any arrangements under which the Licensee has delegated any part of the En route Businesses, the Airspace Design Business to any affiliate of the Licensee;

(i) any contractual rights to receive cash or other financial assets from any affiliate of the Licensee or any other person;

(j) any contractual obligations to deliver cash or other financial assets to any affiliate of the Licensee; and

(k) the Licensee's arrangements and procedures for ensuring compliance with legislative requirements relating to the provision of air traffic services and with its obligations under this Licence, including the conditions set out in Part III of this Licence.

4. The form, scope and level of detail of the intervention plan prepared in accordance with paragraph 1 shall be approved by the CAA (such approval not to be unreasonably withheld or delayed).

5. The Licensee shall keep the intervention plan under review at all times and, at least annually, shall review the appropriateness of the intervention plan and submit to the CAA a Compliance Certificate within four months of the end of the Licensee's financial year in the following form:

"The Licensee has reviewed its intervention plan as required by condition 7 of its Licence. In the opinion of the directors of the Licensee, the intervention plan is fit for purpose and complies with the Licensee's obligations under that condition."

Condition 8: Requirement for mandated independent directors and corporate governance

1. Where potential conflicts exist between the interests of the Licensee and those of any affiliates or related undertakings of the Licensee, the directors of the Licensee, in discharging their responsibilities as directors of the Licensee shall act independently of the interests of any affiliate or related undertaking of the Licensee and ensure that they have regard exclusively to the interests of the Licensee.

2. Subject to paragraph 13, the Licensee shall ensure that at all times after a date which is 12 months after this condition comes into effect, it has at least two non-executive directors who meet the criteria set out in paragraphs 3, 4 and 5. In this condition such directors are referred to as “mandated independent directors”.

3. A mandated independent director shall:

   (a) be a natural person;

   (b) in the reasonable opinion of the Licensee, have the skills, knowledge, experience, and personal qualities necessary to perform effectively as a non-executive director of the Licensee and participate fully in the decision making of the board of directors of the Licensee;

   (c) not have any executive duties within the Licensee’s business; and

   (d) be of sufficient standing to ensure that directors of the Licensee, in discharging their responsibilities as directors of the Licensee, act independently of the interests of any affiliate or related undertaking of the Licensee and ensure that they have regard exclusively to the interests of the Licensee.

4. A mandated independent director shall not be, and shall not have been during the 12 months before his appointment as a director of the Licensee or the coming into force of this condition (whichever is the later):

   (a) an employee of the Licensee; or

   (b) a director or employee of an associate of the Licensee.

5. A mandated independent director shall not:

   (a) have, or have had during the 12 months before his appointment as a director or the coming into force of this condition (whichever is the later), any material business relationship with the Licensee or any associate of the Licensee;

(b) hold a remit to represent the interests of any particular shareholder or group of shareholders of the Licensee or the interests of any associate or the interests of any particular shareholder or group of shareholders of any associate of the Licensee; or

(c) receive remuneration from the Licensee or any associate of the Licensee apart from a director's fee and reasonable expenses.

6. For the purposes of sub-paragraphs 5(a) and 5(c) respectively:

(a) the holding of a small number of shares or associated rights in the Licensee or any associate of the Licensee shall not, of itself, be considered a material business relationship; and

(b) the receipt or retention of any benefit accrued as a result of prior employment by or service with the Licensee or any associate of the Licensee shall not be considered to be remuneration.

7. The Licensee shall notify the CAA of the names of its mandated independent directors appointed pursuant to paragraph 2 within 14 days of the date on which they are appointed.

8. The terms of appointment of each mandated independent director shall include a condition stipulating that both the Licensee and the appointee will use their best endeavours to ensure that the appointee remains independent during his term of office, having particular regard to the criteria set out in paragraphs 3, 4 and 5.

9. A term of appointment for a mandated independent director may not be for longer than eight years, but an individual may be reappointed thereafter provided that he continues to meet the criteria set out in paragraphs 3, 4 and 5.

10. The Licensee shall notify the CAA in writing within 14 days if any mandated independent director is removed from office or resigns, giving reasons for the removal or (to the extent that they are known to the Licensee) the resignation. For the purposes of this requirement, the reasons for a resignation may, if applicable, be stated to be personal reasons.

11. If at any time the Licensee has fewer than two mandated independent directors because of a removal or resignation or other reason (including death or incapacity), the Licensee shall use reasonable endeavours to ensure that a new director is, or new directors are, appointed to fulfil the obligation in paragraph 2 as soon as is reasonably practicable to bring the number of mandated independent directors up to at least two.

12. Where mandated independent directors have been appointed to fulfil the obligation in paragraph 2, the Licensee shall ensure that (save where necessary to meet urgent safety or operational matters of the Licensee) meetings of its board of directors are:

    (a) quorate only if attended by at least one of those mandated independent directors; and

    (b) clearly distinct, and held at a separate time, from any meeting of the board of directors of any associate of the Licensee.

13. Paragraph 2 shall not have effect where and to the extent that the CAA consents otherwise. The CAA may grant such consent where it considers that the corporate governance arrangements applicable to the Licensee provide equivalent assurance to the CAA in relation to any potential conflicts between the interests of the Licensee and those of any affiliates or related undertakings of the Licensee as if the mandated independent directors required by paragraph 2 had been appointed. Any consent granted by the CAA pursuant to this condition may be on such terms as the CAA considers appropriate in all the circumstances.

14. Nothing in this condition shall be construed as requiring any director of the Licensee to act in a manner that is not consistent with that director's legal obligations as a director.

Interpretation

15. In this condition:

"associate"	means (a) an affiliate or related undertaking of the Licensee; (b) an ultimate holding company of the Licensee; (c) a participating owner of the Licensee; or a (d) a common control company;
"common control company"	means any company, any of whose ultimate holding companies (applying the definition set out in Condition 1 (Interpretation and construction) but substituting that company for the Licensee) is also an ultimate holding company of the Licensee;

"participating owner"

For the purposes of the definition of "associate", a person is subject to a participating interest by another person (a "participating owner") if:

(a) that other person holds a participating interest in the person; or

(b) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person; and

(c) "participating interest" has the meaning given in section 421A of the Financial Services and Markets Act 2000.

Condition 9: Prohibition of cross-subsidies

1. Without prejudice to the provisions of Article 15(2)(e) of Regulation (EC) No 550/2004 on the provision of air navigation services in the single European sky (the "Service Provision Regulation"), 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).

2. Where, on or after 1 April 2016:

   (a) the Licensee enters into any new cross subsidy arrangement; or

   (b) any cross subsidy arrangement which has been entered into prior to 1 April 2016 but which has not been implemented or has not come into effect prior to that date, is implemented or comes into effect.

   any such arrangement, in the Licensee's opinion, is justified for objective reasons and so would be permitted under the Service Provision Regulation, the Licensee shall submit in writing to the CAA a clear identification and explanation of those objective reasons.

3. Where the CAA is satisfied the Licensee is giving or receiving, or has given or received, any cross-subsidy prohibited by paragraph 1 above or the Service Provision Regulation, the Licensee shall take such steps, set out in any directions that may be issued by the CAA, as are necessary to ensure that it complies with paragraph 1 and the Service Provision *Regulation*.

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

1. The Licensee shall prepare a full business plan fulfilling the requirements of paragraph 3 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.

2. Business plans prepared under paragraph 1 shall be submitted to the CAA not less than twelve months before each Plan Renewal Date or at a later date agreed with the CAA, and shall relate to the 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 set out in Commission Implementing Regulation (EU) 2017/373 (and as amended by the Air Traffic Management (Amendment etc)(EU Exit) Regulations 2020 when the Air Traffic Management (Amendment etc)(EU Exit) Regulations 2020 come into force on IP completion day (as defined in section 39(1) of the European Union (Withdrawal Agreement) Act 2020)) and any relevant legislation and/or guidance issued by the Secretary of State arising out of or in connection with the withdrawal of the UK from the European Union.

3. 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 and London Approach Service including its capital expenditure 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

(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 expenditure 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.

4. Every year the licensee shall submit:

(a) not later than 31 January in each year, a service and investment plan fulfilling the requirements of paragraph 5 of this Condition;

(b) not later than 31 July in each year, an interim service and investment plan fulfilling the requirements of paragraph 5 of this Condition;

(c) not later than 30 April and 31 October in each year, an update to the service and investment plan; and

(d) with effect from 1 January 2020, 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.

5. Each service and investment plan and interim service and investment plan shall provide an update of:

(a) the Licensee's investment plans, including its technology and airspace programmes;

(b) the Licensee's delivery of the investment plans, as measured against the capital expenditure programme milestones set out in the Licensee's business plan and as amended to be consistent with the price controls in Conditions 21, 21a and 22; and

(c) 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 or interim 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 Licensee shall be subject to a financial incentive in respect of the efficiency of its capital expenditure programme. The financial incentive shall be based on whether the Licensee has incurred any demonstrably inefficient and/or wasteful capital expenditure and shall be carried out following the criteria set out in a regulatory policy statement produced by the CAA. Any penalty shall be calculated using the principles set out in the regulatory policy statement and will be applied in the next reference period.

8. The Licensee shall be subject to a financial incentive in respect of the quality of its engagement on its capital expenditure programme. The incentive shall be based on the following assessment criteria:

(a) the timeliness of information the Licensee provides to Users, including the provision of early warning and explanation of factors that may put planned delivery timelines at risk, the extent to which the information and mechanism of delivery is focused on the priorities and resource constraints of Users so that it is clear and accessible, the provision of early warning and explanation of factors that may put planned delivery timelines at risk, the extent to which the information enables changes to the capital expenditure programme to be traced from one consultation to another and the proportionality of the information to the materiality of change under consideration;

(b) the range of reasonable options that the Licensee engages on with Users that might be adopted where practical, including the need for those options and the outcomes and benefits that the Licensee is seeking to deliver, opportunities provided for engagement and scrutiny of those options and the impact of those options on operational expenditure;

(c) the Licensee's responsiveness to User and Independent Reviewer submissions including the clear explanation of how it has considered and taken account of those submissions;

(d) whether, in its engagement with users, the Licensee has taken the appropriate mitigation and corrective actions in the light of User and Independent Reviewer submissions.

The maximum value of any penalty in respect of the quality NERL's engagement on its capital expenditure programme in a reference period shall be limited to the Licensee's return on equity on its actual capital expenditure in the reference period and shall be applied in the next reference period.

The process that the CAA shall use to assess the Licensee's performance against the engagement incentive and determine the level of penalty (if any) to be applied shall be set out in a guidance document published by the CAA.

9. The CAA may appoint an Independent Reviewer to report on the Licensee's delivery of and engagement on its capital expenditure programme. The reports shall:

(a) review the timeliness and accuracy of the Licensee's reporting in its service and investment plans;

(b) assess whether the Licensee has sufficiently explained and justified its capital expenditure programme in its service and investment plans;

(c) assess and propose scores for the Licensee's engagement with Users against the assessment criteria referred in paragraph 8 and the CAA's published guidance;

(d) track and assess the Licensee's progress on delivering its capital expenditure programme and achieving the associated benefits; and

(e) report on the cost efficiency of the Licensee's capital expenditure and its implementation.

The CAA may publish the reviews, assessments and reports of the Independent Reviewer. Unless the CAA directs otherwise, the Independent Reviewer will be paid for by the Licensee.

10. The form, scope and level of detail of the Licensee's 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.

11. Subject to paragraph 12, the Licensee shall make available a copy of the latest business plan, business plan report, service and investment plan and interim service and investment plan to any person who requests a copy of such plan or report.

12. 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 11 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.

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

14. In this Condition:

"Plan Renewal Date"	means 31 December 2027, or such other date the CAA shall reasonably specify following consultation with the Licensee, and every fifth anniversary thereof.

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 sub-paragraph 1(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.

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.

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.

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.

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.

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 Act

   other 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.

Condition 18: Provision of the Airspace Design Service and related activities

1. The purpose of Part A of this Condition is to require the Licensee to:

   (a) provide the Airspace Design Service;

   (b) carry out the activities set out in section 98(1)(f) of the Act for the airspace in which the Licensee provides the UK En route Air Traffic Control Service;

   (c) provide the Airspace Coordination Service; and

   (d) administer an airspace design support fund in accordance with rules and eligibility criteria published by the Department for Transport (the "Airspace Design Support Fund") as amended, revised or replaced from time to time.

2. This Condition sets out:

   (a) in Part A, the Licensee's obligations to undertake the activities comprising the Airspace Design Business;

   (b) in Part B, the Licensee's obligations on how it shall deliver the obligations in Part A;

   (c) in Part C, the Licensee's obligations in relation to governance for the activities in Part A; and

   (d) in Part D, obligations in respect of interested parties.

Part A: Requirements to provide the Airspace Design Service and other airspace design activities

3. The Licensee shall use all reasonable endeavours to provide the Airspace Design Service.

4. Without prejudice to the other obligations set out in this Condition, the Licensee shall use all reasonable endeavours to undertake the activities set out in section 98(1)(f) of the Act relating to the airspace in which the Licensee provides the UK En route Air Traffic Control Service which, if approved by the CAA in accordance with the Airspace Change Process, would deliver the objectives of the AMS.

5. The Licensee shall use all reasonable endeavours to provide the Airspace Coordination Service.

6. The Licensee shall administer the Airspace Design Support Fund as directed by

the CAA.

7. The Licensee shall develop and maintain its assets, personnel, systems and other parts of the business so as to be able to comply with its obligations to provide the Airspace Design Business.

Part B: Obligations on how the Licensee shall deliver the Airspace Design Service and other airspace design activities

8. When providing the Airspace Design Service and the Airspace Coordination Service, the Licensee shall:

(a) have due regard to strategic objectives for the Airspace Design Service and/or Airspace Coordination Service published by the Secretary of State; and

(b) have due regard to guidance published by the CAA for the purposes of this condition.

9. The Licensee shall not be required to have due regard to any revised:

(a) strategic objectives for the Airspace Design Service and/or Airspace Coordination Service published by the Secretary of State; or

(b) guidance published by the CAA for the purposes of this condition

(in each case, a “Revised Document”) unless the Secretary of State or CAA, as the case may be, has complied with the requirements of paragraph 10 of this Condition (the “Consultation Requirements”).

10. The Consultation Requirements are that the Secretary of State or CAA (as appropriate) has:

(a) consulted on its proposals to publish a Revised Document, giving the Licensee and any other relevant parties, including airlines, airports and, in the case of a consultation by the CAA, the Secretary of State for Defence, a reasonable period to respond;

(b) in relation to any consultation on any proposal to issue a Revised Document, the CAA has published a statement setting out its position on whether:

(i) the proposed Revised Document would involve a material change to the resources required by the Licensee to discharge its obligations under this Condition; and

(ii) in accordance with the CAA’s duties under the Act, it would be appropriate for the CAA to consult on modifications to this Licence to

address such material change;

(c) having considered the responses to any such consultation, published the Revised Document.

11. In providing the Airspace Design Service and the Airspace Coordination Service, the Licensee shall have due regard to:

(a) any Air Navigation Directions made under sections 66(1), 68 and 104(2) of the Act from time to time in effect, while taking account of Government guidance made under section 70(2)(d) of the Act and any national policy statement relating to airports designated under section 5 of the Planning Act 2008;

(b) the AMS and any prioritisation principles that the CAA is required to produce by any Air Navigation Directions from time to time in force;

(c) the strategic delivery plan it has developed from time to time pursuant to paragraph 12 of this condition; and

(d) the views of the Advisory Board that the Licensee is required to appoint in accordance with Part C of this Condition.

12. As part of its provision of the Airspace Design Business, the Licensee shall develop and publish a strategic delivery plan in accordance with any guidance published by the CAA. The strategic delivery plan shall set out, as a minimum:

(a) for the Airspace Design Service, the Licensee's plans to deliver airspace changes, including in any areas identified in any strategic objectives document;

(b) the plans for delivery of the relevant airspace changes which the Licensee is responsible for coordinating as part of the Airspace Coordination Service; and

(c) sufficient information for:

(i) the CAA and Secretary of State; and

(ii) the other relevant parties identified in paragraph 10(a) of this Condition

to understand any other matters on which delivery of the Airspace Design Service or the Airspace Coordination Service (as the case may be) depends or relies, including:

(aa) any other activities relating to delivery of the AMS for which the Licensee is responsible; and

(bb) the Licensee's plans to deliver its air traffic technology replacement

and upgrade programme.

13. The Licensee shall consult the Secretary of State and the CAA for approval of the form, scope and level of detail of the strategic delivery plan and any update to it, in accordance with any guidance published by the CAA.

14. The Licensee shall keep the strategic delivery plan it produces under paragraph 12 of this Condition under review and update it from time to time, or as directed by the CAA, to reflect changes to and progress in delivering its strategic delivery plan.

Part C: Governance arrangements for the Airspace Design Service and other airspace design activities

15. The Licensee shall inform the CAA and Secretary of State, as soon as practicable, of:

    (a) the appointment (and any subsequent replacement) of the head of the Airspace Design Business; and

    (b) any material changes to the operation of the Airspace Design Business.

16. The Licensee shall appoint an Advisory Board to act as a forum to exchange views, ideas and information with, and obtain advice from, stakeholders on the Airspace Design Service and the Airspace Coordination Service in order to assist the Licensee contribute to the objectives of the AMS.

17. The Licensee shall develop a structure, terms of reference and membership for the Advisory Board and shall consult with the CAA and Secretary of State on these matters prior to appointing the Advisory Board.

18. The Licensee shall ensure that the Advisory Board meets regularly and sufficiently frequently to enable it to discharge the matters set out in the terms of reference it is required to develop under paragraph 17 of this Condition.

19. The Licensee shall furnish to the CAA and the Secretary of State, in such manner and at such times as the CAA or Secretary of State (as the case may be) may require, such information (having the meaning set out in paragraph 4 of Condition 17) as the CAA or Secretary of State (as the case may be) may reasonably require for the purposes of monitoring the Licensee's performance of its obligations in paragraphs 3, 4, 5 and 7 of this Condition and its progress in modernising UK airspace. The Licensee shall not be required to furnish the CAA or Secretary of State with any information which the Licensee could not be compelled to produce or give under section 25 of the Act.

Part D: obligations in respect of other parties

20. The Licensee shall, in carrying out the Airspace Design Service and Airspace Coordination Service, act transparently and not unduly prefer or discriminate against any person or class of persons.

21. The Licensee shall develop and publish a stakeholder engagement plan that sets out written ways of working setting out its approach to engaging with key stakeholders with an interest in how the Licensee is providing the Airspace Design Service and Airspace Coordination Service.

Condition 19: Notification of charges 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.

Part III Conditions Relating To Charge Control

Condition 20: Price Control Conditions: Definitions

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

"Average Charge Per Oceanic Flight"	means the Oceanic Revenue in the Oceanic Relevant Year divided by the number of Oceanic Flights attracting an Oceanic Charge in that year.
"Charge Control Conditions"	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.
"Determined Costs"	means the costs calculated in accordance with the determined cost method in the Eurocontrol Principles (paragraph 1.3.2).
"Eurocontrol"	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.
"Eurocontrol Business"	means the business of the Licensee consisting in the provision of services for which Eurocontrol Charges are paid.
"Eurocontrol Charge"	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.
"Eurocontrol Principles"	means "Principles for Establishing the Cost-Base for En-Route Charges and the Calculation of the Unit Rates" (as in force at the relevant time), published by Eurocontrol's Central Route Charges Office. English language version published in January 2020.
"Eurocontrol Relevant Year"	means a calendar year commencing on 1 January in each year.

“Eurocontrol Relevant year t”	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.
"Exceptional Circumstances"	means circumstances which are outside the Licensee's control and which: (a) have had or will have a negative effect on its financial position; and (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.
“London Approach Relevant Year”	means a period of 12 months commencing on 1 January in each year,
“London Approach Relevant Year t”	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. means a charge paid to the Licensee from the provision of the London Approach Service
“London Approach Charge”	means a charge paid to the Licensee from the provision of the London Approach Service
"London Approach Service Revenue"	means the revenue derived beneficially by the Licensee from the London Approach Service
“Maximum Permitted Average Charge Per Oceanic Flight”	means the amount calculated in accordance with Condition 22.

"National Security Period"	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.
"NR23 Regulatory Period"	means the period from 1 January 2023 to 31 December 2027 (inclusive).
"Oceanic Charge"	means a charge paid to the Licensee from the provision of services in the En Route (Oceanic) Area.
"Oceanic Flight"	means a flight in the En Route (Oceanic) Area in an Oceanic Relevant Year.
"Oceanic Relevant Year"	means a period of 12 months commencing on 1 January in each year.
"Oceanic Relevant Year t"	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.
"Oceanic Revenue"	means the revenue derived beneficially by the Licensee from Oceanic Charges.
“Reference Period”	means, as appropriate, 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, or the third reference period, namely 1 January 2020 to 31 December 2022, or the reference period from 1 January 2023 to 31 December 2027 (defined as “NR23 Regulatory Period” above).
"Relevant Year t"	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.

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 2023, 2024, 2025, 2026 and 2027, the maximum Permitted Average Charge Per Service Unit shall be calculated as follows:

$$\text{Maximum charge}_t = \frac{DC_t + INF_t + ReS_t + TRS_t + CSM_t + FI_t + MOD_t + TVar_t + TUR_t - VFR_t - INEA_t - FAS_t + TRSRecovery_t + PP_t + TRSRecoveryINF_t}{\text{ForecastTSU}_t} - \text{Discount}_t$$

where

Maximum charge_t means the Maximum Permitted Average Charge Per Service Unit in Eurocontrol Relevant Regulatory Year t (for 2023, 2024, 2025, 2026 or 2027).

DC_t means the determined costs, expressed in nominal terms for relevant year t.

Year t	(£)
2021	674,270,832
2022	688,739,423
2023	758,911,570
2024	770,018,585
2025	696,737,422
2026	720,194,961
2027	729,122,193

INF_t means the adjustment of the difference between forecasted and actual inflation in relevant year $t-2$ in respect of Determined Costs (DC), calculated in accordance with Paragraph 3 of this condition.

$INEA_t$ means any assistance provided by the Innovation and Networks Executive Agency (INEA) or other similar public funding in relevant year t, where funding is to be returned to users via a specific unit rate reduction as calculated and agreed with the CAA.

ReS_t means the authorised restructuring costs in relevant year t. For all year t = 2023, 2024, 2025, 2026 and 2027, $\mathrm{ReS}_t = 0$.

TRS_t means Traffic Risk Sharing element from previous years calculated in accordance with paragraph 4 of this condition.

CSM_t means the carry-overs from the previous reference period, expressed in nominal terms for relevant year t, resulting from the implementation of the cost sharing mechanism referred to in paragraphs 3.3.4.1 – 3.3.4.4 of Eurocontrol Principles;

Year t	CSM_t (£)
2023	9,151,506
2024	7,789,839
2025	4,736,374
2026	4,687,164
2027	4,683,464

FI_t means Financial Incentives relating to performance as calculated in accordance with Paragraphs 7-18 of this condition.

MOD_t means the over-or under-recoveries that may result from the modulation of air navigation charges in application of Article 16 of the modulation mechanism under paragraph 3.4.2 of the Eurocontrol Principles.

TVar_t means the the over-or under-recoveries resulting from traffic variations as defined in Paragraph 5 of this condition.

TUR_t means the the over-or under-recoveries resulting from the application of a temporary unit rate in accordance with Paragraph 19 of this condition.

VFR_t means expected cost of services to traffic operating under Visual Flight Rules in relevant year t. For all years t = 2023, 2024, 2025, 2026 and 2027, $\mathrm{VFR}_t = 0$.

$\mathrm{TRSRecovery}_t$ means the TRS recovery adjustment in respect of 2020, 2021 and 2022, expressed in nominal terms for relevant year t, established at the beginning of the NR23 Regulatory Period as follows:

Year t	TRSRecovery_t (£)
2023	93,319,902
2024	94,376,636
2025	95,358,895
2026	97,675,569
2027	100,577,838

TRSRecoveryINF_t means the adjustment in relevant year t of the difference between forecasted and actual inflation in relevant year $t - 2$ in respect of the TRS Recovery adjustment for 2020-2022, calculated in accordance with Paragraph 3A of this condition.

PP_t means the pricing profile adjustment, expressed in nominal terms for relevant year t, established at the beginning of the NR23 Regulatory Period as follows:

Year t	PP_t (£)
2023	0
2024	-144,703,637
2025	56,495,619
2026	43,488,105
2027	58,976,260

Discount_t 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_t means the forecast of Total Service Units for relevant year t established at the beginning of the reference period as follows:

Year t	TSU_t
2021	12,891,000
2022	13,183,000

Year t	TSU_t
2023	11,956,000
2024	12,930,000
2025	13,247,000
2026	13,490,000
2027	13,700,000

Total Service Units (TSUs) means the route service units calculated in accordance with Eurocontrol's Central Route Charges Office's Conditions of Application of the Route Charges System and Conditions of Payment as amended from time to time *including* the service units relating to military exempt flights.

Inflation assumptions

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

$FHICP_t$ means the forecast values of the index of consumer prices in respect of the UK for Eurocontrol Relevant Year t established prior to the control period, consistent with the projections in nominal prices (the index base used is 2017 = 100 up to 2022 and 2020 = 100 thereafter), which shall be:

Relevant Year t	Index (base 2017 = 100)	Index (base 2020 = 100)
2020	106.44	100.00
2021	108.57	102.58
2022	110.74	111.87
2023		118.73
2024		119.75
2025		119.89
2026		120.49
2027		122.38

Inflation adjustment

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

For $t = 2023, 2024, 2025, 2026$ and 2027,

$$\mathrm{INF}_t = \mathrm{DC}_{t-2} \times \left(\frac{\mathrm{HICP}_{t-2}}{\mathrm{FHICP}_{t-2}} - 1\right)$$

where HICP_{t-2} is calculated as follows:

Year $t-2$	Calculation
2021	107.9
2022	117.7
2023	$\mathrm{HICP}_{2023} = 111.9 \times (1 + \mathrm{Inflation}_{2023})$
2024	$\mathrm{HICP}_{2024} = \mathrm{HICP}_{2023} \times (1 + \mathrm{Inflation}_{2024})$
2025	$\mathrm{HICP}_{2025} = \mathrm{HICP}_{2024} \times (1 + \mathrm{Inflation}_{2025})$
2026	$\mathrm{HICP}_{2026} = \mathrm{HICP}_{2025} \times (1 + \mathrm{Inflation}_{2026})$
2027	$\mathrm{HICP}_{2027} = \mathrm{HICP}_{2026} \times (1 + \mathrm{Inflation}_{2027})$

where

$\mathrm{Inflation}_t$ means the annual average inflation rate (to one decimal place) in respect of calendar year t published by the UK Office for National Statistics (ONS) calculated from its Consumer Price Index (CPI) which is based on the harmonised consumer price inflation methodology developed by Eurostat.

Inflation Adjustment for $\mathbf{TRSRecovery_t}$

3A. The adjustment of the difference between forecasted and actual inflation in respect of the TRS Recovery adjustment for 2020-2022 shall be calculated as follows:

For $t = 2025, 2026$ and 2027,

$$\mathrm{TRSRecoveryINF}_t = \mathrm{TRSRecovery}_{t-2} \times \left(\frac{\mathrm{HICP}_{t-2}}{\mathrm{FHICP}_{t-2}} - 1\right)$$

where

FHICP_{t-2} has the meaning defined in paragraph 2

$HICP_{t-2}$ has the meaning defined in paragraph 3

Traffic Risk Sharing

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

For $t = 2023, 2024, 2025, 2026$ and 2027

TRS_{2023} and TRS_{2024} equal zero

$TRS_{2025} = 0.056 \times DC_{2024}$, where $\frac{ActualTSU_{2023}}{ForecastTSU_{2023}} < 0.90$, or otherwise

$TRS_{2025} = RSF_{2023} \times DC_{2023}$

$TRS_{2026} = 0.5 \times \left[-\left(\frac{ActualTSU_{2023}}{ForecastTSU_{2023}} - 0.90\right) \times DC_{2023}\right]$, where $\frac{ActualTSU_{2023}}{ForecastTSU_{2023}} < 0.90$, otherwise zero

plus either:

$0.056 \times DC_{2024}$, where $\frac{ActualTSU_{2024}}{ForecastTSU_{2024}} < 0.90$, or otherwise $RSF_{2024} \times DC_{2024}$

$TRS_{2027} = 0.5 \times \left[-\left(\frac{ActualTSU_{2023}}{ForecastTSU_{2023}} - 0.90\right) \times DC_{2023}\right]$, where $\frac{ActualTSU_{2023}}{ForecastTSU_{2023}} < 0.90$, otherwise zero

plus $0.5 \times \left[-\left(\frac{ActualTSU_{2024}}{ForecastTSU_{2024}} - 0.90\right) \times DC_{2024}\right]$, where $\frac{ActualTSU_{2024}}{ForecastTSU_{2024}} < 0.90$, otherwise zero

plus either:

$0.056 \times DC_{2025}$, where $\frac{ActualTSU_{2025}}{ForecastTSU_{2025}} < 0.90$, or otherwise $RSF_{2025} \times DC_{2025}$

where

DC_{t-2} has the meaning in paragraph 1 of this condition;

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:	
$0.98 \leq \frac{ActualTSU_{t-2}}{ForecastTSU_{t-2}} \leq 1.02$	$RSF_{t-2} = 0$

Where:	
$1.02 \leq \frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} \leq 1.10$	$\text{RSF}_{t-2} = -0.7 \times \left(\frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} - 1.02\right)$
$0.90 \leq \frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} \leq 0.98$	$\text{RSF}_{t-2} = -0.7 \times \left(\frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} - 0.98\right)$
$\frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} > 1.10$	$\text{RSF}_{t-2} = -\left(\frac{\text{ActualTSU}_{t-2}}{\text{ForecastTSU}_{t-2}} - 1.10\right) - 0.056$

Where: 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_t is an adjustment to allow for variations between actual and forecast TSUs in the year that a correction originally takes place. It

For $t = 2022, 2023, 2024, 2025, 2026$ and 2027,

$$\text{TVar}_t = (\text{INF}_{t-2} + \text{TRS}_{t-2} + \text{CSM}_{t-2} + \text{UTR}_{t-2} + \text{INEA}_{t-2} + \text{FAS}_{t-2} + \text{FI}_{t-2} + \text{TVar}_{t-2} + \text{TRSRecovery}_{t-2} + \text{PP}_{t-2} + \text{TRSRecoveryINF}_{t-2}) \times \left(1 - \frac{\text{ActualTSU}_{t-2}}{\text{ForecastlTSU}_{t-2}}\right)$$

Calculation of Capacity Target (C1)

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

C1_t means the average minutes of en route air traffic flow management (ATFM) delay in relevant year t. Where:

$$\text{C1}_t = \frac{\text{EnRouteDelay}_t}{\text{Flights}_t}$$

EnRouteDelay_t means the en route ATFM flight delay from all causes which has been attributed by Eurocontrol to the UK in relevant year t, in seconds.

Flights_t means the STATFOR determined count of all IFR flights for the UK for year t. For the avoidance of doubt these include flights which depart or arrive at airports in the UK or which overfly the UK FIR;

C1Target_t means the target set in the performance plan which have the

following values:

Year t	$C1Target_t$
2023	12.29
2024	12.79
2025	12.79
2026	12.79
2027	12.79

Calculation of financial incentives (FI)

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

For FI_{2023} and FI_{2024}

FI_{2023} and FI_{2024} 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 2022.

For FI_{2025}, FI_{2026}, FI_{2027}, FI_{2028}, and FI_{2029},

$$FI_t = FC2_{t-2} + FC3_{t-2} + FC4_{t-2} + F3DI_{t-2}$$

For the year t=2023, $FI_{2023} = 0$

For the year t=2024, $FI_{2024} = 0$

where

$FC2_{t-2}$ means the financial incentive for the C2 measure of NERL's 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; and

$F3DI_{t-2}$ 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 table:

Regulation Cause	NM Code	Regulation Location
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 air traffic flow management (ATFM) delay calculated by Eurocontrol 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 Eurocontrol.

FLT_{t-2} 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 $\mathrm{FC2}_{t-2}$ shall be calculated in accordance with the following formulae where Eurocontrol relevant years $t-2$ are 2023, 2024, 2025, 2026 and 2027 (relating to penalties or bonuses in 2025, 2026, 2027, 2028 and 2029 respectively).

$\mathrm{FC2}_{t-2}$

If $\mathrm{C2}_{t-2} > 1.15 \times \mathrm{C2Target}_{t-2}$

(where $1.15 \times \mathrm{C2Target}_{t-2}$ is rounded to 2 decimal places.)

$$\mathrm{FC2}_{t-2} = -\mathrm{MIN}\left[\left(\frac{\mathrm{C2}_{t-2}/\mathrm{C2Target}_{t-2} - 1.15}{0.4}\right) \times (0.0025 \times \mathrm{DC}_{t-2},), (0.0025 \times \mathrm{DC}_{t-2},)\right]$$

If $\mathrm{C2}_{t-2} < 0.85 \times \mathrm{C2Target}_{t-2}$

(where $0.85 \times \mathrm{C2Target_{t-2}}$ is rounded to 2 decimal places.)

$$\mathrm{FC2_{t-2}} = +\mathrm{MIN}\left[\left(\frac{0.85 - \mathrm{C2_{t-2}/C2Target_{t-2}}}{0.4}\right) \times (0.0025 \times \mathrm{DC_{t-2},}), (0.0025 \times \mathrm{DC_{t-2},})\right]$$

Otherwise $\mathrm{C2_{t-2}} = 0$

$\mathrm{C2_{t-2}}$ means the average en route ATFM delay in relevant year t in seconds, and is given by:

$$\mathrm{C2_{t-2}} = \frac{\text{Licensee Attributable En Route ATFM Delay}_{t-2}}{\mathrm{FLT_{t-2}}}$$

Where:

$\text{Licensee Attributable En Route ATFM Delay}_{t-2}$ has the meaning in paragraph 7 of this condition; and

$\mathrm{FLT_{t-2}}$ has the meaning in paragraph 7 of this condition.

$\mathrm{C2Target_{t-2}}$ means the traffic-adjusted target for the C2 measure as defined at paragraph 8A of this condition.

8A Calculation of C2 measure

Where $\mathrm{LFT_{t-2}} \leq \mathrm{FLT_{t-2}} \leq \mathrm{UFT_{t-2}}$

$$\mathrm{C2Target_{t-2}} = \mathrm{C2ParValue_{t-2}}$$

Where $\mathrm{LFT_{t-2}} > \mathrm{FLT_{t-2}}$

$$\mathrm{C2Target_{t-2}} = \mathrm{C2ParValue_{t-2}} \times \left[1 + \frac{5 \times (\mathrm{FLT_{t-2}} - \mathrm{LFT_{t-2}})}{\mathrm{LFT_{t-2}}}\right]$$

Where $\mathrm{LFT_{t-2}} > \mathrm{UFT_{t-2}}$

$$\mathrm{C2Target_{t-2}} = \mathrm{C2ParValue_{t-2}} \times \left[1 + \frac{5 \times (\mathrm{FLT_{t-2}} - \mathrm{LFT_{t-2}})}{\mathrm{UFT_{t-2}}}\right]$$

where

$\mathrm{FLT_{t-2}}$ has the meaning in paragraph 7.

$\mathrm{LFT_{t-2}} = 0.96 \times \mathrm{FFlight_{t-2}}$

$\mathrm{UFT}_{t-2} = 1.04 \times \mathrm{FFlight}_{t-2}$

$\mathrm{C2ParValue}_{t-2}$ means the par values for C2 which have the following values in the relevant years:

For $t-2 = 2023$, $\mathrm{C2ParValue}_{t-2} = 8.45$;

For $t-2 = 2024$, 2025, 2026 and 2027, $\mathrm{C2ParValue}_{t-2} = 8.95$

$\mathrm{FFlight}_{t-2}$ means the forecast of flights for relevant year t established at the beginning of the NR23 Regulatory Period as set out as follows:

$t-2$	$\mathrm{FFlight}_{t-2}$
2023	2,422,000
2024	2,561,000
2025	2,608,000
2026	2,644,000
2027	2,673,000

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 $\mathrm{FC3}_{t-2}$ shall be calculated in accordance with the following formulae where Eurocontrol relevant years $t-2$ are 2023, 2024, 2025, 2026 and 2027 (relating to penalties or bonuses in 2025, 2026 and 2027, 2028 and 2029 respectively).

$\mathrm{C3}_{t-2}$

If $\mathrm{C3}_{t-2} > 1.2 \times \mathrm{C3Target}_{t-2}$

(where $1.2 \times \mathrm{C3Target}_{t-2}$ is rounded to 2 decimal places)

$$\mathrm{FC3}_{t-2} = -\mathrm{MIN}[(\mathrm{C3PenRate}_{t-2} \times (\mathrm{C3}_{t-2} - 1.2 \times \mathrm{C3Target}_{t-2}) \times \mathrm{FLT}_{t-2}), 0.0075 \times \mathrm{DC}_{t-2}]$$

If $\mathrm{C3}_{t-2} < 0.8 \times \mathrm{C3Target}_{t-2}$

(where $0.8 \times \mathrm{C3Target}_{t-2}$ is rounded to 2 decimal places)

$$FC3_{t-2} = +MIN[(C3BonusRate_{t-2} \times (0.8 \times C3Target_{t-2} - C3_{t-2}) \times FLT_{t-2})], 0.0025 \times DC_{t-2}$$

Otherwise $FC3_{t-2} = 0$

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:

$$C3PenRate_{t-2} = £0.117 \times \frac{HICP_{t-2}}{100}$$

$C3BonusRate_{t-2}$ 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)

$$C3BonusRate_{t-2} = £0.059 \times \frac{HICP_{t-2}}{100}$$

$C3Target_{t-2}$ is the value of the C3 score in Eurocontrol relevant year $t-2$ above which a penalty becomes payable and below which a bonus becomes payable calculated in paragraph 11;

Calculation of $C3_{t-2}$

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

$C3_{t-2} = \frac{1}{FLT_{t-2}} \times \sum w_{p,b}\, d_{p,b}$ for all flights in year $t-2$

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 ≥ 0400 and < 0800 UTC in Summer (April to October inclusive) and between ≥0500 and < 0900 UTC in Winter (January to March inclusive and November to December inclusive);

Evening Peak $(p = 2)$ means flights in relevant year $t-2$ with an

off-block estimated time ≥ 1500 and < 1900 UTC in Summer (April to October inclusive) and ≥ 1600 and < 2000 UTC in Winter (January to March inclusive and November to 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:

	$p = 1$ Morning Peak Period	$p = 2$ Evening Peak Period	$p = 3$ Other times
$b = 1$ (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

	$p = 1$ Morning Peak Period	$p = 2$ Evening Peak Period	$p = 3$ Other times
$b = 4$ (Delay > 60 minutes)	18	9	6

Definition of Thresholds at which Bonuses or Penalties for $C3_{t-2}$ become payable

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

Where If $LFT_{t-2} \leq FLT_{t-2} \leq UFT_{t-2}$

$$C3Target_{t-2} = C3ParValue_{t-2}$$

Where $LFT_{t-2} > FLT_{t-2}$

$$C3Target_{t-2} = C3ParValue_{t-2} \times \left[1 + \frac{5 \times (FLT_{t-2} - LFT_{t-2})}{LFT_{t-2}}\right]$$

where

If $t = 2023$, $C3ParValue_t = 14.08$

If $t = 2024$, 2025, 2026 or 2027, $C3ParValue_t = 14.92$

Where $FLT_{t-2} > UFT_{t-2}$

$$C3Target_{t-2} = C3ParValue_{t-2} \times \left[1 + \frac{5 \times (FLT_{t-2} - UFT_{t-2})}{UFT_{t-2}}\right]$$

where

FLT_{t-2} has the meaning in paragraph 7.

$LFT_{t-2} = 0.96 \times FFlight_{t-2}$

$UFT_{t-2} = 1.04 \times FFlight_{t-2}$

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 Eurocontrol relevant years $t - 2$ are 2023, 2024, 2025, 2026 and 2027 (relating to penalties or bonuses in 2025, 2026, 2027, 2028 and 2029 respectively):

Where: $C4_{t-2} \geq 1800$

$$FC4_{t-2} = -MIN[C4PenRate_{t-2} \times (C4_{t-2} - 1800) \times FLT_{t-2}, 0.0025 \times DC_{t-2}]$$

Where: $C4_{t-2} < 1800$,

$$FC4_{t-2} = 0$$

where

$C4_{t-2}$ means the annual sum of the weighted daily excess delay score calculated as set out in paragraph 13.

$C4PenRate_{t-2}$ 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:

$$C4PenRate_{t-2} = 0.00183265 \times \frac{HICP_{t-2}}{100}$$

Calculation of C4

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

$$C4_{t-2} = C4DailyScore_{d}$$

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:	then
$\frac{DT1_d}{DailyFlights_d} \leq 40$	$C4DailyScore_d = 0$
$40 < \frac{DT1_d}{DailyFlights_d} \leq 80$	$C4DailyScore_d = \frac{DT1_d}{DailyFlights_d} - 40$
$80 < \frac{DT1_d}{DailyFlights_d}$	$C4DailyScore_d = 40 + 2 \times \left(\frac{DT1_d}{DailyFlights_d} - 80\right)$

Where: d is a day in the months April to October inclusive:

Where	Then
$\frac{\mathrm{DT1_d}}{\mathrm{DailyFlights_d}} \leq 60$	$\mathrm{C4DailyScore_d} = 0$
$60 < \frac{\mathrm{DT1_d}}{\mathrm{DailyFlights_d}} \leq 110$	$\mathrm{C4DailyScore_d} = \frac{\mathrm{DT1_d}}{\mathrm{DailyFlights_d}} - 60$
$110 < \frac{\mathrm{DT1_d}}{\mathrm{DailyFlights_d}}$	$\mathrm{C4DailyScore_d} = 50 + 2 \times \left(\frac{\mathrm{DT1_d}}{\mathrm{DailyFlights_d}} - 110\right)$

where

$\mathrm{DT1_d}$ means total Licensee Attributable En Route ATFM Delay in seconds on day d;

$\mathrm{DailyFlights_d}$ 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 $\mathbf{C3_{t-2}}$ or $\mathbf{C4_{t-2}}$ scores for equipment failure

14. On days where both the following two conditions apply:

the scores relate to a day for which the relevant $\mathrm{C4DailyScore_d}$ 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	then
$\lvert\mathrm{C3PenRate_{t-2}}\rvert \times \mathrm{C3_d} \times \mathrm{DailyFlights_d} > \lvert\mathrm{C4PenRate_{t-2}}\rvert \times \mathrm{C4DailyScore_d} \times \mathrm{FLT_{t-2}}$	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 $\mathrm{FC4_t}$ penalty or bonus
$\lvert\mathrm{C3PenRate_{t-2}}\rvert \times \mathrm{C3_d} \times \mathrm{DailyFlights_d} \leq \lvert\mathrm{C4PenRate_{t-2}}\rvert \times \mathrm{C4DailyScore_d} \times \mathrm{FLT_{t-2}}$	for day d the C3 numerator for all the Licensee attributable technical cause codes shall be excluded from the annual FC3 penalty or bonus term; the C4 score shall be included in the annual $\mathrm{FC4_t}$ 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;

$C3_{d}$ has the following meaning:

$$C3_{d} = \frac{\sum w_{p,b}\, d_{p,b}}{DailyFlights_{d}}$$

where

$\sum w_{p,b}\, d_{p,b}$ has the meaning in paragraph 10.

(a) 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 of $C3_{t-2}$ or $C4_{t-2}$ 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 new systems or airspace changes are being implemented and transitioned into the operation;
- Users have been notified and consulted in advance over the timing of such exemptions under currently existing consultation mechanisms (e.g. the Service and Investment Plan (SIP)) or targeted consultation;
- The total number of days falling into such periods designated by the Licensee shall not exceed 100 in aggregate for the period of the five Eurocontrol relevant years 2023 to 2027 inclusive, considered as a whole;
- The length of any given transition period should be limited to three weeks (unless otherwise agreed with users) and will be agreed in

advance as well as the amount of days from the overall cap that the Licensee wishes to use towards this transition;

- The number of days agreed during the consultation will be fixed (unless subsequently revised with the agreement of users) but the particular exempt days within the agreed transition period would not need to be specified as part of the consultation;
- The Licensee will carry out the transition by means of the detailed steps and timing that are most operationally practical. The Licensee will nominate the exempt days ex-post (up to the pre-agreed maximum) for the transitional period;
- If at the end of the transition period the Licensee does not use the pre-agreed amount of exempt days, these will still count against the overall 100 day cap (i.e. the Licensee cannot roll over unused exclusions).

Calculation of the Flight Efficiency Incentive (F3Di)

16. For the purpose of paragraph 7, the term $\mathrm{F3DI_{t-2}}$ shall be calculated in accordance with the following formulae where relevant years $\mathrm{t-2}$ are 2023, 2024, 2025, 2026 and 2027 (relating to penalties or bonuses in 2025, 2026, 2027, 2028 and 2029 respectively):

$\mathrm{3DI_{t-2}}$ means the average 3Di score for all flights for year $\mathrm{t-2}$ as calculated by NERL in accordance with the 3Di score method:

Where: $\mathrm{3DIUpper_{t-2}} < \mathrm{3DI_{t-2}}$

Then

$$\mathrm{F3DI_{t-2}} = -\mathrm{MIN}[\mathrm{3DIPenRate_{t-2}} \times (\mathrm{3DI_{t-2}} - \mathrm{3DIUpper_{t-2}}), \mathrm{DC_{t-2}} \times 0.005]$$

Where: $\mathrm{3DI_{t-2}} < \mathrm{3DILower_{t-2}}$

$$\mathrm{F3DI_{t-2}} = +\mathrm{MIN}[\mathrm{3DIBonusRate_{t-2}} \times (\mathrm{3DILower_{t-2}} - \mathrm{3DI_{t-2}}), \mathrm{DC_{t-2}} \times 0.005]$$

where

$\mathrm{3DIUpper_{t-2}}$ is the upper deadband limit on the flight efficiency metric in year $\mathrm{t-2}$; and

$\mathrm{3DILower_{t-2}}$ is the lower deadband limit on the flight efficiency

metric in year $t-2$, which shall be calculated in accordance with:

Year $t-2$	$3DILower_{t-2}$	$3DIUpper_{t-2}$
2023	26.21	28.97
2024	25.64	28.34
2025	25.13	27.77
2026	24.61	27.21
2027	24.06	26.60

$3DIPenRate_{t-2}$ is the penalty rate in year $t-2$, and equals to $3DIBonusRate_{t-2}$;

$3DIBonusRate_{t-2}$ is the bonus rate in year $t-2$ which shall be calculated as follows:

Year $t-2$	$3DIBonusRate_{t-2}$
2023	$\frac{0.005 \times DC_{2023}}{5.52}$
2024	$\frac{0.005 \times DC_{2024}}{5.40}$
2025	$\frac{0.005 \times DC_{2025}}{5.29}$
2026	$\frac{0.005 \times DC_{2026}}{5.18}$
2027	$\frac{0.005 \times DC_{2027}}{5.07}$

17. [Intentionally left blank]

18. Financial Incentives Carried Forward From RP3:

(a) In respect of charges in Year 2023

$FI_{2023} = 0$

(b) In respect of charges in Year 2024

$FI_{2024} = 0$

Temporary unit rate adjustment

19. This is an adjustment for differences in revenue resulting from the temporary application of the initial 2023 unit rate, given that the modifications of this condition have taken place after the start of 2023. Initial unit rate means the unit rate initially charged in 2023 based on CAA NR23 Initial Proposals (CAP2394). The revised unit rate means the unit rate charged based on the CAA NR23 final decision.

20. The adjustment is applied on a $t + 1$ and $t + 2$ basis, consistent with paragraph 3.3.1.4 of the Eurocontrol Principles that requires the adjustment to be made in the year following the adoption of the performance plan and a final adjustment of the unit rate two years after that year.

$$\mathrm{TUR}_{2024} = (\mathrm{RUR}_{2023} \times \text{TSU forecast in FDecision 2023}) - (\mathrm{IUR}_{2023} \times \text{TSU forecast in FDecision 2023})$$

$$\mathrm{TUR}_{2025} = (\mathrm{RUR}_{2023} - \mathrm{IUR}_{2023}) \times \text{Actual } \mathrm{TSU}_{2023} - \mathrm{TUR}_{2024}$$

where

TUR_{2024} and TUR_{2025} mean the adjustments in 2024 and 2025, respectively, for the revenue difference between the initial unit rate for 2023 and the revised unit rate for 2023.

RUR_{2023} means the revised unit rate applied retrospectively to 2023

IUR_{2023} means the initial unit rate applied in 2023

$\text{TSU forecast in FDecision}_{2023}$ means the TSU forecast for 2023 in the CAA NR23 final decision; and

$\text{Actual}\mathrm{TSU}_{2023}$ means the actual level of total service units for year 2023 published by Eurocontrol.

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 2023, 2024, 2025, 2026 and 2027, the maximum Permitted Average Charge Per London Approach Service Unit shall be calculated as follows:

$$\text{Maximum charge}_t = \frac{\text{LDC}_t + \text{LINF}_t + \text{LReS}_t + \text{LTRS}_t + \text{LOR}_t + \text{LCSM}_t + \text{LFI}_t + \text{LMOD}_t + \text{LTVar}_t + \text{LTUR}_t - \text{LVFR}_t + \text{LTRSRecovery}_t + \text{LTRSRecoveryINF}_t}{\text{ForecastLTSU}_t} - \text{LDiscount}_t$$

where

Maximum charge_t means the Maximum Permitted Average Charge Per London Approach Service Unit in Relevant Year t;

LDC_t means the London Approach determined costs, expressed in nominal terms for relevant year t, and is given by;

Relevant Year t	(£)
2021	13,505,263
2022	14,448,079
2023	15,484,785
2024	15,303,614
2025	16,079,200
2026	16,608,293
2027	16,982,120

LINF_t means the adjustment in relevant year t of the difference between forecasted and actual inflation in relevant year $t-2$ in respect of London Approach Determined Costs (LDC) calculated in accordance with Paragraph 3 of this condition.

LReS_t means the authorised restructuring costs in relevant year t.
For all years $t = 2023, 2024, 2025, 2026$ and 2027, $\text{LReS}_t = 0$.

LTRS_t means the Traffic Risk Sharing element from previous years calculated in accordance with paragraph 4 of this condition.

$\mathrm{LOR_t}$ means Other revenues, including revenues collected from Biggin Hill, as agreed with the CAA, to be returned to airspace users and reflected within the Central Route Charges Table 2. Note – LOR is a negative number as the revenues are returned to airspace users.

$\mathrm{LCSM_t}$ means the carry-overs from the previous reference period resulting from the implementation of the cost sharing mechanism referred to in paragraphs 3.3.4.1 – 3.3.4.4 of Eurocontrol Principles;
For all years $\mathrm{t} = 2023, 2024, 2025, 2026$ and 2027,
$\mathrm{LCSM_t} = 0$.

$\mathrm{LFI_t}$ means the Financial Incentives relating to performance.
For all years $\mathrm{t} = 2023, 2024, 2025, 2026$ and 2027
$\mathrm{LFI_t} = 0$;

$\mathrm{LMOD_t}$ means the over-or under-recoveries that may result from the modulation of air navigation charges in application of the modulation mechanism under paragraph 3.4.2 of the Eurocontrol Principles.
For all years $\mathrm{t} = 2023, 2024, 2025, 2026$ and 2027
$\mathrm{LMOD_t} = 0$

$\mathrm{LTVar_t}$ means the over-or under-recoveries resulting from traffic variations as defined in paragraph 5.

$\mathrm{LTUR_t}$ means the over-or under-recoveries resulting from the application of a temporary unit rate in accordance with paragraph 6 of this condition.

$\mathrm{LVFR_t}$ means the expected cost of services to traffic operating under Visual Flight Rules.
For all years $\mathrm{t} = 2023, 2024, 2025, 2026$ and 2027.
$\mathrm{LVFR_t} = 0$

$\mathrm{LDISCOUNT_t}$ 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.

$\mathrm{ForecastLTSU_t}$ 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	$LTSU_t$
2021	1,015,600
2022	1,041,800
2023	954,874
2024	1,003,136
2025	1,022,309
2026	1,038,856
2027	1,053,934

$LTRSRecovery_t$ means the TRS recovery adjustment in respect of 2020, 2021 and 2022, expressed in nominal terms for relevant year t, established at the beginning of the NR23 Regulatory Period as follows:

Year t	$LTRSRecovery_t$ (£)
2023	1,981,501
2024	2,003,939
2025	2,024,796
2026	2,073,987
2027	2,135,612

$LTRSRecoveryINF_t$ means the adjustment in relevant year t of the difference between forecasted and actual inflation in relevant year $t-2$ in respect of London Approach TRS Recovery adjustment for 2020-2022, calculated in accordance with paragraph 3A of this condition.

Total London Approach Service Units means the terminal service units calculated as follows:

- the terminal service unit shall be equal to the weight factor for the aircraft concerned;
- the weight factor, expressed as a figure taken to two decimal places, shall be the quotient, obtained by dividing by fifty the number of metric tons in the “highest maximum certified take-off weight of the aircraft” (see below for definition), to the power of 0.7; and;

- including any service units relating to military exempt flights for the aggregate of Heathrow, Gatwick, Stansted, Luton, and London City airports

  The "highest maximum certified take-off weight of the aircraft" means the maximum certified take-off weight of the aircraft as shown in the Aircraft Flight Manual. Where an aircraft has multiple certified maximum take-off weights, the highest one shall be used.

Inflation Assumptions

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

   $\mathrm{FHICP_t}$ means the forecast values of the index of consumer prices in respect of the UK for Eurocontrol Relevant Year t established prior to the control period, consistent with the projections in nominal prices (the index base used is 2017 = 100 up to 2022 and 2020 = 100 thereafter), which shall be:

Relevant Year t	Index (base 2017 = 100)	Index (base 2020 = 100)
2020	106.44	100.00
2021	108.57	102.58
2022	110.74	111.87
2023		118.73
2024		119.75
2025		119.89
2026		120.49
2027		122.38

Inflation adjustment

3. The adjustment of the difference between forecasted and actual inflation in respect of London Approach Determined Costs shall be calculated as follows:

   For $\mathrm{t} = 2023, 2024, 2025, 2026$ and 2027,

$$\mathrm{LINF_t} = \mathrm{LDC_{t-2}} \times \left(\frac{\mathrm{HICP_{t-2}}}{\mathrm{FHICP_{t-2}}} - 1\right)$$

   where $\mathrm{HICP_{t-2}}$ is calculated as follows:

Year $t-2$	Calculation
2021	107.9
2022	117.7
2023	$\mathrm{HICP}_{2023} = 111.9 \times (1 + \mathrm{Inflation}_{2023})$
2024	$\mathrm{HICP}_{2024} = \mathrm{HICP}_{2023} \times (1 + \mathrm{Inflation}_{2024})$
2025	$\mathrm{HICP}_{2025} = \mathrm{HICP}_{2024} \times (1 + \mathrm{Inflation}_{2025})$
2026	$\mathrm{HICP}_{2026} = \mathrm{HICP}_{2025} \times (1 + \mathrm{Inflation}_{2026})$
2027	$\mathrm{HICP}_{2027} = \mathrm{HICP}_{2026} \times (1 + \mathrm{Inflation}_{2027})$

where

$\mathrm{Inflation}_t$ means the annual average inflation rate (to one decimal place) in respect of calendar year t published by the UK Office for National Statistics (ONS) calculated from its Consumer Price Index (CPI) which is based on the harmonised consumer price inflation methodology developed by Eurostat.

Inflation Adjustment for $\mathbf{LTRSRecovery_t}$

3A. The adjustment of the difference between forecasted and actual inflation in respect of the LTRS Recovery adjustment for 2020-2022 shall be calculated as follows:

For $t = 2025$, 2026 and 2027,

$$\mathrm{LTRSRecoveryINF}_t = \mathrm{LTRSRecovery}_{t-2} \times \left(\frac{\mathrm{HICP}_{t-2}}{\mathrm{FHICP}_{t-2}} - 1\right)$$

where

FHICP_{t-2} has the meaning defined in paragraph 2

HICP_{t-2} has the meaning defined in paragraph 3

Traffic Risk Sharing

4. The Traffic Risk Sharing term LTRS_t shall be calculated as follows:

For $t = 2023$, 2024, 2025, 2026 and 2027

LTRS_{2023} and LTRS_{2024} equal zero

$\mathrm{LTRS}_{2025} = 0.056 \times \mathrm{LDC}_{2023}$, where $\frac{\mathrm{ActualLTSU}_{2023}}{\mathrm{ForecastLTSU}_{2023}} < 0.90$, or otherwise
$\mathrm{LTRS}_{2025} = \mathrm{LRSF}_{2023} \times \mathrm{LDC}_{2023}$

$\mathrm{LTRS}_{2026} = 0.5 \times \left[-\left(\frac{\mathrm{ActualLTSU}_{2023}}{\mathrm{ForecastLTSU}_{2023}} - 0.90\right) \times \mathrm{LDC}_{2023}\right]$, where $\frac{\mathrm{ActualLTSU}_{2023}}{\mathrm{ForecastLTSU}_{2023}} < 0.90$, otherwise zero plus either:
$0.056 \times \mathrm{LDC}_{2024}$, where $\frac{\mathrm{ActualLTSU}_{2024}}{\mathrm{ForecastLTSU}_{2024}} < 0.90$, or otherwise $\mathrm{LRSF}_{2024} \times \mathrm{LDC}_{2024}$

$\mathrm{LTRS}_{2027} = 0.5 \times \left[-\left(\frac{\mathrm{ActualLTSU}_{2023}}{\mathrm{ForecastLTSU}_{2023}} - 0.90\right) \times \mathrm{LDC}_{2023}\right]$, where $\frac{\mathrm{ActualLTSU}_{2023}}{\mathrm{ForecastLTSU}_{2023}} < 0.90$, or otherwise zero plus
$0.5 \times \left[-\left(\frac{\mathrm{ActualLTSU}_{2024}}{\mathrm{ForecastLTSU}_{2024}} - 0.90\right) \times \mathrm{LDC}_{2024}\right]$, where $\frac{\mathrm{ActualLTSU}_{2024}}{\mathrm{ForecastLTSU}_{2024}} < 0.90$, or otherwise zero plus either:
$0.056 \times \mathrm{LDC}_{2025}$, where $\frac{\mathrm{ActualLTSU}_{2025}}{\mathrm{ForecastLTSU}_{2025}} < 0.90$, or otherwise $\mathrm{LRSF}_{2025} \times \mathrm{LDC}_{2025}$

where

LDC_{t-2} has the meaning in paragraph 1 of this condition;

LRSF_{t-2} means the risk sharing factor relating to [Eurocontrol] relevant year $t-2$ based on the actual number of Total London Approach Service Units which shall be calculated as follows:

If	then
$0.98 \leq \frac{\mathrm{ActualLTSU}_{t-2}}{\mathrm{ForecastLTSU}_{t-2}} \leq 1.02$	$\mathrm{LRSF}_{t-2} = 0$
$1.02 \leq \frac{\mathrm{ActualLTSU}_{t-2}}{\mathrm{ForecastLTSU}_{t-2}} \leq 1.10$	$\mathrm{LRSF}_{t-2} = -0.7 \times \left(\frac{\mathrm{ActualLTSU}_{t-2}}{\mathrm{ForecastLTSU}_{t-2}} - 1.02\right)$
$0.90 \leq \frac{\mathrm{ActualLTSU}_{t-2}}{\mathrm{ForecastLTSU}_{t-2}} \leq 0.98$	$\mathrm{LRSF}_{t-2} = -0.7 \times \left(\frac{\mathrm{ActualLTSU}_{t-2}}{\mathrm{ForecastLTSU}_{t-2}} - 0.98\right)$
$\frac{\mathrm{ActualLTSU}_{t-2}}{\mathrm{ForecastLTSU}_{t-2}} > 1.10$	$\mathrm{LRSF}_{t-2} = -\left(\frac{\mathrm{ActualLTSU}_{t-2}}{\mathrm{ForecastLTSU}_{t-2}} - 1.10\right) - 0.056$

where $\mathrm{ActualLTSU}_{t-2}$ 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 is an adjustment to allow for variations between actual and forecast LTSUs in the year that a correction originally takes place.

$$\mathrm{LTVar_t} = (\mathrm{LINF_{t-2}} + \mathrm{LTRS_{t-2}} + \mathrm{LTUR_{t-2}} + \mathrm{LTVar_{t-2}} + \mathrm{LTRSRecovery_{t-2}} + \mathrm{LTRSRecoveryINF_{t-2}}) \times \left(1 - \frac{\mathrm{ActualLTSU_{t-2}}}{\mathrm{ForecastlLTSU_{t-2}}}\right)$$

Temporary unit rate adjustment

6. This is an adjustment for differences in revenue resulting from the temporary application of the initial 2023 unit rate given that the modifications of this condition have taken place after the start of 2023. Initial unit rate means the unit rate initially charged in 2023 based on CAA NR23 Initial Proposals (CAP2394). The revised unit rate means the unit rate charged in 2023 based on the CAA NR23 final decision.

7. The adjustment is applied on a $\mathrm{t}+1$ and $\mathrm{t}+2$ basis, consistent with paragraph 3.3.1.4 of the Eurocontrol Principles that requires the adjustment to be made in the year following the adoption of the performance plan and a final adjustment of the unit rate two years after that year.

$$\mathrm{LTUR_{2024}} = (\mathrm{LRUR_{2023}} \times \mathrm{LTSU\ forecast\ in\ FDecision\ 2023}) - (\mathrm{LIUR_{2023}} \times \mathrm{LTSU\ forecast\ in\ FDecision\ 2023})$$

$$\mathrm{LTUR_{2025}} = (\mathrm{LRUR_{2023}} - \mathrm{LIUR_{2023}}) \times \mathrm{ActualLTSU_{2023}} - \mathrm{LTUR_{2024}}$$

where

$\mathrm{LTUR_{2024}}$ and $\mathrm{LTUR_{2025}}$ mean the adjustments in 2024 and 2025, respectively, for the revenue difference between the initial unit rate for 2023 and the revised unit rate for 2023.

$\mathrm{LRUR_{2023}}$ means the revised unit rate applied retrospectively to 2023.

$\mathrm{LIUR_{2023}}$ means the initial unit rate applied in 2023.

$\mathrm{LTSU\ forecast\ in\ FDecision_{2023}}$ means the LTSU forecast for 2023 in the CAA NR23 final decision.

$\mathrm{ActualLTSU_{2023}}$ means the actual level of London Approach Total Service Units for year 2023 published by Eurocontrol for the aggregate

of Heathrow, Gatwick, Stansted, Luton, and London City airports.

Condition 21b: Control of Airspace Design Charge

1. Without prejudice to Condition 25 (Suspension and Modification of Charge Control Conditions), for each year t beginning on 1 January 2026 and 2027, the maximum permitted average Airspace Design Charge ($MaxADC_t$) shall be calculated as follows:

$$MaxADC_t = \frac{FDCAD_t}{ForecastTSU_t}$$

where:

(a) $MaxADC_t$ is the maximum permitted average Airspace Design Charge in year t in nominal prices. It is a charge per service unit to airspace users to recover the costs of delivering the Airspace Design Service and administering and funding the Airspace Design Support Fund pursuant to the Licensee's obligations in Part A of Condition 18.

(b) $FDCAD_t$ is the forecast determined cost of providing the Airspace Design Service and administering and funding the Airspace Design Support Fund, in nominal prices for relevant year t, as follows:

Year t	£-nominal
2026	14,011,000
2027	20,981,000

(c) $ForecastTSU_t$ is the forecast Total Service Units for relevant year t, as follows:

Year t	$ForecastTSU_t$
2026	12,934,000
2027	13,156,000

2. In this condition, Total Service Units means the route service units calculated in accordance with Eurocontrol's Central Route Charges Office's Conditions of Application of the Route Charges System and Conditions of Payment as amended from time to time *including* the service units relating to military exempt flights.

Condition 22: Oceanic Charges

1. The Oceanic charging zone comprises two areas, 'Atlantic' and 'Tango'. Flights will either incur an Atlantic or Tango area charge. If a flight is solely in the Tango area it will only incur a Tango charge, otherwise it will incur an Atlantic charge.

2. 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 2023, 2024, 2025, 2026 and 2027:

The Average Charge Per Atlantic Flight shall not exceed the Maximum Permitted Average Charge Per Atlantic Flight calculated in accordance with the following formula:

$$A_t = U_t + ADA_t + AINF_t + ATVar_t + ATCA_t$$

The Average Charge Per Tango Flight shall not exceed the Maximum Permitted Average Charge Per Tango Flight calculated in accordance with the following formula:

$$T_t = U_t + ADT_t + TINF_t + TDTRS_t + TTVar_t + TTCA_t$$

where

A_t means the Maximum Permitted Average Charge Per Atlantic Flight in Oceanic Relevant Year t;

T_t means the Maximum Permitted Average Charge Per Tango Flight in Oceanic Relevant Year t;

U_t is a base charge per Oceanic Flight in Oceanic Relevant Year t, expressed in nominal terms:

Relevant Year t	U_t
2023	78.12
2024	71.45
2025	53.62
2026	54.93
2027	52.82

ADA_t means the price charged per Atlantic Flight for the use of the

ADS-B service, expressed in nominal prices.
When the ADS-B service is not fully available for Atlantic flights, $\mathrm{ADA_t} = 0$.
When the ADS-B service is fully available:

Relevant Year t	$\mathrm{ADA_t}$
2023	36.68
2024	36.48
2025	38.31
2026	38.48
2027	40.23

$\mathrm{AINF_t}$ means the adjustment in relevant year t to the ADS-B North Atlantic charges to account for the difference between forecast and actual inflation in relevant year $\mathrm{t} - 2$ calculated in accordance with paragraph 4 of this condition.

$\mathrm{ATVar_t}$ means the adjustment in relevant year t to account for the difference between forecast and actual number of North Atlantic flights in the relevant year $\mathrm{t} - 2$ calculated in accordance with paragraph 5 of this condition.

$\mathrm{ADT_t}$ means the price charged per Tango Flight for the use of the ADS-B service, expressed in nominal prices.
When the ADS-B service is not fully available for Tango flights, $\mathrm{ADT_t} = 0$. When the ADS-B service is fully available:

Relevant Year t	$\mathrm{ADT_t}$
2023	1.74
2024	6.27
2025	6.50
2026	6.37
2027	6.69

$\mathrm{ATCA_t}$ means the over-or under-recoveries resulting from the application of a temporary charges and calculated in accordance with

paragraph 5A of this condition.

$\mathrm{TINF_t}$ means the adjustment in relevant year t to the ADS-B Tango charges to account for the difference between forecast and actual inflation in relevant year $\mathrm{t-2}$ calculated in accordance with paragraph 4 of this condition.

$\mathrm{TDTRS_t}$ means the adjustment to the average charge per Tango flight in relevant year t to account for the impact of the difference between forecast and actual Tango flights in relevant year $\mathrm{t-2}$ on the Tango data charge. For 2023, 2024, 2025, 2026 and 2027,

$$\mathrm{TDTRS_t} = \mathrm{ADT_{t-2}} \times \left(1 - \frac{\text{Actual Tango Flights}_{\mathrm{t-2}}}{\text{Forecast Tango Flights}_{\mathrm{t-2}}}\right)$$

$\mathrm{TTVar_t}$ means the adjustment to account for the difference between forecast and actual number of Tango flights in the relevant year $\mathrm{t-2}$ calculated in accordance with paragraph 5 of this condition.

$\mathrm{TTCA_t}$ means the over- or under-recoveries resulting from the application of a temporary charges and calculated in accordance with paragraph 5A of this condition;

$\text{Forecast Tango Flights}_{\mathrm{t}}$ means the forecast of Tango Flights for relevant year t established at the beginning of the NR23 Regulatory Period as follows:

Relevant Year t	$\text{Forecast Tango Flights}_{\mathrm{t}}$
2023	24,000
2024	26,000
2025	27,000
2026	27,000
2027	27,000

$\text{Forecast Atlantic Flights}_{\mathrm{t}}$ means the forecast of Atlantic Flights for relevant year t established at the beginning of the NR23 Regulatory Period as follows:

Relevant Year t	$\text{Forecast Atlantic Flights}_{\mathrm{t}}$
2023	483,000

Relevant Year t	$\text{Forecast Atlantic Flights}_t$
2024	519,000
2025	528,000
2026	535,000
2027	542,000

Inflation assumptions

3. The Oceanic base charge (U_t) and ADS-B North Atlantic (ADA_t) and Tango (ADT_t) charges are set above in *nominal* prices, and therefore include the CAA's assumed forecast of CPI inflation.

   $FHICP_t$ means the forecast values of the index of consumer prices in respect of the UK for Eurocontrol Relevant Year t established prior to the control period, consistent with the projections in nominal prices (the index base used is 2017 = 100 up to 2022 and 2020 = 100 thereafter), which shall be:

Relevant Year t	Index (base 2017 = 100)	Index (base 2020 = 100)
2020	106.44	100.00
2021	108.57	102.58
2022	110.74	111.87
2023		118.73
2024		119.75
2025		119.89
2026		120.49
2027		122.38

Inflation adjustment

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

   For $t = 2023, 2024, 2025, 2026$ and 2027:

$$AINF_t = U_{t-2} \times \left(\frac{HICP_{t-2}}{FHICP_{t-2}} - 1\right) + ADA_{t-2} \times \left(\frac{HICP_{t-2}}{FHICP_{t-2}} - 1\right)$$

$$\mathrm{TINF_t} = \mathrm{U_{t-2}} \times \left(\frac{\mathrm{HICP_{t-2}}}{\mathrm{FHICP_{t-2}}} - 1\right) + \mathrm{ADT_{t-2}} \times \left(\frac{\mathrm{HICP_{t-2}}}{\mathrm{FHICP_{t-2}}} - 1\right)$$

where $\mathrm{HICP_{t-2}}$ is calculated as follows:

Year $t-2$	Calculation
2021	107.9
2022	117.7
2023	$\mathrm{HICP_{2023}} = 111.9 \times (1 + \mathrm{Inflation_{2023}})$
2024	$\mathrm{HICP_{2024}} = \mathrm{HICP_{2023}} \times (1 + \mathrm{Inflation_{2024}})$
2025	$\mathrm{HICP_{2025}} = \mathrm{HICP_{2024}} \times (1 + \mathrm{Inflation_{2025}})$
2026	$\mathrm{HICP_{2026}} = \mathrm{HICP_{2025}} \times (1 + \mathrm{Inflation_{2026}})$
2027	$\mathrm{HICP_{2027}} = \mathrm{HICP_{2026}} \times (1 + \mathrm{Inflation_{2027}})$

where

$\mathrm{Inflation_t}$ means the annual average inflation rate (to one decimal place) in respect of calendar year t published by the UK Office for National Statistics (ONS) calculated from its Consumer Price Index (CPI) which is based on the harmonised consumer price inflation methodology developed by Eurostat.

Traffic adjustments TVar adjustments

5. These are adjustments to allow for variations between actual and forecast number of flights in the year that a correction originally takes place. For 2023, 2024, 2025, 2026 and 2027:

$$\mathrm{ATVar_t} = \frac{(\mathrm{AINF_{t-2}} + \mathrm{ATVar_{t-2}}) \times \text{Forecast Atlantic Flights}_{t-2} \times \left[1 - \frac{\text{Actual Atlantic Flights}_{t-2}}{\text{Forecast Atlantic Flights}_{t-2}}\right]}{\text{Forecast Atlantic Flights}_{t-2}}$$

$$\mathrm{TTVar_t} = \frac{(\mathrm{TINF_{t-2}} + \mathrm{TTVar_{t-2}}) \times \text{Forecast Tango Flights}_{t-2} \times \left[1 - \frac{\text{Actual Tango Flights}_{t-2}}{\text{Forecast Tango Flights}_{t-2}}\right]}{\text{Forecast Tango Flights}_{t-2}}$$

Temporary charges adjustment

5A. This is an adjustment for the temporary application of initial 2023 charges (U, ADA, ADT), given that the modifications of this condition have taken place after the start of 2023. Initial charges means the charges initially charged in 2023 based on the CAA NR23 Initial Proposals (CAP2394). The revised charges means the charges based on the CAA NR23 final decision.

For years $t = 2024$, 2025, 2026 and 2027:

$$ATCA_t = 0.25 \times (ARC_{2023} - AIC_{2023})$$

and

$$TTCA_t = 0.25 \times (TRC_{2023} - TIC_{2023})$$

where

$ATCA_t$ means the adjustment in year t to the average charge per Atlantic flight for difference between initial and revised charges in 2023.

ARC_{2023} and TRC_{2023} mean the revised charges for Atlantic and Tango respectively applied retrospectively to 2023.

AIC_{2023} and TIC_{2023} mean the initial charges for Atlantic and Tango respectively applied in 2023.

$TTCA_t$ means the adjustment in year t to the average charge per Tango flight for difference between initial and revised charges in 2023.

Other licence conditions

6. Tango flight means a flight only operating along the length of ATS routes T9 and T290, as defined and promulgated within the UK AIP, within a defined volume of airspace bounded by coordinates 4500N01000W – 4500N00845W – 4834N00845W – 4841N01000W – 4500N01000W and not elsewhere in the En route (Oceanic) Area.

7. Atlantic flight means any flight in the En route (Oceanic) Area that is not a Tango flight.

8. The ADS-B service is fully available when the Licensee's Board has certified that it is operating a fully ADS-B based service in the En route (Oceanic) Area and 99% of flights, that have the correct and functioning equipment, regulatory approval and plan to use it, crossing the En route (Oceanic) Area are being provided with an ADS-B enabled service for the whole time the flights are within the En route (Oceanic) Area. At all other times the ADS-B service is unavailable. The certificate

may say that the ADS-B service is fully available for both Atlantic flights and Tango flights; or is fully available for Atlantic flights but not for Tango flights; or the ADS-B service is fully available for Tango flights but not for Atlantic flights.

9. By a date determined by the CAA after reasonable consultation with the Licensee and other interested parties, the Licensee shall commission an independent review, the terms of reference for which shall have been agreed by the CAA, of whether the benefits of providing a fully ADS-B based service outweigh the costs of providing the service.

Condition 23: Charges for North Sea Helicopter Advisory 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.

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 6, 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 6, 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 6, 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 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.

7. This part of the Condition applies for the purpose of making available, in a form and to a standard reasonably satisfactory to the CAA, such information on the provision or air traffic services to New Users (as defined in Condition 6.9) as will:

(a) enable the CAA to assess the type(s) of air traffic services provided by the Licensee to New Users as part of the Core Services and Specified Services in accordance with the requirements of the licence and the costs reasonably incurred by the Licensee in doing so: and

(b) enable a new charge control to be put in place and inform future price control reviews in respect of New Users.

8. From 1 January 2023, the Licensee shall put in place a cost recording mechanism for New Users (“New User Recording Mechanism”) which will record, as a minimum, the following information:

(a) types of New User;

(b) Core Services and Specified Services requested and provided; and

(c) the costs incurred by the Licensee in providing the Core Services and Specified Services to New Users.

9. On an annual basis, not later than 30 June in each year, the Licensee shall report to the CAA on the New User Cost Recording Mechanism. The CAA may from time to time specify the format and content of such reports, but the reports shall include, as a minimum, the following information:

(a) details on the Core Services and Specified Services requested by and provided to New Users;

(b) the costs incurred by the Licensee in providing the Core Services and Specified Services to New Users, with supporting information as reasonably specified by the CAA;

(c) any associated activities, costs and deliverables resulting from the provision of Core Services and Specified Services to New Users; and;

(d) any amendment made to the New User Cost Recording Mechanism and the reasons for any such amendments.

10. The Licensee shall produce, following consultation with Users, including New Users, and their representatives, a proposed charging mechanism to calculate charges for New Users, the “New User Charging Mechanism”. The Licensee shall submit the proposed New User Charging Mechanism to the CAA by no later than 30 June 2025. The proposed New User Charging Mechanism shall include:

(a) the basis on which the charges shall be levied;

(b) the costs to be recovered through the charge, both direct and allocated costs;

(c) the information that the Licensee shall provide to New Users when consulting them on the charge;

(d) any mechanism to recover from, or pass back to, New Users any under- or over-recovery of costs;

(e) any mechanism to recover relevant costs incurred by NERL in relation to New Users during the NR23 Regulatory Period;

(f) how the charges shall be calculated; and

(g) any other relevant information as may be reasonably specified by the CAA.

Condition 25: Suspension and Modification of Charge Control Conditions

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.

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.

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.

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.

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 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 Meterorological The making available, in accordance with relevant international requirements, of meteorological information (specified by the

Information Service" 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)

Date modification made	Effective date of modification	Condition(s) / Term(s)	Effect of modification
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,	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.

Date modification made	Effective date of modification	Condition(s) / Term(s)	Effect of modification
		15.3, 16.3, 17.2, 24.1, 24.2, 24.5.	
10 December 2010	1 January 2011 and 1 April 2011	1, 5, 20, 21, 21a (new) 24 and 25	Modified price control and 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 (i.e. 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.
18 December 2015	31 December 2015	10a	Modified date for submission of plans in relation to TA and LAMP

Date modification made	Effective date of modification	Condition(s) / Term(s)	Effect of modification
23 March 2016	1 April 2016	1, 5, 8, 9	Modified availability of resources and financial ring-fencing requirements to require: separate directors' resource certificates for sufficient operational resources and sufficient financial resources; directors' statements of processes used and factors considered in issuing the certificates; annual certificates that the licensee has complied with specific elements of the ring-fence; and certificates of compliance with ring-fence conditions when a dividend is declared or recommended. Requiring the maintenance of an intervention plan to assist a special administrator in the event of insolvency. Requiring at least two Mandated Independent Directors unless the CAA consents otherwise. Clarifying and simplifying the prohibition against cross-subsidies
28 June 2016	29 June 2016	10 modified, 10a deleted	Requirement to provide interim service and investment plan, detailed and outline technology programmes and airspace programmes. CAA may appoint Independent Reviewer to review the accuracy of NERL's reporting. Deletion of requirement to provide detailed project plans for implementing a Transition Altitude of 18,000 feet and LAMP.
19 June 2018	19 June 2018	2(9) to (16)	Requirement to provide Resilience Plan and review it at least every 24 months. The CAA may appoint an Independent Reviewer to review the Resilience Plan.
28 November 2019	28 November 2019	6(6)(a), 7 and 9	Modified regulatory accounts audit opinion to remove requirement for opinion to state whether accounts fairly present the financial performance of the businesses and NERL's financial position. Requirement for NERL to make reasonable endeavours to agree

Date modification made	Effective date of modification	Condition(s) / Term(s)	Effect of modification
			Agreed Upon procedures with the CAA and Auditors.
17 December 2020	17 December 2020	5(7)(b), 5(26)(b) 5(29) 6(4) 10, 10a, 21 21a, 22, 23 24	Modified price controls and conditions for Eurocontrol, London Approach and Oceanic charges. Introduction of new airspace modernisation condition 10a. Minor changes to clarify requirement of some other licence conditions.
24 October 2021	24 October 2021	Terms 6 and 7	Extending licence term for both En route (UK) Area and En route (Oceanic) Area
18 November 2021	1 January 2022	Conditions 21, 21a and 22	Modifications to apply temporary exceptional measures to 2022 prices in response to covid19.
26 October 2023	7 December 2023	Conditions 5, 6, 10, 10a, 18, 20, 21, 21a, 22 and 24	Modified price controls and related conditions for Eurocontrol, London Approach and Oceanic services from 1 January 2015. Introduction of new requirements for NERL to explain the basis of apportioning or allocating to new users in condition 6. Reduction in assessment criteria in capex engagement incentive in condition 10. New reporting requirements concerning delivery of airspace modernisation strategy in condition 10a. New requirements on NERL to report on the costs of services provided to new users and to propose a charging mechanism to calculate charges for new users in Condition 24.
17 November 2025	19 December 2025	Term 1	Amended to include provision of air traffic services as set out in section 98(1)(f) of the Act.
25 March 2026	6 May 2026	Conditions 1, 5, 6, 7. Deletion of Condition 10a and	Amended to support the implementation of a UK Airspace Design Service. Introduction of the regulatory arrangements necessary to require NERL to create a UK

Date modification made	Effective date of modification	Condition(s) / Term(s)	Effect of modification
		inclusion of Condition 18 and 21b.	Airspace Design Service, UK Airspace Coordination Service and administer an Airspace Design Support Fund; Creation of an Airspace Design Charge so that NERL can recover the associated costs of these activities.
2 July 2026	2 July 2026	Table of contents	Updated table of contents to include Condition 19. Reformatting of headers to smaller font.
22 September 2026	22 September 2026	Modification table	Amendment to header made for pages 135-9