

Trigger Change Control

In order to cater for significant external events which could have an adverse impact on BAA's ability to adhere to its original project schedules, the CAA proposed that there should be a clearly defined change control process for capital investment triggers incorporated within the relevant terms of the price control conditions.

The CAA envisaged that it would amend the standards and rebates in one of two ways: Changes agreed by the airport and the airlines through the relevant LACC Committee and notified in writing to be approved by the CAA on an expedited basis. The process would be:

- The CAA publishes any proposed agreement between the LACC and the airport inviting objections from interested parties.
- The CAA then allows 28 days for any objections.
- Unless the agreement raises significant issues, the CAA would expect to approve the agreement within 14 days of the end of the consultation period.
- The CAA would anticipate that changes of this sort are likely to redistribute money at risk for triggers between projects reflecting changes to the anticipated content or phasing of the programme. While the CAA would be prepared to approve changes which either added to or reduced the amounts at risk it would not anticipate that this would be likely.

Alternatively the CAA could revise the substance of the triggers in the price control without the agreement of users. This may occur in a range of circumstances where BAA made a formal application to the CAA for a change which was not agreed by airlines generally or which did not have sufficient support to allow the agreement of the relevant LACC committee. It might also be brought forward at the instigation of the CAA because it considered that such a change would be best calculated to meet its statutory duties. The process under these circumstances would require the following elements:

- Any change to the price control condition would require the agreement of the airport operator under the Airports Act 1986. The CAA would not proceed with any prospective change unless this was expected to be forthcoming;
- The CAA would publish proposals for consultation and invite interested parties to respond.
- It would allow an adequate period for written submissions which would not be less than 12 weeks.
- Depending on the significance of the changes the CAA may then decide to hold meetings with some of the respondents.
- The CAA would publish a decision with reasoning together with any revision to the price control to reflect the new triggers.

The CAA would normally seek to limit changes to the price control under these arrangements to triggers and would not seek to make other changes.

In respect of A - The CAA would expect to withhold approval only in limited circumstances where it concluded that the change was inconsistent with its statutory duties, for example where such agreements: did not give adequate weight to the interests of passengers as users;

on the basis of objections made, the agreement did not seem to the CAA to represent the interests of users generally or which appeared unreasonably to discriminate against any user or class of user.

The CAA has drawn emphasis to the point that it would expect change control to allow the process of triggers to adapt to circumstances where airport and users priorities change and monies originally projected for capital expenditure on one project are diverted to extend the scope of, or bring forward the scope of some other project. It is certainly not intended to allow the airport to cancel trigger payments where it is no willing or able to pursue projects (unless the capital expenditure is redirected to extending the scope or expediting other projects). In this context it should be recognised that the building block projections allowed a return on such capital expenditure and it would be unreasonable for the airport to be able to avoid the mechanism in place to reduce at least some of that return if the relevant projects do not take place.