

Passenger Security Wait Time Interim SQR Standard in Q6

Purpose

The purpose of this paper is to set out Heathrow's proposal for the application of the passenger security wait time SQR standard in Q6, declaring its commitment to the implementation of per passenger queue measurement and setting out the incentives and penalties that should apply.

Background

In Q6 the CAA has proposed a harmonised security waiting time standard for direct and transfer passengers of 99% of passengers waiting less than 10 minutes. This recognises the importance of both direct and transfer passengers to Heathrow.

The harmonised proposition will be easier to understand for passengers and provide a more reliable and consistent service to airlines while not increasing operating costs. Heathrow and the airline community support the move to a per passenger measure which more accurately reflects actual passenger experience and promotes the right business behaviour.

The CAA has proposed that per passenger queue measurement is implemented by 1 April 2015. This raises the question over how the SQR standard is applied in Q6 in the interim period.

In advance of the implementation of per passenger queue measurement the CAA has proposed an interim standard in its Final Proposals for the beginning of Q6. The proposed interim standard raises the target for transfer passengers to the same level as that which currently applies to direct passengers.

This would represent a material overall increase in service standard compared to Q5 (and the majority of Q6). This would require additional search capacity which will not be in place at any time in Q6, therefore the proposed interim standard is unachievable. Even if the standard was to be considered it would require a very significant increase in opex, contrary to a key principle underpinning any move to harmonisation on queue standards, that it should not lead to an increase in costs.

Proposal

Heathrow is fully committed to implementing per passenger queue measurement in line with the CAA's timetable of 1 April 2015, and is currently working in partnership with the CAA and airline community to achieve this. Two potential technologies are under consideration, barcode measurement which is currently being implemented in Terminal 5, and facial recognition where proof of concept has recently been successfully completed. Funds to deliver per passenger queue measurement across Heathrow's terminals are included in the Q6 capital plan. Per passenger queue measurement will be implemented in all Heathrow terminals with the exception of Terminal 1 (due to its planned closure in Q6), which has been agreed by the CAA.

Even when per passenger queue measurement is implemented there remains a physical constraint to harmonisation in some terminals. The rollout of harmonisation in Q6 has always been dependent on

delivery of additional transfer search capacity in Terminal 3 and Terminal 5. The new transfer facility in Terminal 3 is due to complete in mid-2016, with the delivery of the escalator to the South search area in Terminal 5 which increases capacity for transfer passengers currently expected by April 2016.

Therefore, for the interim period given available capacity and the need to efficiently manage operational costs, Heathrow proposes to apply the current Q5 security wait time standard for direct passengers (which Heathrow understands to be the tightest SLA in Europe) and transfer passengers, which has underpinned passenger satisfaction in Q5.

In terminals without capacity constraints Heathrow will aim to move to a harmonised standard in advance of April 2015 and in the terminals with constraints will look at ways of delivering harmonisation in advance of the completion of the capital projects.

To provide further assurance to the CAA and the airline community of Heathrow's commitment to meeting the CAA proposed timetable, Heathrow proposes that an additional penalty measure is applied should the timetable for implementation of per passenger queue measurement not be met. This would be in addition to the on-going performance incentive to meet the SQR security wait time standard.

The penalty measure would be effective from 1 April 2015. It would apply on a monthly basis throughout Q6 by individual terminal, with direct passengers and transfer passengers treated separately. Penalties would be payable should the CAA determine that per passenger queue measurement is not yet in place in the relevant search area by the month in question.

The maximum additional annual penalty would be equivalent to the annual maximum SQR rebates for passenger security wait time contained in the CAA's Final Proposals. This equates to an additional maximum annual penalty of around £23m (based on 2013/14 airport charges). This would be applied outside the SQR scheme and be payable on a monthly basis.

Proposed Additional Penalty Measure:

		Maximum Annual Penalty (% of Airport Charges)	Monthly Penalty (% of Airport Charges)
Terminal 2	Central Search	1.00%	0.0833%
	Transfer Search	0.50%	0.0417%
Terminal 3	Central Search	1.00%	0.0833%
	Transfer Search	0.50%	0.0417%
Terminal 4	Central Search	1.00%	0.0833%
	Transfer Search	0.50%	0.0417%
Terminal 5	Central Search	1.00%	0.0833%
	Transfer Search	0.50%	0.0417%
Heathrow Total	Central Search	1.00%	£15.5m
	Transfer Search	0.50%	£7.8m
	Total	1.50%	£23.2m
			0.0833%
			£1.3m
			0.0417%
			£0.7m
			0.1250%
			£1.9m

This additional penalty measure is over and above the incentive to a deliver the SQR wait time standard, the current security wait time standard for direct and transfer passengers applied in the interim period until per passenger queue measurement is implemented and capital works completed in terminals where relevant.

Scenarios - Incentives applying from April 2015 (directs and transfers treated separately):

Per Passenger Queue measurement	Terminal	SQR Standard	Penalty measure	SQR Target Met	SQR Target Not Met
Not Yet Implemented	Terminal 2 Terminal 3 Terminal 4 Terminal 5	Interim Q5 standard applies	Penalty Payable	No SQR Rebate	SQR Rebate Payable*
Implemented	Terminal 2 Terminal 4	Q6 Harmonisation standard applies	No Penalty	No SQR Rebate	SQR Rebate Payable*
Implemented	Terminal 3 Terminal 5 Additional capacity not yet delivered	Interim Q5 standard applies	No Penalty	No SQR Rebate	SQR Rebate Payable*
Implemented	Terminal 3 Terminal 5 Additional capacity delivered	Q6 Harmonisation standard applies	No Penalty	No SQR Rebate	SQR Rebate Payable*

* subject to 6 months payment cap

Heathrow will continue to work collaboratively with the airline community and the CAA on the implementation of per passenger queue measurement. While it is Heathrow's intention to reach agreement with the airline community regarding the implementation and the detail of per passenger queue measurement, should this not be possible the CAA must ensure that Heathrow is not penalised via the additional penalty measure in a scenario where airline support cannot be secured.

Therefore the CAA may be required to confirm that Heathrow has implemented passenger queue measurement as directed by the CAA, and to adjudicate on technical issues. Heathrow must not be put in a situation where prolonging of the process by either the airlines or CAA leads to a penalty becoming payable.