

INDICATIVE AIRPORT LICENCE

An example Licence provided by the CAA

**[GRANTED BY THE CIVIL AVIATION AUTHORITY
UNDER THE CIVIL AVIATION ACT 20xx]**

(page left intentionally blank)

EXPLANATORY NOTE

1. The Secretary of State (SoS) has asked the CAA to prepare an 'indicative' airport Licence by January 2012 that can accompany the draft Civil Aviation Bill when it enters Parliament which is likely to be early in 2012. The purpose of the indicative Licence is to accompany the draft Civil Aviation Bill through Parliament so that it can facilitate informed scrutiny of the draft Civil Aviation Bill. Parliament will not be approving the indicative Licence – it is for its information only.
2. The SoS has asked the CAA to provide an indicative Licence with the following remit:
 - a) a transposition of the current price control conditions that are due to expire in March 2014 and the accounting requirements;
 - b) the current public interest conditions including any changes the CAA considers requisite;
 - c) conditions to make the Licence 'operable';
 - d) high-level examples of conditions to strengthen airports' operational resilience; and
 - e) high-level examples of alternative forms of price regulation.
3. The SoS has asked the CAA not to provide indicative financial resilience conditions at this stage. The Department of Transport (DfT) has advised the CAA that it will be sufficient to provide Parliament with the list of potential ring fence provisions the DfT outlined in its Decision Document for Economic Regulation in December 2009.
4. For the indicative Licence it has been necessary to refer to a specific airport. In line with the SoS' request, CAA has used Heathrow as an example throughout.
5. The indicative Licence is not designed to represent the CAA's policy on Heathrow nor the final full Licences – these will be subject to extensive consultation at a later date.
6. The CAA has started its review of the appropriate future arrangements for price and service quality regulation at the designated airports. The SoS' intention is for the CAA to consider the development of the full airport Licences alongside this review and to be in a position to grant the first Licences when the new price and service quality conditions come into force from 1 April 2014. This timetable also ensures the Government's commitment that the new regime should not disturb the current settlement (Q5) is maintained.
7. The CAA acknowledges there are many further issues relevant to developing the full airport Licences that it will need to consider in due course in consultation with stakeholders.
8. This document is a draft indicative Licence and the CAA would welcome views from stakeholders sent by e-mail to barbara.peratasmith@caa.co.uk by 14 December 2011. The CAA has issued a discussion document on its approach to preparing its advice for the SoS by January 2012. This is available from the CAA's website – www.caa.co.uk/docs/5/IndLicenceSlides.pdf.

23 November 2011

TABLE OF CONTENTS

		Page
PART I	LICENCE TERMS	5
PART II	OPERABLE CONDITIONS	
Condition 1	Payment of Fees	6
Condition 2	Licence Revocation	7
PART III	THE PRICE CONTROL CONDITION	
Condition 3	Price Control	9
Condition 3(a)	Price Regulation	22
PART IV	PUBLIC INTEREST CONDITIONS	
Condition 4	Service Quality Rebate Scheme	23
Condition 5	Non-regulated Charges	24
PART V	OTHER CONDITIONS	
Condition 6	Provision of Regulatory Accounts	26
Condition 7	Operational Resilience	27
Condition 8	Financial Resilience	28
SCHEDULE 1	STATEMENT OF STANDARDS AND REBATES	29

HEATHROW AIRPORT LIMITED LICENCE

PART I: TERMS OF THE LICENCE

Licensed Operator

1. Licensed Operator means Heathrow Airport Limited (“the Licensee”).

Licence Area

2. The Licence Area means Heathrow Airport (London).

Licence duration

3. This Licence shall come into force on **[1 April 2014]** and shall continue in force until revoked in accordance with Condition 2 of this Licence.

Interpretation of the Licence

4. Unless the contrary intention appears or the context otherwise requires, words and expressions used in the Conditions shall be construed as if they were an Act of Parliament and the Interpretation Act 1978 applied to them. References to an enactment shall include any statutory modification or re-enactment thereof after the date of the coming into effect of this Licence.
5. Any word or expression defined for the purposes of any provision of Part I of the draft Civil Aviation Bill shall, unless the contrary intention appears, have the same meaning when used in the Conditions.
6. Any reference to a numbered Condition or Schedule is a reference to the Condition or Schedule bearing that number in this Licence, and any reference to a paragraph is a reference to the paragraph bearing that number in the Condition or Schedule in which the reference occurs.
7. In construing the provisions of this Licence, the heading or title of any Condition, Schedule or paragraph shall be disregarded.
8. Where the Licensee is required to perform any obligation by a specified date or within a specified period and has failed so to perform, such obligation shall continue to be binding and enforceable after the specified date or after expiry of the specified period, but without prejudice to any rights or remedies available against the Licensee under the draft Civil Aviation Bill or this Licence by reason of the Licensee’s failure to perform by that date or within the period.
9. The provisions of clause 74 of the draft Civil Aviation Bill shall apply for the purposes of the sending of any document pursuant to this Licence.

PART II: THE OPERABLE CONDITIONS

Condition 1: PAYMENT OF FEES

1. The Licensee shall pay to the CAA such charges and at such times as are determined under a scheme made under section 11 of the Civil Aviation Act 1982 in respect of the carrying out of the CAA's functions under Chapter I of the draft Civil Aviation Bill.

Condition 2: LICENCE REVOCATION

2. The CAA may revoke this Licence in any of the following circumstances:
- a) If the Licensee requests or otherwise agrees in writing with the CAA that the Licence should be revoked.
 - b) If:
 - i) the Licensee ceases to be the operator of any part of the Licence area;
 - ii) the Licence area ceases to be a dominant area; or
 - iii) the airport at which the Licence area is located ceases to be a dominant airport.
 - c) If the Licensee fails:
 - i. to comply with an enforcement order (within the meaning of clause 33 of the draft Civil Aviation Bill) or an urgent enforcement order (within the meaning of clause 35 which has been confirmed under clause 36), and (in either case) such a failure is not rectified to the satisfaction of the CAA within three months after the CAA has given notice in writing of such failure to the Licensee – provided that no such notice shall be given by the CAA before the expiration of the period within which an appeal under clause 45 could be brought in relation to the validity or terms of an order or the CAA's finding or determination upon which it is based, or before the proceedings relating to any such appeal are finally determined; or
 - ii. to pay any penalty (within the meaning of clauses 39, 40, 49 or 50 of the draft Civil Aviation Bill) by the due date for any such payment and such payment is not made to the CAA within three months after the CAA has given notice in writing of such failure to the Licensee – provided that no such notice shall be given by the CAA before the expiration of the period within which an appeal under clause 45 or 53 could be brought in relation to the imposition of a penalty, the timing of the payment of the penalty, the amount of the penalty or before proceedings relating to any such appeal are determined.
 - d) If the Licensee fails to comply with:
 - i) an order made by the court under section 34 of the Competition Act 1998;
 - ii) an order made by the relevant authority under sections 158 or 160 of the Enterprise Act 2002;
 - iii) an order made by the Competition Commission under sections 76, 81, 83, 84 or 161 of the Enterprise Act 2002; or
 - iv) an order made by the Secretary of State under sections 66, 147, 160 or 161 of the Enterprise Act 2002.

- e) If any amount payable under Condition 1 of this Licence is unpaid three months after it becomes due; or
- f) If the conduct of the Licensee has resulted in a penalty imposed by the CAA under clause 50(1) or 50(3) of the draft Civil Aviation Bill.

PART III THE PRICE CONTROL CONDITION

Condition 3: PRICE CONTROL¹

CONDITION A

1. When the airport operator fixes the amounts to be levied by it by way of airport charges in respect of relevant air services in the year beginning on 1 April 2008 it shall fix those charges at the levels best calculated to secure that, in that year, the total revenue at Heathrow airport from such charges divided by the total number of passengers using Heathrow airport, does not exceed the maximum average revenue yield per passenger which shall be calculated as follows:

$$M_{2008/9} = \text{£}13.134 \left(1 + \frac{B_t}{100} \right) - \frac{TRIGGER_t}{Q_t} - K_t$$

Where:

$M_{2008/9}$ is the maximum average revenue yield per passenger using Heathrow airport in relevant year 2008/9 expressed in £;

B_t has the meaning assigned to it by paragraph 7;

$TRIGGER_t$ has the meaning assigned to it by paragraph 6;

Q_t has the meaning assigned to it by paragraph 5; and

K_t has the meaning assigned to it by paragraph 5.

2. On each occasion on which the airport operator fixes the amounts to be levied by it by way of airport charges in respect of relevant air services in each of the five relevant years beginning with 1 April 2009 it shall fix those charges at the levels best calculated to secure that, in each relevant year, the total revenue at Heathrow airport from such charges, divided by the total number of passengers using Heathrow airport, does not exceed the maximum revenue yield per passenger calculated in accordance with the following formula:

$$M_t = \left(1 + \frac{RPI_{t-1} + X + B_t}{100} \right) Y_{t-1} - \frac{TRIGGER_t}{Q_t} - K_t$$

Where:

¹ The existing Price Control has simply been transposed so the language used may not be fully consistent with the draft Civil Aviation Bill and its duration pre-dates the indicative Licence

M_t is the maximum average revenue yield per passenger using Heathrow airport in relevant year t expressed in £;

RPI_{t-1} has the meaning assigned to it by paragraph 8;

$X = 7.5$;

B_t has the meaning assigned to it by paragraph 7;

Y_{t-1} has the meaning assigned to it by paragraph 3;

$TRIGGER_t$ has the meaning assigned to it by paragraph 6; and

K_t has the meaning assigned to it by paragraph 5.

3. Y_{t-1} is the specified average revenue yield per passenger calculated in accordance with the following formula:

$$Y_{t-1} = Y_{t-2} \left(1 + \frac{RPI_{t-2} + X}{100} \right) + S_{t-1}$$

Where:

$$Y_{2008/9} = £13.134 + S_{t-1};$$

RPI_{t-2} has the meaning assigned to it in paragraph 8;

X has the value assigned in paragraph 2; and

S_{t-1} has the values assigned in paragraph 4.

4. S_{t-1} is the allowable security cost per passenger using Heathrow airport in relevant year t-1 (whether of a positive or a negative value) to be applied in relevant year t calculated in accordance with the following formulae expressed in £;

for each relevant year t-1

If

Expected Cumulative Costs $_{t-1} \geq £16.5$ million; and

Expected Cumulative Costs $_{t-2} \geq £16.5$ million

then

$$S_{t-1} = 0.9C_{t-1}$$

or if

Expected Cumulative Costs_{t-1} > £16.5 million; and

Expected Cumulative Costs_{t-2} < £16.5 million

then

$$S_{t-1} = 0.9 \frac{\text{Expected Cumulated Cost}_{t-1} - \text{£16.5million}}{(6 - t^*)Q_{t-1}}$$

or if

Expected Cumulative Costs_{t-1} < £16.5 million; and

Expected Cumulative Costs_{t-2} > £16.5 million

then

$$S_{t-1} = -0.9 \frac{\text{Expected Cumulated Cost}_{t-2} - \text{£16.5million}}{(6 - t^*)Q_{t-1}}$$

Where:

$$t^*_{2008/9} = 1; t^*_{2009/10} = 2; t^*_{2010/11} = 3; t^*_{2011/12} = 4; \text{ and } t^*_{2012/13} = 5$$

otherwise

$$S_{t-1} = 0$$

and where the expected cumulative cost of annualised claims shall be calculated as follows:

Year (t-1)	2008/9	2009/10	2010/11	2011/12
A. Effect of claims relating to 2008/9	$5 \times C_{2008/9} \times Q_{2008/9}$	$5 \times C_{2008/9} \times Q_{2008/9}$	$5 \times C_{2008/9} \times Q_{2008/9}$	$5 \times C_{2008/9} \times Q_{2008/9}$
B. Effect of claims relating to 2009/10		$4 \times C_{2009/10} \times Q_{2009/10}$	$4 \times C_{2009/10} \times Q_{2009/10}$	$4 \times C_{2009/10} \times Q_{2009/10}$
C. Effect of claims relating to 2010/11			$3 \times C_{2010/11} \times Q_{2010/11}$	$3 \times C_{2010/11} \times Q_{2010/11}$
D. Effect of claims relating to 2011/12				$2 \times C_{2011/12} \times Q_{2011/12}$
Expected Cumulative Cost Sum rows A to D				

Where:

C_{t-1} is the total qualifying security claims per passenger using Heathrow airport in relevant year t-1 (whether of a positive or a negative value) expressed in £; and

Q and Q_{t-1} = passengers using Heathrow airport in the relevant year.

With effect from 1 April 2013:

- (i) In paragraph 4 for the words from “ S_{t-1} is the allowable security cost per passenger” to “ Q and Q_{t-1} = passengers using Heathrow airport in the relevant year” substitute:

“For 2008/9, 2009/10, 2010/11, 2011/12 and 2012/13, S_{t-1} is the allowable security cost per passenger using Heathrow airport in relevant year t-1 (whether of a positive or a negative value) to be applied in relevant year t calculated in accordance with the following formulae expressed in £;”, and

(ii) after paragraph 4 insert:

“4a. For 2013/14, S_{t-1} is the allowable security cost per passenger using Heathrow airport in relevant year t-1 (whether of a positive or a negative value) to be applied in relevant year t calculated in accordance with the following formulae expressed in £;

for each relevant year t-1

If

Expected Cumulative Costs $_{t-1} \geq \text{£}17.3$ million; and

Expected Cumulative Costs $_{t-2} \geq \text{£}16.5$ million

then

$$S_{t-1} = 0.9C_{t-1}$$

or if

Expected Cumulative Costs $_{t-1} > \text{£}17.3$ million; and

Expected Cumulative Costs $_{t-2} < \text{£}16.5$ million

then

$$S_{t-1} = 0.9 \frac{\text{Expected Cumulated Cost}_{t-1} - \text{£}17.3 \text{ million}}{(7-t^*)Q_{t-1}}$$

or if

Expected Cumulative Costs $_{t-1} < \text{£}17.3$ million; and

Expected Cumulative Costs $_{t-2} > \text{£}16.5$ million

then

$$S_{t-1} = -0.9 \frac{\text{Expected Cumulated Cost}_{t-2} - \text{£}17.3 \text{ million}}{(7-t^*)Q_{t-1}}$$

Where:

$$t^*_{2008/9} = 1; t^*_{2009/10} = 2; t^*_{2010/11} = 3; t^*_{2011/12} = 4; t^*_{2012/13} = 5 \text{ and } t^*_{2013/14} = 6$$

otherwise

$$S_{t-1} = 0$$

and where the expected cumulative cost of annualised claims shall be calculated as follows:

Year (t-1)	2008/9	2009/10	2010/11	2011/12	2012/13
A. Effect of claims relating to 2008/9	$6 \times C_{2008/9} \times Q_{2008/9}$	$6 \times C_{2008/9} \times Q_{2008/9}$	$6 \times C_{2008/9} \times Q_{2008/9}$	$6 \times C_{2008/9} \times Q_{2008/9}$	$6 \times C_{2008/9} \times Q_{2008/9}$
B. Effect of claims relating to 2009/10		$5 \times C_{2009/10} \times Q_{2009/10}$	$5 \times C_{2009/10} \times Q_{2009/10}$	$5 \times C_{2009/10} \times Q_{2009/10}$	$5 \times C_{2009/10} \times Q_{2009/10}$
C. Effect of claims relating to 2010/11			$4 \times C_{2010/11} \times Q_{2010/11}$	$4 \times C_{2010/11} \times Q_{2010/11}$	$4 \times C_{2010/11} \times Q_{2010/11}$
D. Effect of claims relating to 2011/12				$3 \times C_{2011/12} \times Q_{2011/12}$	$3 \times C_{2011/12} \times Q_{2011/12}$
E. Effect of claims relating to 2012/13					$2 \times C_{2012/13} \times Q_{2012/13}$
Expected Cumulative Cost Sum rows A to E					

Where:

C_{t-1} is the total qualifying security claims per passenger using Heathrow airport in relevant year t-1 (whether of a positive or a negative value) expressed in £; and

Q and Q_{t-1} = passengers using Heathrow airport in the relevant year.”

5. K_t is the correction per passenger (whether of a positive or negative value) to be made in relevant year t which is calculated as follows:

$$K_t = \frac{T_{t-2} - (Q_{t-2}M_{t-2})}{Q_t} \left(1 + \frac{I_{t-2}}{100}\right)^2$$

in which

T_{t-2} = total revenue from airport charges in respect of relevant air services levied at Heathrow airport in relevant year t-2;

Q_{t-2} = passengers using Heathrow airport in relevant year t-2;

Q_t = passengers using Heathrow airport in relevant year t;

M_{t-2} = maximum average revenue yield per passenger using Heathrow airport in relevant year t-2;

I_{t-2} = the appropriate interest rate for relevant year t-2 which is equal to, where K_t (taking no account of I for this purpose) has a positive value, the Specified Rate plus three percentage points or, where K_t (taking no account of I for this purpose) has a negative value, the Specified Rate.

In relation to the relevant years 2008/09 and 2009/10, the values of T_{t-2} , Q_{t-2} , M_{t-2} and I shall be calculated by reference to the conditions as to airport charges imposed in relation to Heathrow airport in force at 31 March 2008.

6. $TRIGGER_t$ is the reduction in the maximum allowable charges when the airport has not achieved particular capital investment project milestones on time and shall be calculated as follows:

$$TRIGGER_t = \sum_{\text{specified March triggers}} \sum_{\text{April}} TM_{ti} \cdot TF_{tij}$$

Where

The Specified Triggers are set out in Table 1; and

For any specific trigger i, in month j, in year t:

If either:

the relevant month is before or corresponds to the month specified as the “milestone month”; or

the relevant month is after the month in which the “completion date” of the relevant project takes place:

Then:

$$TF_{tj} = 0$$

otherwise:

$$TF_{tj} = 1$$

where:

“Milestone Month” is defined for each project in Table 1;

“Completion Date” has the meaning assigned to it by paragraph 8; and

TM_{ij} = Monthly Trigger Payment_i x (PRICE INDEX_t/PRICE INDEX_{2007/8})

where:

Monthly Trigger Payment is defined for each relevant project in Table 1; and

PRICE INDEX_t is the average monthly value of the CHAW series of the retail price index for the 12 months from April to March in relevant year t.

Table 1

Trigger Project	“Milestone Month”	“Monthly Trigger Payment_i”
Completion of T5 Satellite C	May 2011	£1.47million
T4 Check-in Extension Completion of South West Bank of Check-in Desks	June 2009	£0.10 million
T4 Check-in Extension Completion of North East Bank of Check-in Desks	January 2010	£0.10 million
T4 New CIP Completion of Shell and Core for fit-out	February 2009	£0.10 million
T4 Completion of Baggage Sorter	January 2009	£0.10 million
T4 A380 jetty facilities Completion of 3rd Jetties on each 2 A380 stands	May 2009	£0.10 million
Completion of the T3 Integrated Baggage System	March 2012	£1.19 million
T3 Refurbishment Completion of Pier 5 refurbishment	July 2009	£0.10 million
T3 Refurbishment Completion of Pier 7 refurbishment	August 2009	£0.10 million
T3 Refurbishment Completion of Check-in & Security Search Refurbishment	March 2010	£0.10 million
T3 Refurbishment Completion of Immigration, Landside Departures & Baggage Hall Refurbishment	March 2011	£0.16 million
HET Phase 1 Demolition of T2 sufficiently complete to enable start of HET construction and HET building substructures complete within main terminal floorplate	March 2011	£2.78 million
HET Phase 1 Completion of Building weather-tight	February 2012	£3.03 million
HET Phase 1 Construction sufficiently progressed for operation trials to commence	November 2012	£1.22 million
T1 Completion of T1 BMI Nose Building Facility	January 2009	£0.10 million
Completion of Mid-field Pier North	January 2010	£0.50 million
Completion of Mid-field Pier Centre	November 2012	£0.67 million
Completion of Passenger Connectivity to the Midfield Pier	November 2012	£0.31 million
Completion of the Outer Pier North	January 2012	£0.49 million
Eastern Maintenance Base Redevelopment Completion of the diversion of East Church Road	March 2010	£0.17 million
Post T5: Transfer Baggage System Completion of the T5-T3 Tunnel & Baggage System	November 2011	£0.79 million
Post T5: Transfer Baggage System Completion of the T3-T1 Tunnel & Baggage System	June 2012	£0.41 million
Completion of the T4-T1 Tunnel Refurbishment	January 2009	£0.10 million

7. B_t is a bonus factor based on performance in respect of specified elements in relevant year t and shall be calculated as follows:

$$B_t = \sum_{\text{March}}^{\text{April}} \sum_{\text{Specified Elements}} \text{MAX} \left[0, \text{MIN} \left[\text{BNS}(\text{T1})_{kj}, \text{BNS}(\text{T2})_{kj}, \text{BNS}(\text{T3})_{kj}, \text{BNS}(\text{T4})_{kj}, \text{BNS}(\text{T5})_{kj}, \text{BNS}(\text{HET})_{kj} \right] \right]$$

Where:

“Specified Elements” are the elements set out in Table 2; and

for each month j and “Specified Element” k;

$$\text{BNS}(\text{T1})_{kj} = \frac{1}{12} \cdot \text{MAB}_k \cdot \frac{\text{MP}(\text{T1})_{kj} - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(\text{T2})_{kj} = \frac{1}{12} \cdot \text{MAB}_k \cdot \frac{\text{MP}(\text{T2})_{kj} - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(\text{T3})_{kj} = \frac{1}{12} \cdot \text{MAB}_k \cdot \frac{\text{MP}(\text{T3})_{kj} - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(\text{T4})_{kj} = \frac{1}{12} \cdot \text{MAB}_k \cdot \frac{\text{MP}(\text{T4})_{kj} - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(\text{T5})_{kj} = \frac{1}{12} \cdot \text{MAB}_k \cdot \frac{\text{MP}(\text{T5})_{kj} - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(\text{HET})_{kj} = \frac{1}{12} \cdot \text{MAB}_k \cdot \frac{\text{MP}(\text{HET})_{kj} - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

Except:

For months including or after “Such Time as T2 is Decommissioned” then:

$$\text{BNS}(T2)_{kj} = 100\%$$

For months after or including “Such Time when Passenger Operations Commence at HET” then:

$$\text{BNS}(\text{HET})_{kj} = 100\%$$

For months before or including “Such Time when Passenger Operations Commence at T5” then:

$$\text{BNS}(T5)_{kj} = 100\%$$

where:

For each “Specified Element” k, LPL_k , UPL_k and MAB_k have the values assigned in Table 2; and

$MP(T1)_{kj}$, $MP(T2)_{kj}$, $MP(T3)_{kj}$, $MP(T4)_{kj}$, $MP(T5)_{kj}$, and $MP(\text{HET})_{kj}$ are the lesser of the upper performance limit for element k in month j and the measured performance in Terminal 1, Terminal 2, Terminal 3, Terminal 4, Terminal 5 and Heathrow Terminal East respectively.

Table 2

“Specified Element”	Performance Metric	Lower performance limit (LPL_k)	Upper performance limit (UPL_k)	Maximum annual bonus (MAB_k)
Departure lounge seat availability	QSM	3.8	4.5	0.36
Cleanliness	QSM	3.9	4.5	0.36
Way-finding	QSM	4.0	4.5	0.36
Flight information	QSM	4.2	4.5	0.36
Passenger sensitive equipment (general)	Availability	99% of time	100% of time	0.40
Arrivals reclaim (Baggage Carousels)	Availability	99% of time	100% of time	0.40

8. In this condition:

“airport charges” has the meaning assigned to it by [section 36(1) of the Airports Act 1986];

“airport operator” means the person for the time being having the management of Heathrow airport;

“average revenue yield per passenger” means the revenue from airport charges levied in respect of relevant air services in the relevant year before any deduction of unpublished discounts or payments under Service Level Agreements divided by the total number of passengers using Heathrow airport in the relevant year;

“Completion Date” is the date when in the judgement of the CAA the airport has achieved the criteria to be published from time to time by the CAA;

“passenger using an airport” means a passenger joining or leaving an aircraft at Heathrow airport;

“qualifying security claim per passenger” means the annual equivalent of the increase or decrease in security costs at Heathrow airport in the relevant year t-1 which arise as a result of a change in required security standards at that airport, as certified by the Civil Aviation Authority, divided by the number of passengers using the airport in that year;

“QSM” and “Availability” have the meanings from time to time published by the CAA.

“relevant air services” means air services carrying passengers that join or leave an aircraft at Heathrow airport, including air services operated for the purpose of business or general aviation;

“relevant year” means the period of twelve months ending with 31 March in each year;

“ RPI_{t-1} ” means the percentage change (whether of a positive or negative value) in the Retail Price Index between that published with respect to August in relevant year t-1 and that published with respect to the immediately preceding August, and “ RPI_{t-2} ” shall be construed accordingly;

“Specified Rate” means the average of the Treasury Bill Discount Rate (expressed as an annual percentage interest rate) published weekly by the Bank of England, during the 12 months from the beginning of September in year t-2 to the end of August in year t-1;

“Such Time as T2 is Decommissioned” is the month, in the judgement of the CAA, from which Terminal 2 is no longer in use for passengers;

“Such Time when Passenger Operations Commence at HET” is the month, in the judgement of the CAA, from which the Heathrow Terminal East is brought into use for passenger services;

“Such Time when Passenger Operations Commence at T5” is the month, in the judgement of the CAA, from which Terminal 5 is brought into use for passenger services.

CONDITION B

In each of the six consecutive years beginning on 1 April 2008 the operator of Heathrow Airport shall not levy airport charges in respect of air services that do not fall within the definition of relevant air services for the purposes of Condition A that are higher than are levied in respect of equivalent air services falling within that definition.

Condition 3(a): PRICE REGULATION²

- 3.1 The Licensee shall ensure that in relation to airport operation services the terms it sets, including the level and structure of charges levied are fair, reasonable and non-discriminatory.
- 3.2 The Licensee shall publish on an annual basis a report setting out the terms it sets, including the level and structure of charges levied on providers of air transport services. This report must set out at least:
- a) sufficient detail on passenger numbers, its operating, capital and finance costs to enable interested parties to understand how the total revenue derived from the charges relates to the total costs of the services provided;
 - b) sufficient detail on the changes over the year in passenger numbers, operating, capital and finance costs to enable interested parties to understand how both total costs and total revenue have changed over the year;
 - c) sufficient detail on how costs are allocated to particular charges to enable providers of air transport services to understand how their charges have been derived;
 - d) a reconciliation with the regulatory accounts prepared under Condition 6 of this Licence;
 - e) a comparison of how regulated charges have evolved over the past three years compared to an index of comparison airports that is notified from time to time by the CAA;
 - f) reasonable estimates for the charges it will levy providers of air transport services over the next three year period; and
 - g) details of the information provided and consultation conducted in accordance with Condition 3.3.
- 3.3 The Licensee shall provide information to, and conduct consultation with, all interested parties with regards to the Licensee's capital investment programme in such form and at such times as may be specified from time to time in writing by the CAA.

² The obligations here relate to 'airport operation services' so they are additional to the provisions of the Airport Charges Directive 2009 that imposes obligations on airports above a certain size to ensure transparency and consultation in the levying of 'airport charges'

PART IV – THE PUBLIC INTEREST CONDITIONS

Condition 4: SERVICE QUALITY REBATE SCHEME³

- 4.1 The Licensee shall pay specified rebates to providers of air transport services whenever its quality of service fails to meet specified service standards.
- 4.2 The Statement of Standards and Rebates is contained in Schedule 1 of the Licence.
- 4.3 The Licensee shall maintain records of the actual quality of service and rebates in such form that the performance should be independently audited against the standards published above.
- 4.4 The Licensee shall publish monthly:
 - a) On an easily accessible page on its website, its performance against the specified service standards and details of the specified rebates paid and payable in respect of each terminal and for each category of service.
 - b) Through prominent displays in each of its terminals, its performance against the specified service standards as the CAA shall from time to time nominate for the purpose of better informing passengers.
- 4.5 The Licensee shall facilitate regular, independent audits of the measurement and working of the service quality regime, including the QSM methodology. Audits of the QSM should ensure that it is in accordance with best market practice, and that the methodology is adequately implemented to make sure that samples reasonably reflect the overall mix of passengers. The independent auditors for this purpose will be appointed by the CAA and shall report to the CAA.
- 4.6 This condition shall continue in force until 31 March 2014 unless, before that date, it is modified or withdrawn.

³ The existing Public Interest Conditions are included at Annex D to the Price Control decision. The language used may not be fully consistent with the draft Civil Aviation Bill and their duration pre-date the indicative Licence

Condition 5: NON-REGULATED CHARGES⁴

- 5.1 By 31 December 2008 and by 31 December in each subsequent year the Licensee shall inform the CAA of the system used by it to allocate costs to non-airport charges activities. The Licensee shall make any amendments to its cost allocation system if so requested by CAA by 31 March prior to each charging year commencing on 1 April.
- 5.2 By 31 December 2008 and by 31 December in each subsequent year the Licensee shall provide to the CAA statements of actual costs and revenues in respect of each of the facilities specified in Condition 5.8 for the year ending the previous 31 March.
- 5.3 Each year the Licensee shall provide to the CAA and to users of the specified facilities or their representatives prior to implementing any price changes a statement of the pricing principles for each item charged.
- 5.4 Each year including the current year the Licensee shall provide the CAA and users of the specified facilities or their representatives the assumptions and relevant cost information adequate to verify that the charges derive from the application of the pricing principles.
- 5.5 Where the costs stated by the Licensee to be in connection with a particular charge vary from those provided in the Profit Centre Reports supplied to the CAA, the Licensee shall provide to the CAA and to users of the specified facilities or their representatives a reconciliation with detailed reasons for such differences.
- 5.6 Where charges for the specified facilities are not established in relation to cost the Licensee shall provide to the CAA and to users of the specified facilities or their representatives a statement of the principles on the basis of which the charges have been set with full background information as to the calculation of such charges including statements of any comparables used.
- 5.7 Where in respect of any year forecast revenue for any of the specified facilities differs from that forecast for the purposes of the price control review for the period 1 April 2008 to 31 March 2014 (as specified by the CAA), the Licensee shall provide to the CAA and to users of the specified facilities or their representatives detailed reasons for the differences.

⁴ The existing Public Interest Conditions are included at Annex D to the Price Control decision. The language used may not be fully consistent with the draft Civil Aviation Bill and their duration pre-date the indicative Licence

- 5.8 The specified facilities are: check-in desks (including facilities provided for self service check-in), baggage systems, other desk licences, staff car parking, staff ID cards, fixed electrical ground power, hydrant refuelling, airside parking, airside licences, cable routing, maintenance, heating and utility services, and facilities for bus and coach operators.
- 5.9 This Condition shall continue until 31 March 2014 unless, before that date, it is modified or withdrawn.

PART V – OTHER CONDITIONS

Condition 6: PROVISION OF REGULATORY ACCOUNTS

- 6.1 In every year that this Licence is in force, the Licensee shall prepare and publish as soon as reasonably practicable, and in any event not later than six months after the end of the financial year to which they relate ending on 31 March, a set of regulatory accounts in a manner consistent with Regulatory Accounting Guidelines notified by the CAA.
- 6.2 The Licensee shall keep and, so far as it is able, procure that any connected person keeps the accounting records which it 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.
- 6.3 The Licensee's regulatory accounts shall:
- a) be prepared in accordance with applicable law and, except insofar as the CAA reasonably considers necessary, International Financial Reporting Standards (IFRS) as adopted by the EU from time to time; and
 - b) state the accounting policies to be adopted.
- 6.4 The Licensee shall procure, in respect of the regulatory accounts prepared in accordance with this Condition in respect of a financial year, a report by its Auditors addressed to the CAA stating whether in their opinion those accounts have been properly prepared in accordance with this Condition and the Regulatory Accounting Guidelines and on that basis fairly present the financial performance and financial position of the Licensee.
- 6.5 The Licensee shall deliver to the CAA and publish the Auditors' report referred to in paragraph 6.4 at the same time as the regulatory accounts as required by paragraph 6.1.

Condition 7: OPERATIONAL RESILIENCE

- 7.1 The Licensee shall operate an efficient and reliable airport.
- 7.2 The Licensee shall effectively coordinate and cooperate with all relevant parties at the airport in meeting the requirements of this Condition.
- 7.3 In the event of service disruption however caused the Licensee shall use best endeavours to:
- a) minimise detriment caused to passengers;
 - b) not unduly discriminate between classes of providers or air transport services and passengers; and
 - c) provide, or ensure the provision of timely, accurate and clear information to, and adequate communication with, passengers.
- 7.4 Following consultation with interested parties, the Board of Directors of the Licensee shall draw up and publish no later than 1 July in each year a Resilience Plan which shall set out how the Licensee will secure compliance with paragraphs 7.1, 7.2 and 7.3.
- 7.5 Before publishing its Resilience Plan under paragraph 7.4, the Licensee shall obtain the approval of the CAA to the Plan.
- 7.6 The Licensee shall comply with the commitments made under paragraph 7.4 but such compliance shall be without prejudice to its obligations under paragraphs 7.1, 7.2 and 7.3.

Condition 8: FINANCIAL RESILIENCE

8. *“Typical ring fencing conditions found in other regulated sectors are as follows:*
- a. A requirement to maintain a minimum credit worthiness, for example by maintaining a minimum credit rating;*
 - b. A requirement for the licensee’s directors to confirm adequate resources to carry out the licensed activities;*
 - c. Restrictions on the activities a licensee is allowed to carry out;*
 - d. A requirement that the licensee does not incur indebtedness nor guarantee any liability of another person other than on specified terms and for a permitted purpose;*
 - e. An undertaking from the ultimate controller of the licensee that it will not take action which may cause a breach of Licence;*
 - f. A prohibition on the granting of security over assets of the regulated business;*
 - g. Prevention of the offering of cross guarantees; and,*
 - h. Restrictions on disposals of the regulated assets.*

This list is not exhaustive.

Initial derogations would be required to a greater or lesser degree in the case of most of the conditions we [DfT] propose to introduce. However, details will depend on the financing arrangements of operators...”⁵

⁵ Source: The DfT’s Decision Document for Economic Regulation in December 2009 that can be found [here](#)

SCHEDULE 1 – STATEMENT OF STANDARDS AND REBATES

1. This is the statement of Standards and Rebates in accordance with a Standards of Service Condition for Heathrow Airport⁶. It takes effect on 1 April 2008 and from that date the Statement of Standards and Rebates published in March 2006⁷, as amended in May 2006 and January 2007, will not apply.
2. The relevant charge condition for Heathrow states that the meanings of “QSM” and “Availability” for the purpose of that condition should have the meanings from time to time published by the CAA. The CAA is hereby publishing the definition of these terms as set out in paragraphs 17-19 and 21 respectively which shall apply to the aforesaid condition and to this Statement of Standards and Rebates.
3. The Standards of Service Condition requires performance against services specified by the CAA to be published monthly, through prominent displays in each of the terminals at Heathrow airport. The relevant services are specified in paragraph 35.

Overview

4. Unless modified by agreement between the airport and the airport Airline Operators’ Committee (AOC) notified in writing and approved by the CAA or by the CAA, the operator of Heathrow airport shall pay rebates to “Relevant Parties” as set out in the remainder of this statement.

“Relevant Parties” for the purposes of this statement are airlines that have paid “Airport Charges” in the relevant month in respect of passenger services; where:

“Airport Charges” has the meaning assigned to it by [section 36(1) of the Airports Act 1986].

5. The operator of the airport shall pay rebates for each terminal calculated as follows:

Annual percentage rebate = $\text{Rebate}_{\text{P\&A}} + \text{Rebate}_{\text{ACT}}$

Where:

$\text{Rebate}_{\text{P\&A}}$ is the aggregate percentage rebate in the relevant year relating to the former “Passenger” and “Airline” elements (as extended by additional elements) (P & A) and calculated as defined in paragraphs 10-21;

$\text{Rebate}_{\text{ACT}}$ is the aggregate percentage rebate in the relevant year relating to the Aerodrome Congestion Term (ACT) as defined in paragraphs 22-34; and

⁶ See Condition 4 – Public Interest Condition: Service Quality Rebate Scheme

⁷ CAA decision: Revised standards and rebates for Heathrow and Gatwick airports, CAA, March 2006, Annex 1

“Relevant Year” means the period of twelve months ending with 31 March in each year.

6. Except where explicitly stated, Rebates_{P&A} shall be calculated separately for each terminal based on the performance relevant to each individual terminal against the standards set out for that terminal.
7. Rebate_{ACT} shall be calculated across all the passenger services using the airport and the same rebates as a percentage of the relevant charges shall be paid to the Relevant Parties using all the terminals⁸ at the airport.

Payment of Rebates

8. This statement sets out the total level of rebates that shall accrue over the year. The airport operator shall, however, pay rebates to the Relevant Parties on a monthly basis in the month following the month in which they accrue. The rebates applying to each individual terminal shall be allocated to the relevant parties that used the terminal in the relevant month pro-rata with the airport charges incurred for passenger services in that month.
9. The CAA recognises that the payments on a month-by-month basis will have to be based on a forecast of the total airport charges from passenger services in the relevant year. The airport shall base the scale of monthly rebate payments on its best estimate of the total airport charges from passenger services for the relevant year. The CAA further recognises that this is likely to lead to the sum of the monthly rebates paid during the course of the relevant year being less or more than the rebates required by this statement for the relevant year as a whole.
 - Where the amount of rebates paid during the course of the relevant year is less than the amount of annual rebates required by this condition, the airport shall be liable to pay further amounts to the relevant parties that have received rebates so that the amount of rebates paid in respect of the relevant year is brought up to the level required by this Statement. Such additional amounts shall be paid to the relevant parties pro rata to the rebates already paid in the course of the year and should be made as soon as practicable after the publication of the airport operator’s audited accounts. The CAA would waive such payment where the CAA receives a letter from the airport AOC to the effect that the sum is so small that to enforce payment would incur disproportionate processing costs for the relevant airlines.

⁸ For the avoidance of doubt, terminals here relate to the main passenger terminals and do not include general aviation facilities.

- Where the amount of rebates paid during the course of the relevant year is more than the amount of annual rebates required by this condition, the airport may recover the difference between the amount paid and the required amount from the parties that have received rebates pro rata with the rebates paid. (The CAA recognises that the airport may choose not to recover such over-payment of rebates and for the avoidance of doubt this Statement does not require such recovery.)

Calculation of Rebate_{P&A} Element

10. Rebate_{P&A} shall be calculated separately for each terminal applying the relevant performance parameters for that terminal.

11. For each Terminal, the Rebate_{P&A} shall be calculated as follows:

$$Rebate_{P\&A} = \sum_{elements} MIN \left[ANNMAX_i, \sum_{months} p_{ij} \cdot x_{ij} \right]$$

Where:

p_{ij} is the relevant potential rebate percentage per month for each element i as determined in paragraph 15;

$ANNMAX_i$ is the maximum annual rebate percentage for each element as determined in paragraph 15;

$x_{i,j}$ = 0 if standard i in month j is met as defined in paragraph 12; or

=1 otherwise

12. The standard i in month j is met if:

- for elements other than pier service, departure lounge seat availability, cleanliness, way-finding and flight information:

$$s_{i,j} \geq S_{standard_i}$$

- for pier service, departure lounge seat availability, cleanliness, way-finding and flight information:

- For months j on or after April 2009 (and Heathrow Terminal 2 for months between April 2008 and March 2009) the element i will meet the standard in month j if:

$$\frac{\sum_{m=1}^{m=12} \pi_{j-m+1} S_{i,j-m+1}}{\sum_{m=1}^{m=12} \pi_{j-m+1}} \geq \text{Standard}_i$$

- For months j from April 2008 to March 2009 (for terminals other than Heathrow Terminal 2) the element i will meet the standard in month j if:

$$\frac{\sum_{m=1}^{m=\mu} \pi_{j-m+1} S_{i,j-m+1}}{\sum_{m=1}^{m=\mu} \pi_{j-m+1}} \geq \text{Standard}_i$$

Where:

$S_{j,i}$	is the performance of element i in month j on the same measurement basis as defined for the relevant Standard _i ;
π_j	is the number of terminal passengers in the relevant terminal in month j
Standard _i	is the relevant standard in each terminal as defined in paragraph 15.
m	is a counter of the 12 months ending in month j.
μ	is a counter of months where April 2008=1, May 2008 = 2, ..., March 2009=12.

Dead-Band Months

13. A relevant dead-band month is:

- November,
- January,
- February, or
- March (where Easter Sunday falls on or after 7 April), or;
- a month agreed to in writing for the relevant asset or element and terminal by the airport operator and the AOC.

Exclusions

14. The following sets out the limited circumstances when time will not be required to be counted towards the time when equipment is unavailable or when other standards are not met:
- specific stands, jetties and FEGP to accommodate annual and five yearly statutory inspections, where this work is done in consultation with the airport AOC, and the period specified in advance, the exclusion not to be more than two days over any year (measured from 1 April – 31 March) for any particular relevant asset. If works extend beyond any notified period, then any additional downtime would count against the serviceability standard;
 - specific passenger sensitive equipment or arrivals reclaim baggage carousels to accommodate planned maintenance, where the work is done in consultation with the airport AOC, the period is specified in advance, the work falls in a dead-band month as defined in paragraph 13, and the exclusion is not more than 30 days over any year (measured from 1 April – 31 March) for any particular relevant asset. If works extend beyond a notified period, then any additional downtime would count against the serviceability standard. (If a specific asset is measured against both the general PSE standard and the priority PSE standard this exclusion applies to both);
 - security queues for two hours following evacuations;
 - closure of passenger-sensitive equipment (lifts, escalators, moving walkways) in areas immediately adjacent to security queues where it is considered by the relevant BAA managers that their continued use is likely to lead to unacceptable health and safety risks due to increased congestion;
 - stands taken out of service to accommodate high security flights;
 - closure of stands to ensure passenger safety during evacuation, emergency or safety incidents and relevant passenger sensitive equipment subject to the AOC agreeing after the event that such passenger service equipment was in the immediate vicinity of the stands or the incident;
 - downtime where equipment is automatically shut down by fire alarm activation and the fire alarm activation is not due to a system fault with the fire alarm;
 - passenger sensitive equipment where downtime is due to the activation of an emergency stop bottom or break glass, limited to equipment where there is back indication of serviceability and limited to 10 minutes for each occurrence in the case of false alarms;

- downtime to accommodate fire risk assessed deep cleans where an assessment of the equipment's condition has shown that a deep clean is needed to ensure a safe operation can be maintained and to reduce the risk of fire;
- equipment downtime due to damage of, or misuse to, baggage carousels, jetties, stand equipment (e.g. lighting) or fixed electrical ground power units likely to have been caused by airlines or their agents or to passenger sensitive equipment where an airline or airline agent has accepted responsibility or where the AOC agrees with the airport in writing that the likelihood is that the damage has been caused by an airline or its agent;
- downtime where a fault has been reported by airlines or their agents, but, when the engineers attend the site, no fault is found and the equipment is working;
- equipment or stands taken out of service whilst a major investment project is undertaken in the vicinity where this is done in consultation with users and the timing of work has been determined after consultation with the terminal's AOC, and the period specified in advance. If work extends beyond this period, then the additional downtime will count against the serviceability target; and
- equipment or stands taken out of service for replacement or major refurbishment work, i.e. 're-lifing' work when the timing of work has been determined after consultation with the terminal's AOC, and the period specified in advance. If work extends beyond this period, then the additional downtime will count against the serviceability target.

15. The relevant elements of service for calculating Rebate are identified in Table 1 to Table 3:

- Table 1 applies to Heathrow Terminals 1, 3, 4, and Heathrow East Terminal (HET);
- Table 2 applies to Heathrow Terminal 5
- Table 3 applies to Heathrow Terminal 2;

“Element”	Identifies the relevant element of service;
“Metric”	defines the basis of measurement for each relevant element
“Standard _i ”	defines the standard applying for relevant element i;

ANNMAXi	is the maximum percentage of airport charges for the relevant year relating to passenger services for the relevant terminal;
Pij	is one sixth of the maximum percentage of airport charges for the relevant year relating to passenger services for the relevant terminal.
“Passenger sensitive equipment (priority)”	is a set of assets for each terminal agreed locally between the airport and the Terminal AOC and notified in writing to the CAA from time to time.

Table 1 Heathrow Terminals 1, 3, 4 and Heathrow Terminal East

Element	Metric	Relevant time over ⁹ which performance counts for rebates	Standard _i	Rebate per month P _{ij} (for all j)	Maximum annual rebate ANNMAX _i
Departure lounge seat availability	Moving average QSM score	(1) For 2008/9 period since and including April 2008: (2) for 2009/10 onwards, last 12 months.	3.8	0.0600%	0.3600%
Cleanliness			3.9	0.0600%	0.3600%
Way-finding			4	0.0600%	0.3600%
Flight information			4.2	0.0600%	0.3600%
Central security ¹⁰ queues	Times queue <5 minutes	05:00-22:30	95%	0.1283%	0.7698%
	Times queue ≤ 10 minutes		99%		
Passenger sensitive equipment (general)	% time available	Period agreed locally for each terminal between airport and terminal AOC.	99%	0.0667%	0.4002%
Arrivals reclaim (baggage carousels)	% time available	Period agreed locally for each terminal between airport and terminal AOC.	99%	0.0667%	0.4002%
Passenger sensitive equipment (priority)	% time available	Period agreed locally for each terminal between airport and terminal AOC.	99%	0.0583%	0.3498%
Stands	% time available	Period agreed locally for each terminal between airport and terminal AOC	99%	0.0517%	0.3102%
Jetties	% time available	Period agreed locally for each terminal between airport and terminal AOC	99%	0.0517%	0.3102%
Pier service	Moving average % passengers served	(1) For 2008/9 period since and including April 2008: (2) for 2009/10 onwards, last 12 months.	As set out in paragraph 16	0.0583%	0.3498%
Fixed electrical ground power	% time available	Period agreed locally for each terminal between airport and terminal AOC	99%	0.0383%	0.2298%
Pre-conditioned air	% time availability	Period agreed locally for each terminal between airport and terminal AOC	98%	0%	0%
Stand entry guidance	% time available and serviceable	Period agreed locally for each terminal between airport and terminal AOC	99%	0.0517%	0.3102%
Transfer search	Times queue <10 minutes	05:00-22:30	95%	0.0633%	0.3798%
Staff search	Times queue <10 minutes	Period agreed locally for each terminal between airport and terminal AOC	95%	0.0633%	0.3798%
Control posts ¹¹ search	Times < 20 minutes	Period agreed locally for each terminal between airport and terminal AOC	95%	0.0633%	0.3798%

⁹Where relevant, if the airport and the local AOC fail to agree a period for a particular element, the default time period will be the period specified for central search.

¹⁰ Both tests need to be met for the standard to be met.

¹¹ The measured element for control posts will be the average for the airport as a whole and will therefore be at the same level for all relevant terminals at Heathrow.

Table 2 Heathrow Terminal 5

Element	Metric	Relevant time over which performance counts for rebates ¹²	Standard _i	Rebate per month P _{ij} (for all j)	Maximum annual rebate ANNMAX _i
Departure lounge seat availability	Moving average QSM score	(1) For 2008/9 period since and including April 2008: (2) for 2009/10 onwards, last 12 months.	3.8	0.0600%	0.3600%
Cleanliness			3.9	0.0600%	0.3600%
Way-finding			4	0.0600%	0.3600%
Flight information			4.2	0.0600%	0.3600%
Central security ¹³ queues	Times queue <5 minutes	05:00-22:30	95%	0.1283%	0.7698%
	Times queue ≤ 10 minutes		99%		
Passenger sensitive equipment (general)	% time available	Period agreed locally for each terminal between airport and terminal AOC.	99%	0.0667%	0.4002%
Arrivals reclaim (baggage carousels)	% time available	Period agreed locally for each terminal between airport and terminal AOC.	99%	0.0667%	0.4002%
Passenger sensitive equipment (priority)	% time available	Period agreed locally for each terminal between airport and terminal AOC.	99%	0.0503%	0.3018%
Stands	% time available	Period agreed locally for each terminal between airport and terminal AOC	99%	0.0447%	0.2682%
Jetties	% time available	Period agreed locally for each terminal between airport and terminal AOC	99%	0.0447%	0.2682%
Pier service	Moving average % passengers served	(1) For 2008/9 period since and including April 2008: (2) for 2009/10 onwards, last 12 months.	As set out in paragraph 16	0.0503%	0.3018%
Fixed electrical ground power	% time available	Period agreed locally for each terminal between airport and terminal AOC	99%	0.0335%	0.2012%
Pre-conditioned air	% time availability	Period agreed locally for each terminal between airport and terminal AOC	98%	0%	0%
Stand entry guidance	% time available and serviceable	Period agreed locally for each terminal between airport and terminal AOC	99%	0.0447%	0.2862%
Transit system	% time one car available	Period agreed locally between airport and terminal AOC	99%	0.0559%	0.3353%
	% time two cars available		97%		
Transfer search	Times queue <10 minutes	05:00-22:30	95%	0.0559%	0.3353%
Staff search	Times queue <10 minutes	Period agreed locally for each terminal between airport and terminal AOC	95%	0.0559%	0.3353%
Control posts ¹⁴ search	Times < 20 minutes	Period agreed locally for each terminal between airport and terminal AOC	95%	0.0641%	0.3846%

¹² Where relevant, If the airport and the local AOC fail to agree a period for a particular element, the default time period will be the period specified for central search.

¹³ Both tests need to be met for the standard to be met.

¹⁴ The measured element for control posts will be the average for the airport as a whole and will therefore be at the same level for all relevant terminals at Heathrow.

Table 3 Heathrow Terminal 2

Element	Metric	Relevant time over which performance counts for rebates	Standard _i	Rebate per month P _{ij} (for all j)	Maximum annual rebate ANNMAX _i
Departure lounge seat availability	Annual moving average QSM score	Last 12 months.	3.6	0.0600%	0.3600%
Cleanliness			3.7	0.0600%	0.3600%
Way-finding			3.8	0.0600%	0.3600%
Flight information			4.0	0.0600%	0.3600%
Central security queues	Times < 10 minutes	Period agreed locally between airport and terminal AOC	95%	0.1283%	0.7698%
Passenger sensitive equipment (general)	% time available	Period agreed locally between airport and terminal AOC	98%	0.0667%	0.4002%
Arrivals reclaim (baggage carousels)	% time available	Period agreed locally between airport and terminal AOC	98%	0.0667%	0.4002%
Stands	% time available	Period agreed locally between airport and terminal AOC	98%	0.0517%	0.3102%
Jetties	% time available	Period agreed locally between airport and terminal AOC	97%	0.0517%	0.3102%
Pier service	Moving average % passengers served	Last 12 months.	90%	0.0583%	0.3498%
Fixed electrical ground power	% time available	Period agreed locally between airport and terminal AOC	98%	0.0383%	0.2298%

16. The pier service standard for each terminal (with the exception of Heathrow Terminal 2) will be:

- For months j on or after April 2009, the standard, in respect of month j, in a particular terminal, t will be:

$$\text{Standard}_{x,j} = \frac{\sum_{m=1}^{m=12} \pi_{j-m+1} SM_{i,j-m+1}}{\sum_{m=1}^{m=12} \pi_{j-m+1}}$$

i

- For months j from April 2008 to March 2009, the standard, in respect of month j, in a particular terminal t will be:

$$\text{Standard}_{x,j} = \frac{\sum_{m=1}^{m=\mu} \pi_{j-m+1} SM_{i,j-m+1}}{\sum_{m=1}^{m=\mu} \pi_{j-m+1}}$$

Where π_j , m and μ have the meanings assigned in paragraph 12; and

SM_j has the value specified in Table 4, or for months where no value is specified for a particular terminal in Table 4, $SM_j = 95\%$

Table 4 Pier service standards in Q5 – exceptions to default 95% standard

Heathrow			
	T1	T3	T5
2008	Jul-Aug 08: 93%	Apr-May 08: 92%	Apr-Dec 08: 91%
	Sep-Oct 08: 94%	Jun-Aug 08: 94%	
	Nov-Dec 08: 90%	Sep-Dec 08: 93%	
2009	Jan-Feb 09: 90%	Jan 09: 93%	Jan-Feb 09: 91%
	Mar-Sep 09: 93%		Mar-Dec 09: 89%
	Oct-Dec 09: 92%		
2010	Jan-Mar 10: 93%	(No exceptions)	Jan-Jun 10: 89%
	Apr-Dec 10: 94%		
2011	Jan-Sep 11: 94%	Jan-Dec 11: 94%	(No exceptions)
2012	Jun-Dec 12: 91%	Jan-Jun 12: 94%	(No exceptions)
2013	Jan-Mar 13: 91%	(No exceptions)	(No exceptions)

QSM

17. “QSM” is The Quality of Service Monitor survey which shall be conducted using the following approach:
 - a. The QSM will be based on the results of survey interviews with not less than 30,000 passengers (departing & arriving interviews combined) per year at Heathrow; and
 - b. the interviews obtained shall reflect quotas based on the expected profile of passengers travelling through the airport, set by:
 - country of destination for departing interviews; and
 - country of origin for arriving interviews.
 - c. In instances where the country quota is high, the sample may have a sub-quota for individual airport destinations.

- d. The QSM scores shall be calculated through a weighted average of the individual scores, weighted by actual traffic statistics for the month.
 - e. Departing passengers shall be interviewed at the gate/gate area, immediately prior to boarding the aircraft.
 - f. Arriving passengers shall be interviewed on the Arrivals Concourse just before leaving the terminal building.
 - g. Selection of passengers to take part in the survey shall be random and unbiased.
 - h. During the course of a month, interviewing shall be conducted in each terminal on a selection of mornings/afternoons and weekdays/weekend days.
18. In respect of the relevant elements for the standards and rebates scheme and for the charges controls the following interviewing procedures shall apply:

Introduction

19. The interviewer states “I am now going to ask you a series of questions which require you to rate your answers on the same rating scale”. The showcard is then displayed with the following responses on it:

Extremely poor (1), Poor (2), Average (3), Good (4), Excellent (5)

Departure lounge seat availability

- “Now, thinking about the departures lounge, how do you rate the ease of finding a seat?”

Way-finding

A weighted average of the QSM scores for the three way-finding questions, weighted by the proportion of passengers using each form of way-finding

- “How easy for you was it to find your way around within this terminal?” (question asked of departing passengers)
- “Have you been between terminals today? How would you rate the ease of finding your way?” (question asked of departing passengers)
- “How easy was it to find your way around within this terminal?” (question asked of arriving passengers)

Flight Information

A simple average of the QSM scores for the three flight information questions which are asked of departing passengers

- “Flight information (screens and boards only) - how do you rate the ease of finding?”
- “Flight information (screens and boards only) - how do you rate the ease of reading?”
- “Flight information (screens and boards only) - how do you rate the ease of understanding the information?”

Cleanliness

A weighted average of the QSM scores for five cleanliness questions, weighted by the proportion of passengers using each type of facility

- “Where was your boarding card issued to you for today’s flight?”
- How do you rate the level of cleanliness?” (question asked of departing passengers)
- “Now thinking about the departures lounge, how do you rate the cleanliness?” (question asked of departing passengers)
- “How would you rate the cleanliness of the arrivals concourse?” (question asked of arriving passengers)
- “I am going to read out a list of the services/facilities which you may have used or wanted to use in this terminal today. How do you rate the toilet facilities level of cleanliness?” (question asked of arriving passengers)

Queue length

20. “Queue Length” shall be the time taken for a passenger to move from the back of the security queue to the start of the roller-bed at the front of the X-ray machine. This measurement shall be taken every 15 minutes.

Availability

21. “Availability” of relevant facilities is defined for element I in month j as:

$$\text{Availability}_{ij} = 100 \cdot \left(1 - \frac{\sum_{k=\text{assets in } i} \text{TU}_k}{n_k \cdot T} \right)$$

Where:

- Availability_{ij} is the percentage availability of element i in month j;
- n_k is the number of assets included in element i;
- TU_k is the time that asset k is unavailable as set out below;
- T is the total relevant time in month j.

The time that an asset is unavailable shall be measured from the time when a fault is reported by automatic back indication or by inspection or by a third party report (subject to the exclusions in paragraph 14).

Calculation of Aerodrome Congestion Term

Basis of rebates

22. Except as set out in paragraph 33, a rebate shall be payable in respect of departures or arrivals where:
- i. a “Material Event” has occurred caused primarily by a failure on the part of BAA / NSL or their agents or contractors as set out in paragraph 28 (where ‘agents’ excludes bodies carrying out activities listed within the annex of EU Groundhandling Directive, 96/67)¹⁵; and this has generated a “Material Operational Impact” as defined in paragraph 31 below.

Calculation of rebate

$$Rebate_{ACT} = MIN \left[100 \cdot \left(\frac{Rebate_{ARR} + Rebate_{DEP}}{T_t} \right), MAX Rebate_{ACT} \right]$$

Where:

Rebate _{ARR}	is the element of this term related to arrival movements at the airport. = $\sum_{Allmaterialevents} V_{ARR_i}$
Rebate _{DEP}	is the element of this term related to departure movements at the airport. = $\sum_{Allmaterialevents} V_{DEP_i}$
MAXRebate _{ACT}	is the maximum annual percentage rebate under the Aerodrome Congestion Term which is 1%.
T _t	is the total revenue from airport charges in respect of relevant air services levied at the relevant airport in relevant year t.

and for each Material Event i:

V _{ARR_i}	is the value in Table 5 dependent on the “Maximum Cumulative Arrival Movements Deferred” for the ith relevant material event as uplifted by inflation in paragraph 23; and
V _{DEP_i}	is the value in Table 5 dependent on the “Maximum Cumulative Departure Movements Deferred” for the ith relevant material event as uplifted by inflation in paragraph 23;

¹⁵ Council Directive 96/67/EC of 15 October 1996 on access to the groundhandling market at Community airports (Official Journal L 272 25/10/1996 p 0036-0045)

Where:

Relevant Measurement Period is defined as any period beginning with the “Clock-Face Hour” preceding the commencement of the material event and ending no later than the next clock-face hour after the material event ends; and

Clock-Face Hour is the period of 60 minutes which for any relevant hour xx, starts with xx:00 and ends at xx:59;

Maximum Cumulative Arrival Movements Deferred is the maximum number of cumulative arrival movements deferred at any of the relevant measurement periods for the particular Material Event, calculated as follows:

$$= A_i \times \text{MAX}_{\text{all Relevant Measurement Periods}} (\text{ExpectedARR}_s - \text{ActualARR}_s)$$

Where:

s denotes any Relevant Measurement Period relating to the particular Material Event;

ExpectedARR_s is the number of expected arrivals in Relevant Measurement Period s as determined in paragraphs 24-26;

ActualARR_s is the number of actual arrivals in Relevant Measurement Period s

A_i is the proportion of responsibility for the ith material event attributed to BAA/NSL or their agents or contractors.

$$= A_i \times \text{MAX}_{\text{all Relevant Measurement Periods}} \left[\sum_{t=1}^{s=t} (\text{ExpectedDEP}_s - \text{ActualDEP}_s) \right]$$

Maximum Cumulative Departure Movements Deferred is the maximum number of cumulative departure movements deferred at any of the relevant measurement periods for the particular Material Event, calculated as follows:

Where:

ExpectedDEP_s is the number of expected departures in Relevant Measurement Period s as determined in paragraphs 24-26;

ActualDEP_s is the number of actual departures in Relevant Measurement Periods;

A_i is the proportion of responsibility for the ith material event attributed to BAA/NSL or their agents or contractors.

Table 5

Maximum cumulative movements deferred (2006/07 prices)	Heathrow Rebate (£000)
0 to 3	0
4 or 5	10.0
6 or 7	16.2
8 or 9	23.2
10 or 11	32.1
12 or 13	42.9
14 or 15	55.5
16 or 17	70.1
18 or 19	86.5
20 or more per day	100.0

23. The rebates in Table 5 shall be inflated to outturn prices by:

$$= \text{Rebate}_{2006/7 \text{ prices}} \times (\text{PRICE INDEX}_t / \text{PRICE INDEX}_{2006/7})$$

where:

PRICE INDEX_{t-1} is the value of the CHAW series of the retail price index published with respect to August in relevant year t-1 and accordingly PRICE INDEX_{2006/7} is the relevant value of the CHAW index published with respect to August 2006.

Expected Arrivals and Departures

24. The Expected Arrival Movements and Expected Departure Movements shall be estimates made by Heathrow respectively by hour for each Material Event made available to users, on the BAA extranet site or in a manner agreed with users, as soon as practicable after the Material Event to which it relates.
25. BAA will use best endeavours to calculate the Expected Arrival Movements and Expected Departure Movements to reflect the relevant movements in each hour in the absence of any Material Event or Material Operational Impact.
26. These calculations shall have regard to the actual arrival or departure movements during the relevant hour and day in the weeks preceding the relevant hour where there were no Material Events or other significant factors which affected arrivals or departure rates. These calculations can be supplemented by a consideration of other relevant considerations where BAA considers this to be appropriate in order to make best estimates.

27. BAA shall set out the basis of its calculations with the estimates.

Material Events

28. A “Material Event” is one, or a combination of more than one, of the following:

- radar or other critical air traffic control equipment or systems failure;
- tower staff shortages;
- tower industrial action;
- industrial action by BAA (Heathrow Airport Limited) operational staff;
- closure of runways;
- closure of rapid exit taxiways, rapid access taxiways and other runway exit / access taxiways;
- closure of aircraft manoeuvring areas;
- runway or taxiway lighting system failures;
- failure of other critical equipment e.g. fire tenders; or
- where bad weather has been forecast and has materialised and the “Relevant Bad Weather Equipment” as set out in paragraph 30 is not available or has not been deployed.

29. For the avoidance of doubt the airport operator will not be liable to pay rebates for disruption due to bad weather unless one or more of the factors above apply.

30. The “Relevant Bad Weather Equipment” is defined as in respect of:

1. Low visibility procedures:

- Instrument Landing System (ILS), Instrumented Runway Visual Range (IRVR) system, Surface Movement Radar (SMR), Microwave Landing System (MLS)* and Advanced Surface Movement Guidance and Control System (ASMGCS)* (* where installed)
- Operational availability of lighting and signage systems to enable Cat 2/3 operations to continue

2. Ice

- Airfield (i.e. runways, taxiways and manoeuvring area) and aircraft stands anti/de-icing equipment and media, (as specified to the AOC)
- Operational availability and deployment of trained staff to operate the equipment

3. Snow

- Runway and taxiway snow clearance equipment (as specified to the AOC by the requirements of 34.)
- Operational availability and deployment of trained staff to operate the equipment.

Material Operational Impact

31. A “Material Operational Impact” is defined:

1. For arrivals where:

- a flow rate restriction (ATFM or local¹⁶) is applied which is less than the declared runway scheduling limit: and
- the cumulative number of actual movements is less than the cumulative reference number of movements by at least four movements for any relevant measurement period during the period before the flow rate restriction is removed.

2. For departures:

- the cumulative number of actual movements is less than the cumulative reference number of movements by at least four movements for any relevant measurement period during the period of the material effect.

Proportion of responsibility

32. Where the airport operator reasonably considers that a “Material Event” with a “Material Operational Effect” has been made more severe by contributing causes beyond the control of the airport or its agents, it shall estimate the proportion of the effect which it considers to have been due to the “Material Event” as set out in paragraph 28.

¹⁶ ATFM restrictions are air traffic flow movement restrictions imposed through the central flow management unit of Eurocontrol. Local restrictions are of a temporary duration and originate from the NATS Tower watch supervisor.

Exceptions

33. The following sets out the circumstances when the unavailability of facilities will not require the rebates to be payable:
1. where the material event is due to runways, taxiways, other aircraft manoeuvring areas, or associated airfield lighting taken out of service whilst a major investment project is undertaken in the vicinity and where this is done in consultation with users and the timing of work has been determined after consultation with the airport AOC, and the period specified in advance. If work extends beyond this period, then rebates will be payable if the work causes material events, which pass the tests in paragraphs 28 and 31; or
 2. where the material event is due to runways, taxiways, other aircraft manoeuvring areas, or associated airfield lighting taken out of service for replacement or major refurbishment work, i.e. 're-lifing' work, or NSL tower related works and when the timing of work has been determined after consultation with the airport AOC, and the period specified in advance. If work extends beyond this period, then rebates will be payable if the work causes material events, which pass the tests in paragraphs 28 and 31.

Data Collection and Communication

34. BAA shall:
1. provide a list of the anti/de-icing equipment and media and runway and taxiway snow clearance equipment in commission at the airport to the AOC prior to each Winter season;
 2. compile a log of all the events at the airport which it considers could have a potentially material effect on operations at the airport (the "Super-Log"). This will include ATFM and local restrictions imposed on Heathrow along with Material Events relating to the departures runway (which may not necessarily have been linked to an ATFM or local restriction). BAA may also include other events where it considers that this materially adds to the value of the log as a complete record;
 3. report to Relevant Parties the new events that have been recorded each week as soon as practicable after the end of the relevant week on its extranet site or in such other format as may be agreed by the airport operator and Relevant Parties; and
 4. report to Relevant Parties as soon as practicable after the relevant week the calculations of the maximum number of movements deferred for each Material Event set out under paragraph 28 above and the assumptions supporting the expected level of arrivals or departures in each hour during the course of the Material Event and any estimate of the proportion of responsibility as set out in paragraph 32.

Publication of information

35. The airport will publish in each terminal, on a monthly basis, the performance against the standards for each of the terminals at the relevant airport with respect to:
- Departure lounge seat availability;
 - Cleanliness,
 - Way-finding,
 - Flight information,
 - Central security queues,
 - Transfer search,
 - Passenger sensitive equipment (general),
 - Passenger sensitive equipment (priority),
 - Pier service,
 - Arrivals reclaim (baggage carousels),
 - Terminal 5 tracked transit system.

END