

Proposed Licence Modifications for H7

As we set out in our response to CAP2139, we consider that there are a number of Licence modifications required in order to align the current Q6 Licence with our H7 proposals.

The table below provides a summary of proposed modifications, which are reflected through tracked changes in the subsequent copy of the Licence. Further detail on the rationale behind the proposed modifications is contained in Annex 1 of our CAP2139 response.

While we expect the majority of required policy changes have been covered below, we also consider the final licence amendments will be enhanced by further constructive discussions with the CAA and we naturally reserve the right to make further proposals as necessary. There is further detailed work required on updating elements such as the various formulae and tables; we have deliberately only updated aspects which are material to the proposals set out below. The list of SQRB/OBR measures and targets will need to be updated fully. The SQRB/OBR modifications in this document relate only to exclusions and a set off clause. For completeness we note that all references to dates and periods will need to be updated when the Licence is finalised.

We look forward to working with the CAA on the remaining areas as required, in addition to the modifications listed below.

Licence Part	Licence condition / element	Summary of modification
C	SHS (security, health, and safety) factor	Extend S-Factor to include the impact of costs of changes to health and safety policy, in addition to security. The 0.9 factor adjustment has also been removed.
C	CAA Licence Fees	Include a pass-through of CAA Licence Fees.
C	Risk Sharing (and RAB roll-forward)	Introduce a risk sharing mechanism into the price control condition.
C	Price Control Reopener	Introduce a condition to facilitate the request that the price control be adjusted if there is a major change in assumptions from those on which the price control was based or a material change in Heathrow's circumstances.
C	Terminal Drop-Off Charge	Introduce a new condition for the terminal drop-off charge to be incorporated into part C of the Licence, noting circumstances which constitute a Qualifying Change.
C	Expansion Framework Trigger	Introduce a time-bound mechanism for recommending expansion and ensuring it can be incorporated into the regulatory framework as required.
C	Business Rates	Move the business rate revaluation factor out of the price control formula and into ORCs as a full pass-through.
C	ORC Variance Report	Amend the requirement to produce a variance report of actual revenue against CAA forecast to against prior year.
C	ORC Self-modification	Introduce a self-modification provision for the list of Specified Facilities, which have been updated.

Licence Part	Licence condition / element	Summary of modification
E	Certificate of Adequacy of Resources	Align the Certificate of Adequacy of Resources more closely with the time horizon of the annual going concern assessment.
E	Continuity of Service Plan	Reduce the frequency of submitting the Continuity of Service Plan from 12 months to 24 months.
Schedule 1	SQRB/OBR Exclusions	Modify the list of exclusions in the Licence to incorporate lessons from Q6 and iH7.
Schedule 1	SQRB/OBR Exclusions Dispute Mechanism	Include an SQRB/OBR dispute mechanism for exclusion requests.
Schedule 1	SQRB/OBR Rebate Set Off Clause	Introduce a clause to entitle Heathrow to set off any rebate amount due to an airline if an airline has failed to pay any charges payable to the Heathrow.

Please note, we have not proposed the introduction of a dispute mechanism for capital or other regulated charges within the Licence, as previously proposed in our response to CAP2139. We believe that revising the respective protocols for H7 should be the first step to provide Heathrow, the airlines, and the CAA with sufficient clarity, before considering a Licence modification.

In addition, capital efficiency has not yet been reflected in the proposed Licence as we are awaiting the CAA policy on this area. We will provide further representations once the CAA has published its Initial Proposals and its policy position on capital efficiency.

In addition to modifying the various protocols for H7, we also look forward to engaging with the CAA on a proposal to incorporate the Regulatory Accounts into the Heathrow SP Accounts, which will involve reviewing the Regulatory Accounting Guidelines.

Licence granted to

HEATHROW AIRPORT LIMITED

by the Civil Aviation Authority

under section 15 of the Civil Aviation Act 2012

on 13 February 2014

Consolidated Version

Date on which latest changes took effect:

1 January 2020

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Part A: Scope and interpretation of the Licence

A1 Scope

- A1.1 The CAA has made a market power determination under section 7 of the Act on 10 January 2014 that means, for the purposes of section 3 of the Act, Heathrow Airport Limited (the Licensee) is the operator of a dominant airport area at a dominant airport.
- A1.2 The Airport (as defined in sections 66 and 67 of the Act) is London Heathrow Airport.
- A1.3 The Airport Area is those areas of the Airport, that comprise:
- (a) the land, buildings and other structures used for the purposes of the landing, taking off, manoeuvring, parking and servicing of aircraft, excluding the Northern Receipt Fuel Facility, the Southern Receipt Facility, the Sandringham Road Fuel Farm, the Perry Oaks Fuel Farm, the Airport Transfer Pipes and the Fuel Hydrant Systems;
 - (b) the passenger terminals; and
 - (c) the cargo processing areas.
- A1.4 The CAA, in exercise of the powers conferred by section 15 of the Act, hereby grants to the Licensee this licence authorising the Licensee, and those persons listed in section 3(3) of the Act, to require a person to pay a relevant charge in respect of airport operation services that it provides at the Airport, subject to the conditions of this Licence.
- A1.5 This Licence shall come into force on 1 April 2014 and shall continue in force until revoked in accordance with Condition B2 of this Licence.

A2 Interpretations

- A2.1 Unless specifically defined within this Licence or in the Act 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 this Licence comes into force.
- A2.2 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.

- A2.3 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.
- A2.4 In construing the provisions of this Licence, the heading or title of any Condition, Schedule or paragraph shall be disregarded.
- A2.5 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 Act or this Licence by reason of the Licensee's failure to perform by that date or within the period.
- A2.6 The provisions of sections 74 and 75 of the Act shall apply for the purposes of the publication or sending of any document pursuant to this Licence.

A3 Definitions

- A3.1 In this Licence:
- (a) airport charges has the meaning assigned to it by regulation 3(1) of the Airport Charges Regulations 2011 (2011 No.2491);
 - (b) the CAA means the Civil Aviation Authority;
 - (c) the Act means the Civil Aviation Act 2012;
 - (d) airlines means providers of air transport services;
 - (e) the AOC means Heathrow Airline Operators Committee, a company limited by guarantee representing all airlines at the Airport. Agreement of the AOC shall be decided according to the AOC's governance arrangements;
 - (f) the Regulatory Period means the period of nine months between 1 April 2014 and 31 December 2014 and this period shall also be considered to be the Licensee's financial year for the purposes of this Licence; and

- (g) the Regulatory Year means for each of the seven years from 2015 to 2021, the twelve month period beginning on 1 January and ending on 31 December. These years shall also be considered to be the Licensee's financial year for the purposes of this Licence.

Part B: General Conditions

B1 Payment of fees

B1 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 Act.

B2 Licence revocation

B2 The CAA may revoke this Licence in any of the following circumstances and only in accordance with sections 48 and 49 of the Act:

- (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 all of the Airport Area;
 - (ii) the Airport Area ceases to be a dominant airport area; or
 - (iii) the Airport ceases to be a dominant airport; or
- (c) if the Licensee fails:
 - (i) to comply with:
 1. an enforcement order (given under section 33 of the Act); or
 2. an urgent enforcement order (given under section 35 which has been confirmed under section 36); or
 - (ii) to pay any penalty (imposed under sections 39, 40, 51 or 52 of the Act) by the due date for any such payment,

where any 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:

- (iii) the proceedings relating to any appeal under section 47 brought in relation to the validity or terms of an order or the

CAA's finding or determination upon which it is based are finally determined; or (as the case may be);

- (iv) the proceedings relating to any appeal under sections 47 or 55 brought in relation to the imposition of a penalty, the timing of the payment of the penalty or the amount of the penalty are finally determined.

B3 Promoting economy and efficiency

- B3.1** The Licensee shall conduct its business and its activities that relate to the provision of airport operation services at the Airport so as to secure the economical and efficient:
- (a) operation and maintenance; and
 - (b) timely and appropriate enhancement and development of the Airport.
- B3.2** In complying with Condition B3.1, the Licensee shall seek to secure that the reasonable demands of users of air transport services regarding the range, availability, continuity, cost and quality of airport operation services provided by the Licensee at the Airport are met. In so doing, the Licensee shall carry out appropriate consultation with users, airlines and other relevant stakeholders, including providing timely and accurate information to them, so that they can assist the Licensee to identify the reasonable demands for airport operation services.
- B3.3** In complying with its obligations under this Condition, the Licensee shall take into account all relevant circumstances, including the need for it to finance its provision of airport operation services at the Airport.

Part C: The price control conditions

C1 Price Control

C1.1 When the Licensee fixes the amounts to be levied by it by way of airport charges in respect of relevant air transport services in the Regulatory Period it shall fix those charges at the levels best calculated to secure that; in the Regulatory Period, the total revenue at the Airport from such charges divided by the total number of passengers using the Airport does not exceed the maximum revenue yield per passenger, which shall be calculated as follows:

$$M_{2014} = £22.261(1 + B_{2012/13}) + \frac{D_{2014}}{Q_{2014}} - \frac{T_{2014}}{Q_{2014}} - K_{2014}$$

Where:

- M_{2014} is the maximum revenue yield per passenger using the Airport in the Regulatory Period expressed in pounds;
- $B_{2012/13}$ is the bonus factor in the Regulatory Period based on the Licensee's performance in 2012/13, as defined in Condition C1.8;
- D_{2014} is the cumulative development capex adjustment in the Regulatory Period defined in Condition C1.9;
- T_{2014} is the capital 'trigger' factor in the Regulatory Period defined in Condition C1.7;
- Q_{2014} is passengers using the Airport in the Regulatory Period; and
- K_{2014} is the per passenger correction factor in the Regulatory Period defined in Condition C1.5.

C1.2 On each occasion on which the Licensee fixes the amounts to be levied by it by way of airport charges in respect of relevant air transport services in each of the five subsequent relevant Regulatory Years starting on 1 January 2020 and ending on 31 December 2021, the Licensee shall fix those charges at the levels best calculated to secure that, in each relevant Regulatory Year, total revenue at the Airport from such charges divided by the total number of passengers using the Airport does not exceed the amount set in accordance with the formula below:

$$M_t = (1 + RPI_{t-1} + X + B_{t-2})Y_{t-1} + \frac{D_t}{Q_t} - \frac{T_t}{Q_t} + \frac{A_t}{Q_t} + \frac{BRCLF_t}{Q_t} - K_t$$

Where:

- M_t is the maximum revenue yield per passenger using the Airport in Regulatory Year t expressed in pounds, where;
- RPI_{t-1} is the percentage change (positive or negative) in the Office for National Statistics (ONS) CHAW Retail Price Index between April in year $t-1$ and the immediately preceding April;
- $X = -1.5XX\%$;
- B_{t-2} is the bonus factor in Regulatory Year t , based on the Licensee's performance in $t-2$, as defined in Condition C1.8;
- Y_{t-1} is the revenue yield per passenger in Regulatory Period or Regulatory Year $t-1$ defined in Condition C1.3;
- D_t is the cumulative development capex adjustment in Regulatory Year t defined in Condition C1.9;
- T_t is the capital 'trigger' factor in Regulatory Year t defined in Condition C1.7;
- Q_t is passengers using the Airport in Regulatory Year t ;
- A_t is the cost pass-through for runway expansion in Regulatory Year t defined in Condition C1.12;
- CLF_t is the cost pass-through adjustment in each Regulatory Year in relation to Licence fees levied by the CAA.
- ~~BR_t is the business rate revaluation factor in Regulatory Year t defined in Condition C1.11; and~~
- K_t is the per passenger correction factor in Regulatory Year t defined in Condition C1.5.

Y_{t-1} : average revenue yield per passenger

C1.3 Y_{t-1} is the average revenue yield per passenger in Regulatory Period or Regulatory Year $t-1$ calculated in accordance with the following formula:

$$Y_{t-1} = Y_{t-2}(1 + RPI_{t-2} + X) + S_{t-1}$$

Where:

- $Y_{2014} = £22.261 + S_{2014}$
- RPI_{t-2} is the percentage change (positive or negative) in the Retail Price Index between that published with respect to April in Regulatory Period or Regulatory Year t-2 and that published with respect to the immediately preceding April;
- $X = -4.5XX\%$
- S_{t-1} is the allowable security, health, and safety cost per passenger defined in Condition C1.4.

S_{t-1} : allowable security, health, and safety cost per passenger

C1.4 S_{t-1} is the allowable security, health, and safety cost per passenger in Regulatory Period or Regulatory Year t-1 arising as a result of changes to security and/or health and safety standards. Additional costs from such changes ~~in security standards~~ are considered as positive values; ~~reductions in cost from changes in security standards are considered~~ as negative values. This mechanism only applies when the expected cumulative cost associated with changes to security and/or health and safety standards are:

- (a) above a cumulative £21,000,000 "deadband" figure; or
- (b) below a cumulative - £21,000,000 "deadband" figure

S_{t-1} is calculated in accordance with the following formulae expressed in pounds:

For each relevant Regulatory Period or Regulatory Year t-1, in the case that EC is a positive value, with reference to the absolute value of EC:

If: $|EC_{t-1}| > £21,000,000$; and

$$|EC_{t-2}| > £21,000,000$$

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

Or if: $|EC_{t-1}| > £21,000,000$; and

$$|EC_{t-2}| < £21,000,000$$

Then: $S_{t-1} = 0.9 \frac{(EC_{t-1} - £21,000,000)}{(EC_{t-1})^{0.9}}$

Or if: $|EC_{t-1}| < \text{£}21,000,000$; and

$|EC_{t-2}| > \text{£}21,000,000$

Then: $S_{t-1} = \frac{-0.9 (EC_{t-2} - \text{£}21,000,000)}{(t^*)Q_{t-1}}$

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

For each relevant Regulatory Period or Regulatory Year t-1, if EC is a negative number, with reference to the absolute value of EC:

If: $|EC_{t-1}| > \text{£}21,000,000$; and

$|EC_{t-2}| > \text{£}21,000,000$

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

Or if: $|EC_{t-1}| > \text{£}21,000,000$; and

$|EC_{t-2}| < \text{£}21,000,000$

Then: $S_{t-1} = \frac{0.9 (EC_{t-1} + \text{£}21,000,000)}{(t^*)Q_{t-1}}$

Or if: $|EC_{t-1}| < \text{£}21,000,000$; and

$|EC_{t-2}| > \text{£}21,000,000$

Then: $S_{t-1} = \frac{-0.9 (EC_{t-2} + \text{£}21,000,000)}{(t^*)Q_{t-1}}$

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

Where:

- Q_{t-1} is passengers using the Airport in Regulatory Period or Regulatory Year t-1.
- t^* is a time variable, which is defined for each Regulatory Period or Regulatory Year in table C.1 below:

Table C.1: Time variable

Period t =	t* =
9mo. 2014	93/9
2015	7
2016	6
2017	5
2018	4
2019	3
2020	2

- C_{t-1} is the total allowable security, [health, and safety](#) claim per passenger using the Airport in Regulatory Period or Regulatory Year t-1 (whether of a positive or negative value) expressed in pounds relative to security costs per passenger in the previous period;
- EC_t is the expected cumulative security, [health, and safety](#) claim over the relevant Regulatory Period and [seven five](#) Regulatory Years starting on [XX1-April 2022](#)~~14~~, in period t, which shall be calculated in accordance with table C.2 below:

Table C.2: Calculation of annualised allowable security costs

Period t =	2013	9mo. 2014	2015	2016	2017	2018	2019	2020
Changes in 2014	0	$10.33 * C_{2014} * Q_{2014}$	$10.33 * C_{2014} * Q_{2014}$	$10.33 * C_{2014} * Q_{2014}$	$10.33 * C_{2014} * Q_{2014}$	$10.33 * C_{2014} * Q_{2014}$	$10.33 * C_{2014} * Q_{2014}$	$10.33 * C_{2014} * Q_{2014}$
Changes in 2015	0	0	$7 * C_{2015} * Q_{2015}$	$7 * C_{2015} * Q_{2015}$	$7 * C_{2015} * Q_{2015}$	$7 * C_{2015} * Q_{2015}$	$7 * C_{2015} * Q_{2015}$	$7 * C_{2015} * Q_{2015}$
Changes in 2016	0	0	0	$6 * C_{2016} * Q_{2016}$	$6 * C_{2016} * Q_{2016}$	$6 * C_{2016} * Q_{2016}$	$6 * C_{2016} * Q_{2016}$	$6 * C_{2016} * Q_{2016}$
Changes in 2017	0	0	0	0	$5 * C_{2017} * Q_{2017}$	$5 * C_{2017} * Q_{2017}$	$5 * C_{2017} * Q_{2017}$	$5 * C_{2017} * Q_{2017}$
Changes in 2018	0	0	0	0	0	$4 * C_{2018} * Q_{2018}$	$4 * C_{2018} * Q_{2018}$	$4 * C_{2018} * Q_{2018}$
Changes in 2019	0	0	0	0	0	0	$3 * C_{2019} * Q_{2019}$	$3 * C_{2019} * Q_{2019}$
Changes in 2020	0	0	0	0	0	0	0	$2 * C_{2020} * Q_{2020}$
$EC_t =$	Sum rows	Sum rows	Sum rows	Sum rows	Sum rows	Sum rows	Sum rows	Sum rows

Where:

- C_t is the total allowable security, [health, and safety](#) claim per passenger using the Airport in Regulatory Period or Regulatory Year t (whether of a positive or negative value) expressed in pounds, relative to security costs per passenger in the previous period; and
- Q_t is the actual number of passengers using the Airport in Regulatory Period or Regulatory Year t .

K_t : per passenger correction factor

C1.5 K_t is the per passenger correction factor (whether positive or negative value) to be made in Regulatory Period or Regulatory Year t , which is calculated as follows:

Where: $t = 2015$ or 2016

$$K_t = \frac{R_{t-2} - (Q_{t-2}M_{t-2})}{Q_t} \left(1 + \frac{I_{t-2}}{100}\right)^{21/12}$$

Where: $t \neq 2015$ or 2016

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

Where:

- R_{t-2} is total revenue from airport charges in respect of relevant air transport services levied at the Airport in Regulatory Period or Regulatory Year $t-2$ expressed in pounds;
- Q_t is passengers using the Airport in Regulatory Period or Regulatory Year t ;
- M_{t-2} is the maximum revenue yield per passenger using the Airport in Regulatory Period or Regulatory Year $t-2$;
- I_{t-2} is the appropriate interest rate for Regulatory Period or Regulatory Year $t-2$, which is equal to:
 - the specified rate plus 3% where K_t is positive; or

- the specified rate where K_t is negative. In both cases K_t takes no account of I_t for this purpose.

C1.6 In relation to the Regulatory Period and the Regulatory Year 2015, the values of R_{t-2} , Q_{t-2} , M_{t-2} and I_{t-2} shall be calculated by reference to the conditions as to airport charges imposed in relation to the Airport under the Airports Act 1986 in force at 31 March 2014. In the case of the Regulatory Period, t-2 refers to the 12-month period from 1 April 2012 to 31 March 2013.

T_t : trigger factor

C1.7 T_t is the trigger factor, which is a reduction in the maximum revenue yield per passenger occurring when the Licensee has not achieved specific capital investment milestones associated with relevant projects. The factor shall be calculated as follows:

$$T_t = \sum_i TM_{it} TF_{it}$$

Where:

For any specific trigger i , in Regulatory Period or Regulatory Year t :

- TF_{it} is the number of months between the milestone month and the earlier of; the project completion date or the end of Regulatory Period or Regulatory Year t , up to a maximum of 12. In 2014 TF_{it} is restricted to a maximum of 9.
- TM_{it} is the trigger payment associated with each trigger in Regulatory Period or Regulatory Year t ;

Where: $TM_{ti} = MTP_i \frac{P_{t-1}}{222.80}$

- MTP_i is the monthly trigger payment which is defined for each relevant project; and
- P_{t-1} is the value of the ONS CHAW Retail Price Index in April in Regulatory Period or Regulatory Year t-1;
- The triggers, milestone month and monthly trigger payments are defined in the Q6 Capital Investment Triggers Handbook and may be modified in accordance with the modification processes set out in that handbook.

B_{t-2}: bonus factor

C1.8 B_{t-2} is the bonus factor based on performance achieved in respect of specified elements k of the Licensee's service quality rebates and bonuses scheme (SQRB) as defined in Condition D1. The bonus factor shall be calculated in accordance with Schedule 1 of this Licence.

D_t: cumulative development capex adjustment

C1.9 D_t is the cumulative development capex adjustment, which adjusts the maximum revenue yield per passenger in Regulatory Period or Regulatory Year t to account for cumulative changes in the revenue requirement associated with development capex projects. D_t shall be calculated in accordance with table C.3 below.

Table C.3: Development capex adjustment

Additional revenue requirement for projects in	Year t =							
	9mo. 2014	2015	2016	2017	2018	2019	2020	2021
2014	$0.5 \times d_{2014}$	$\frac{P_{t-1}}{P_{t-2}} \times d_{2014}$	$\frac{P_{t-1}}{P_{t-3}} \times d_{2014}$	$\frac{P_{t-1}}{P_{t-4}} \times d_{2014}$	$\frac{P_{t-1}}{P_{t-5}} \times d_{2014}$	$\frac{P_{t-1}}{P_{t-6}} \times d_{2014}$	$\frac{P_{t-1}}{P_{t-7}} \times d_{2014}$	$\frac{P_{t-1}}{P_{t-8}} \times d_{2014}$
2015	0	$0.5 \times d_{2015}$	$\frac{P_{t-1}}{P_{t-2}} \times d_{2015}$	$\frac{P_{t-1}}{P_{t-3}} \times d_{2015}$	$\frac{P_{t-1}}{P_{t-4}} \times d_{2015}$	$\frac{P_{t-1}}{P_{t-5}} \times d_{2015}$	$\frac{P_{t-1}}{P_{t-6}} \times d_{2015}$	$\frac{P_{t-1}}{P_{t-7}} \times d_{2015}$
2016	0	0	$0.5 \times d_{2016}$	$\frac{P_{t-1}}{P_{t-2}} \times d_{2016}$	$\frac{P_{t-1}}{P_{t-3}} \times d_{2016}$	$\frac{P_{t-1}}{P_{t-4}} \times d_{2016}$	$\frac{P_{t-1}}{P_{t-5}} \times d_{2016}$	$\frac{P_{t-1}}{P_{t-6}} \times d_{2016}$
2017	0	0	0	$0.5 \times d_{2017}$	$\frac{P_{t-1}}{P_{t-2}} \times d_{2017}$	$\frac{P_{t-1}}{P_{t-3}} \times d_{2017}$	$\frac{P_{t-1}}{P_{t-4}} \times d_{2017}$	$\frac{P_{t-1}}{P_{t-5}} \times d_{2017}$
2018	0	0	0	0	$0.5 \times d_{2018}$	$\frac{P_{t-1}}{P_{t-2}} \times d_{2018}$	$\frac{P_{t-1}}{P_{t-3}} \times d_{2018}$	$\frac{P_{t-1}}{P_{t-4}} \times d_{2018}$
2019	0	0	0	0	0	$0.5 \times d_{2019}$	$\frac{P_{t-1}}{P_{t-2}} \times d_{2019}$	$\frac{P_{t-1}}{P_{t-3}} \times d_{2019}$
2020	0	0	0	0	0	0	$0.5 \times d_{2020}$	$\frac{P_{t-1}}{P_{t-2}} \times d_{2020}$
2021	0	0	0	0	0	0	0	$0.5 \times d_{2021}$
	Sum Rows $\times W$	Sum Rows $\times W$	Sum Rows $\times W$	Sum Rows $\times W$	Sum Rows $\times W$	Sum Rows $\times W$	Sum Rows $\times W$	Sum Rows $\times W$

Where:

- W is the Weighted Average Cost of Capital which shall have a value of ~~5.35~~XXX%;
- d_t is the annual development capex adjustment in Regulatory Period or Regulatory Year t defined in Condition C1.10; and
- P_{t-1} is the value of the ONS CHAW Retail Price Index in April in Regulatory Period or Regulatory Year t-1.

d_t : annual development capex adjustment

C1.10 The annual development capex adjustment in Regulatory Period or Regulatory Year t is an amount equal to the net difference between the development capex allowance included in the Q6 settlement and the total capex associated with new core capex projects in Regulatory Period or Regulatory Year t, to be calculated as follows:

$$d_t = O_t - \left(V_t * \frac{P_{t-1}}{222.80} \right)$$

Where:

- O_t is the total capex in Regulatory Period or Regulatory Year t associated with all development capex projects that have transitioned to core capex project status after the Q6 settlement either during or before Regulatory Period or Regulatory Year t, which includes the capital spend incurred during the development stages of projects, irrespective of whether projects have transitioned from development to core as determined through the governance arrangements.
- V_t is the development capex allowance in Regulatory Period or Regulatory Year t; and
- P_{t-1} is the value of the ONS CHAW Retail Price Index in April in Regulatory Period or Regulatory Year t-1.

~~*BR_t : business rate revaluation factor*~~

~~C1.11 — BR_t is the business rate revaluation factor in Regulatory Period or Regulatory Year t, calculated in accordance with the following formulae.~~

If: $t = 2018$;

Then: $BR_t = 0.8 \{ (Z_{2017}) * (1 + RPI_{t-1}) + Z_{2018} \}$

If: $t = 2019$;

Then: $BR_t = 0.8 * Z_{2019}$

If: $t = 2020$;

Then: $BR_t = 0.8 * Z_{2020}$

If: $t = 2021$;

Then: $BR_t = 0.8 * Z_{2021}$

Otherwise: $BR_t = 0$

Where:

- RPI_{t-1} is the percentage change (positive or negative) in the ONS CHAW Retail Price Index between April in Regulatory Period or Regulatory Year t-1 and the immediately preceding April.
- Z_t is the business rate forecast variance in Regulatory Period or Regulatory Year t, calculated in accordance with table C.4 below:

Table C.4: Business rate forecast variance

Period t =	$Z_t =$
9mo-2014	0
2015	0
2016	0
2017	$(U_t - £136,900,000) * \frac{-P_{t-1}}{222.80}$
2018	$(U_t - £136,800,000) * \frac{-P_{t-1}}{222.80}$
2019	$(U_t - £136,800,000) * \frac{-P_{t-1}}{222.80}$
2020	$(U_t - £136,800,000) * \frac{-P_{t-1}}{222.80}$
2021	$(U_t - £136,800,000) * \frac{-P_{t-1}}{222.80}$

Where:

- ~~U_t is the regulatory allowance for business rates (that is £136,900,000 in 2017, £136,800,000 in 2018 to 2021) multiplied by the revaluation impact.~~
- ~~P_{t-1} is the value of the ONS CHAW Retail Price Index in April in Regulatory Period or Regulatory Year $t-1$.~~

CLF_t: pass-through of CAA Licence Fees

C1.11 CLF_t is the cost pass-through adjustment in each Regulatory Year in relation to Licence Fees levied by the CAA.

If: t = 2022, 2023, 2024, 2025, 2026

Then: CLF_t = eligible CAA Licence Fees

A_t: pass-through of Category B costs (planning costs) for runway expansion

C1.12 A_t is the cost pass-through adjustment of up to £10 million in each Regulatory Year to allow for the recovery of the reasonable costs (capital, operating and financing) of applying for planning permission for a third runway and associated infrastructure (Category B costs) since the Government announcement of its decision on 25 October 2016 to support the development of a third runway at the Airport. These Category B costs must, in the CAA's view, have been efficiently incurred. This adjustment shall have regard to any policy guidance that may be issued by the CAA, following consultation, in relation to the recovery of these Category B costs.

If: t = 2016, 2017, 2018, 2019, 2020 or 2021

Then: A_t = eligible and efficient Category B costs up to £10,000,000

Otherwise: A_t = 0

Risk Sharing

C1.12A In each Regulatory Year, where the Licensee's Outturn Adjusted Revenue is either higher than the Upper Deadband Limit or lower than the Lower Deadband Limit the value of the regulatory asset base (RAB) will be adjusted by the amount of the Shared Risk Adjustment. The Shared Risk Adjustment will be calculated in accordance with the terms in this condition and will be applied to the RAB and submitted to the CAA by the Licensee as part of the regulatory accounts prepared in accordance with condition E1 for that Regulatory Year.

C1.12B If:

Outturn Adjusted Revenue is greater than the Upper Deadband Limit, then the Shared Risk Adjustment will be deducted from the RAB and will be calculated as follows:

$$\text{SRAt} = 0.86 (\text{OARt} - \text{UDBt})$$

C1.12C If:

Outturn Adjusted Revenue is lower than the Lower Deadband Limit, then the Shared Risk Adjustment will be added to the RAB and will be calculated as follows:

$$\text{SRAt} = 0.86 (\text{LDBt} - \text{OARt})$$

C1.12D If:

Both C1.12B and C1.12C do not apply then SRAt is set to zero.

Where:

- SRAt is the Shared Risk Adjustment for Regulatory Year t
- OARt is the Outturn Adjusted Revenue for Regulatory Year t defined in Condition C1.12E
- UDBt is the Upper Deadband Limit for the Regulatory Year t defined in Condition C1.12F
- LDBt is the Lower Deadband Limit for the Regulatory Year t defined in Condition C1.12G
- 0.86 is the Risk Sharing Factor

C1.12E The Outturn Adjusted Revenue or OARt is the Total Revenue excluding Other Regulated Charges recorded in the Licensee’s regulatory accounts for the Regulatory Year t prepared in accordance with condition E1.

C1.12F The Upper Deadband Limit or UDBt for the Regulatory Year t calculated in accordance with the following formula:

$$\text{UDBt} = 1.08 * \text{RARt}$$

C1.12G The Lower Deadband Limit or LDBt for the Regulatory Year t is calculated in accordance with the following formula:

$$\text{LDBt} = 0.92 * \text{RARt}$$

Table C.5: Regulatory Allowance for Total Revenue excluding Other Regulated Charges

<u>Period t =</u>	<u>RAR (2018 prices) =</u>
<u>2022</u>	<u>(£2,029,955,797) * Pt-1/281.6</u>
<u>2023</u>	<u>(£2,606,360,333) * Pt-1/281.6</u>

<u>2024</u>	<u>(£2,915,037,362) * Pt-1/281.6</u>
<u>2025</u>	<u>(£3,019,134,374) * Pt-1/281.6</u>
<u>2026</u>	<u>(£2,984,200,977) * Pt-1/281.6</u>

Where:

- RARt is the Regulatory Allowance for Total Revenue excluding Other Regulated Charges for Regulatory Year t defined in Table C.5.
- Pt-1 is the value of the ONS CHAW Retail Price Index in April in Regulatory Year t-1.

Price Control Reopener

C1.2A.1 The Licensee may apply to the CAA for an adjustment to the formula set out above or any of its elements (the 'Price Control') for any Regulatory Year during the Price Control Period in connection with:

- (a) any material change in the Licensee's circumstances; or
- (b) where a fundamental assumption adopted by the CAA (expressly or otherwise) in its final proposals for decisions on the H7 price control was, or becomes, incorrect.

C1.2A.2 For the avoidance of doubt, a material change in the Licensee's circumstances is deemed to include:

- (a) a material change in the Licensee's revenues, amounting to a variation of 20% above or below the Regulatory Allowance for Total Revenue excluding Other Regulated Charges for regulatory Year t (RARt) for more than one year in succession.
- (b) other significant changes to relevant financial markets that materially change the cost of raising new capital by Heathrow Airport Holdings Group and associated companies or limit the market's capacity to provide adequate new capital either directly or indirectly and whether the capital is or is not for refinancing purposes.
- (c) other circumstances defined in a policy which must be published by the CAA by [30 March 2022] and thereafter kept updated.

C1.2A.3 The Licensee must apply to the CAA for an adjustment in writing and:

- (a) give details of the material change in the assumptions;

(b) explain how an adjustment ensures that the Price Control better meets the CAA's duties under section 1 of the Act;

(c) explain the basis and calculations for the adjustment requested;

(d) provide supporting evidence; and

(e) support the application with a resolution of the board of directors of the Licensee, with the application being signed by a director of the Licensee pursuant to such resolution.

C1.2A.4 Upon receiving an application for an adjustment the CAA must give the Licensee a direction promptly and in any event within 60 days (during which time the CAA may consult on the application and its proposed direction). The direction must either adjust the Price Control Conditions in the manner set out in the Licensee's application or reject the application.

Where:

- RARt is the Regulatory Allowance for Total Revenue excluding Other Regulated Charges for Regulatory Year t defined in Table C.5.
- Pt-1 is the value of the ONS CHAW Retail Price Index in April in Regulatory Year t-1.

Terminal Drop-Off Charge

C1.2B.1 Where the Licensee wishes to, or is compelled by a Qualifying Change to, increase the Terminal Drop-Off Charge by more than 10% for any Regulatory Year (compared to the previous Regulatory Year), the Licensee shall consult with the Airline Community before proceeding with the proposed increase.

C1.2B.2 A Qualifying Change occurs where:

(a) any legal or regulatory change materially affects the Terminal Drop-Off Charge, including changes to the duration of free car parking;

(b) any legal or regulatory decision materially affects the Licensee's ability to enforce the Terminal Drop-Off Charge; or

(c) otherwise agreed between the Licensee and the airlines, or the CAA.

C1.2B.3 In the event that a Qualifying Change means that the forecasted commercial revenue for the Terminal Drop-off Charge can no longer be collected by the Licensee, the Licensee is entitled to adjust its charges for subsequent Regulatory Years to adjust for non-collection of this forecasted revenue.

[Formula to be included for removal of CAA forecast for terminal drop-off revenue from the maximum allowable yield for the relevant Regulatory Year when collection of revenues is not possible.]

Commercial arrangements ~~for the 2020 and 2021 price control extension~~

C1.13 Nothing in this Part C shall prevent the Licensee from entering into any Commercial Agreement.

C1.14 ~~Where the Licensee enters into any Commercial Agreement, the Licensee shall:~~

~~provide for, and comply with, alternative arrangements to ensure that, in relation to the definition and payment of Fixed Rebates, the Licensee does not unduly discriminate between airlines that are party to any such Commercial Agreement and airlines that are not party to a Commercial Agreement and shall make such arrangements available to all airlines using the Airport;~~

~~(a) save to the extent that any Commercial Agreements entered into prior to 1 January 2020 have been varied by agreement between the Licensee and airlines, and such variations have been provided for in the alternative arrangements required by Condition C1.14(a), pay any Fixed Rebate in accordance with the terms of the Commercial Agreements and such alternative arrangements of up to a total of £130 million in respect of each of 2020 and 2021.~~

C1.15 The Licensee's ability to enter into agreements or other arrangements in relation to any aspect of Airport Charges described in Condition C1.13 ~~and the obligations of the Licensee set out in Condition C1.14~~ are without prejudice to Licensee's obligations under Conditions C1.1 and C1.2, and the Airport Charges Regulations 2011 (2011 No. 2491).

Expansion framework trigger

C1.16 The Licensee may issue an expansion trigger notice to the CAA and the airlines at the Joint Steering Board and the following shall

apply:

- (a) the Licensee shall engage constructively with the airlines for a period not exceeding three months in respect of the regulatory framework facilitating the delivery of the expansion programme;
- (b) no later than three months from the issuing of the expansion trigger notice, the CAA will publish a decision on its process and timeline to develop the regulatory framework for expansion and the treatment of expansion costs;
- (c) no later than six months from the expiry of the period mentioned in sub-paragraph (b), the CAA will publish:
 - i. a decision on its policy on the treatment of expansion costs covering the period up to the Secretary of State's decision on whether to grant or refuse the DCO;
 - ii. its indicative or minded to policy on the regulatory framework for expansion and the treatment of expansion costs covering the period after the decision to grant or refuse the DCO.
- (d) Where the status of expansion costs is not resolved in the timeline set out in sub-paragraphs (b) and (c), the Licensee will be permitted to add efficiently incurred costs to the RAB.

Definitions

C.1.176 In this Condition C.1:

- (a) **allowable security, health, and safety claim per passenger** means the annual equivalent of the increase or decrease in security and/or health and safety costs at the Airport in the relevant Regulatory Period or Regulatory Year (howsoever arising) which arise as a result of a change in required security standards at the Airport, as required by a competent body and/or certified by the CAA, divided by the number of passengers using the Airport in that Regulatory Period or Regulatory Year;
- (b) **average revenue yield per passenger** means the revenue from airport charges levied in respect of relevant air transport services in the relevant Regulatory Period or Regulatory Year, before any deduction of rebates under the Service Quality Rebates and Bonuses Scheme, divided by the total number of passengers using the Airport in the relevant Regulatory Period or Regulatory Year;

- ~~(e)~~ **business rate cost** is the tax paid by the Licensee associated with the Airport's land and property assets, as determined by the Valuation Office Agency;
- ~~(e)~~~~(c)~~ **Commercial Agreement** means any agreements or other arrangements (as varied from time to time) entered into between the Licensee and airlines in relation to any aspect of the Airport Charges that the Licensee levies in respect of relevant air transport services ~~for 2020 and 2021~~, including (but not limited to) the payment of rebates to airlines in respect of those charges;
- ~~(e)~~~~(d)~~ **core capex project** is any project that has passed Gateway 3, being taken forward for implementation in accordance with the governance arrangements;
- ~~(f)~~~~(e)~~ **development capex allowance** is a capex allowance included in the Q6 RAB based on the sum of development capex project P80 cost estimates as set out in the governance arrangements;
- ~~(f)~~ **development capex project** is any project under development that has not passed Gateway 3 in accordance with the governance arrangements, but for which an allowance has been included in the development capex allowance;
- (g) **a Development Consent Order (DCO)** is an order granted by [the Secretary of State for Nationally Significant Infrastructure Projects \(NSIP\)](#), as defined in the [Planning Act 2008](#).
- (h) **Fixed Rebate** ~~shall bear the same meaning it has in any Commercial Agreement entered into by the Licensee;~~
- (i) **Gateway 3** has the meaning set out in the governance arrangements;
- (j) **the governance arrangements** means the arrangements set out in the Q6 Capital Efficiency Handbook published by the Licensee by 1 October 2014 as agreed by the CAA, and updated in April 2015;
- (k) **passenger using the Airport** means a terminal passenger joining or leaving an aircraft at the Airport. A passenger who changes from one aircraft to another, carrying the same flight number is treated as a terminal passenger, as is an interlining passenger;
- (l) **project completion date** is the date when ~~in the judgement of the CAA~~ the Licensee has achieved the trigger criteria as defined

for each project through the governance arrangements;

- (m) **the Q6 Capital Investment Triggers Handbook** means the handbook in existence when this Licence comes into force, having been agreed by the Licensee and the airlines. This handbook contains details of the triggers, milestone months and monthly trigger payments for core capex projects and details of how future changes to those elements can be made with the agreement of the Licensee and the airlines;
- (n) **relevant air transport services** means air transport services carrying passengers that join or leave an aircraft at the Airport, including air transport services operated for the purpose of business or general aviation;
- (o) **revaluation impact is equal to one plus the difference between the actual increase in rateable value** measured as a percentage change and +9%, (being the percentage increase assumed in the regulatory allowance) occurring as a result of the rate revaluation undertaken by the Valuation Office Agency in 2017. The actual change will be calculated by multiplying the actual percentage increase in the Cumulo Rateable Value due to the revaluation and the actual percentage increase in the national Uniform Business Rate.
- (p) **specified rate** (from 2014 to 2017) 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 May in Regulatory Period or Regulatory Year t-2 to the end of April in Regulatory Period or Regulatory Year t-1.
- ~~(q)~~ **specified rate** (from 2018 to 2021) means the average of the three month Treasury Bill Discount Rate (expressed as an annual percentage **interest** rate) published by the UK Debt Management Office (<https://www.dmo.gov.uk/data/treasury-bills/tender-results/>), during the 12 months from the beginning of May in Regulatory Year t-2 to the end of April in Regulatory Year t-1.
- ~~(r)~~(q) **Terminal Drop-Off Charge** means the per vehicle charge for accessing the Departure Terminal Drop-Off Area, as set by the Licensee from time to time.

C2 Charges for other services

C2.1 By 30 September 2014 and by 30 September in each subsequent

year the Licensee shall inform the CAA of the system used by it to allocate costs to the Specified Facilities. The Licensee shall make any amendments to its cost allocation system if so requested by CAA by 31 December prior to each charging year commencing on 1 January.

C2.2 By 30 September 2014 and by 30 September in each subsequent year the Licensee shall provide to the CAA statements of actual costs and revenues in respect of each of the Specified Facilities for the year ending the previous 31 December.

C2.3 By 31 December 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 including the assumptions and relevant cost information adequate to verify that the charges derive from the application of the pricing principles.

C2.4 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.

~~C2.5 Where in respect of any relevant Regulatory Period or Regulatory Year (apart from the 2019, 2020 and 2021 Regulatory Years) actual revenue for any of the Specified Facilities differs from that forecast for the purposes of the price control review for the period 1 April 2014 to 31 December 2018 (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.~~

C2.6 Where in respect of ~~the 2019, 2020 and 2021~~any Regulatory Period or Regulatory Years actual revenue from any of the Specified Facilities differs from actual revenue in the preceding Regulatory Year, the Licensee shall provide to the CAA and to users of the Specified Facilities or their representatives detailed reasons for the differences.

C2.6A The Licensee may, with the written agreement of its Other Regulated Charges Group established under the governance arrangements, amend the list of Specified Facilities. In the event that the Group refuses to agree within 14 days of a written request by the Licensee, the Licensee may refer the matter to the CAA in writing. The list of Specified Facilities will be deemed to be amended 14 days after the

CAA receives the request notwithstanding the Group's refusal to agree unless, before that period expires, the CAA determines in writing notice to the Licensee that the proposal to amend the list of Specified Facilities should be denied.

Definitions

C2.7 In this Condition C2 the Specified Facilities are:

- ~~(a)~~ check-in desks;
- ~~(b)~~(a) baggage systems;
- ~~(e)~~(b) services for PRMs;
- ~~(d)~~(c) staff car parking;
- ~~(e)~~(d) staff ID cards;
- ~~(f)~~(e) fixed electrical ground power;
- ~~(g)~~(f) pre-conditioned air;
- ~~(h)~~(g) airside licences;
- ~~(i)~~(h) waste, recycling and refuse collection;
- ~~(j)~~(i) taxi feeder park;
- ~~(k)~~ heating and utility services (including electricity, gas, water and sewerage);
- ~~(l)~~ facilities for bus and coach operators;
- ~~(m)~~ common IT infrastructure; and
- (j) HAL contribution to the funding of the AOC; and
- ~~(n)~~(k): the tax paid by the Licensee associated with the Airport's land and property assets, as determined by the Valuation Office Agency (HAL's business rate costs).

C3 Procurement of capital projects

C3.1 The Licensee shall, so far as is reasonably practicable, secure the procurement of capital projects in an efficient and economical manner, taking account of value for money including scope, aggregated direct and indirect costs for the airlines affected by the project, programme timing risk and benefit to users of air transport services.

C3.2 The following obligations in this Condition C3 are without prejudice to the generality of Condition C3.1 and compliance with the following

obligations shall not necessarily be treated in itself as sufficient to secure compliance with Condition C3.1. In fulfilling these obligations, the Licensee shall at all times comply with Condition C3.1.

Publication of a Procurement Code of Practice

- C3.3 By 1 October 2014 the Licensee shall publish a Procurement Code of Practice setting out the principles, policies and processes by which it will comply with Condition C3.1.
- C3.4 As a minimum, the Procurement Code of Practice shall include the following information:
- (a) the acquisition principles, which shall ensure that the design and delivery of relevant capital projects are carried out in a manner which provides an appropriate balance of responsibility between the parties for cost certainty, risk, schedule and specification;
 - (b) the options for acquisition models that the Licensee intends to apply;
 - (c) the critical criteria that the Licensee intends to apply for adopting

a particular acquisition model; and

- (d) the key principles that the Licensee will apply to all contractors with regards to the operational requirements of airlines and the Licensee's own airport operation services.

C3.5 The information required under Condition C3.4 shall demonstrate how the Licensee will:

- (a) further the objective for procurement in Condition C3.1;
- (b) incentivise efficiency by its contractors; and
- (c) take account of the overall performance of its contractors in awarding additional projects.

C3.6 The Licensee shall, in consultation with airlines, review the Procurement Code of Practice from time to time and update it as necessary, or if directed by the CAA by notice to do so.

C3.7 The Licensee shall publish by 1 February each year a report identifying instances where significant capital investment work has not been procured in line with the Procurement Code of Practice, providing in each case evidence and analysis as to why an alternative procurement method better met the objective.

Definitions

C3.8 In this Condition C3, significant capital investment work means a capital project with a value of over £20 million.

C4 Charges for cargo only operators

C4.1 In the Regulatory Period and the subsequent ~~seven~~XXX Regulatory Years, the Licensee shall not levy airport charges in respect of air services that do not fall within the definition of passenger air services that are higher than are levied in respect of equivalent air services falling within that definition.

Definitions

C4.2 In this Condition C4 passenger air services means air services carrying passengers that join or leave an aircraft at the Airport, including air services operated for the purpose of business or general aviation.

Part D: Service quality conditions

D1 Service quality standards, rebates, bonuses and publication

- D1.1 The Licensee shall comply with the Statement of Standards, Rebates and Bonuses (“the Statement”).
- D1.2 The Statement is in Schedule 1 to this Licence and subject to the following provisions of this Condition is a condition of this Licence.
- D1.3 The Licensee shall maintain records of the actual quality of service, rebates and bonuses in such form and detail that the performance can be independently audited against the standards set out in the Statement.
- D1.4 The Licensee shall publish relevant information about its performance in accordance with the requirements specified in the Statement.
- D1.5 The Licensee shall facilitate and pay for regular, independent audits of the adequacy, measurement and workings of the service quality rebates and bonuses (SQRB) scheme, including the QSM. The independent auditors for this purpose will be appointed by the CAA and shall report to the CAA.
- D1.6 The CAA may by notice modify the Statement with immediate effect where there is written agreement between:
- (a) the Licensee; and
 - (b) the AOC.
- D1.7 Where the Licensee and the AOC cannot reach agreement, either party may request that the CAA determines the modification.
- D1.8 Where a request has been made under Condition D1.7, the CAA may by notice determine the modifications, following a reasonable period of consultation.
- D1.9 The modifications that can be made under Conditions D1.6 and D1.8 are any modifications to Schedule 1 except:
- (a) any modifications to the elements listed in the ‘Element’ columns of Table 1a to Table 6 and Table 10a to Table 10e;
 - (b) any modifications to the table of bonuses (Table 8) and to the calculation of the bonus factor set out in the Statement; and

(c) any modifications to Table 9.

D1.10 Modifications can be made to the Statement under Conditions D1.6 and D1.8 at any time.

Definitions

D1.11 In this Condition D1 the QSM has the meaning set out in the Statement.

D2 Operational Resilience

D2.1 The purpose is to secure the availability and continuity of airport operation services at the Airport, particularly in times of disruption, to further the interests of users of air transport services in accordance with best practice and in a timely, efficient and economical manner.

D2.2 The Licensee shall achieve the purpose so far as is reasonably practicable having regard to all relevant circumstances.

D2.3 The following obligations in this Condition D2 are without prejudice to the generality of Condition D2.2 and compliance with the following obligations shall not necessarily be treated in itself as sufficient to secure compliance with Condition D2.2. In fulfilling these obligations the Licensee shall at all times comply with Condition D2.2.

Resilience plans

D2.4 By 1 October 2014 the Licensee shall publish one or more plan(s) or other documents setting out the principles, policies and processes by which it will comply with Condition D2.2.

D2.5 As a minimum, the plan(s) shall include those elements set out in any relevant guidance issued by the CAA as revised from time to time.

D2.6 In particular the plan(s) shall include details on how the Licensee, in cooperation with airlines using the Airport, will seek to ensure the welfare of users of air transport services during disruption.

D2.7 Prior to publishing any plan(s) or other documents under Condition D2.4 the Licensee shall consult all relevant parties on those plans or documents.

D2.8 The Licensee shall allow a reasonable time for relevant parties to respond to any consultation issued under Condition D2.7.

D2.9 The Licensee shall, from time to time or when so directed by the CAA,

review and, if necessary and following consultation, revise any plan(s) or other documents published under Condition D2.4 so that they may better comply with Condition D2.2.

- D2.10 No revision of any CAA guidance under Condition D2.5 or CAA direction under Condition D2.9 shall have effect unless the CAA has first consulted the Licensee and any relevant parties.

Coordination and cooperation

- D2.11 The Licensee shall so far as is reasonably practicable coordinate and cooperate with all relevant parties at the Airport to meet the requirements of Condition D2.2.

- D2.12 The Licensee shall set up and facilitate a committee of relevant parties or organisations representing those relevant parties. All relevant parties shall have the right to be on this committee or, if they so wish, to be represented on it by an organisation appointed to that effect.

- D2.13 The Licensee shall develop rules of conduct for airlines and suppliers of groundhandling services to follow, particularly during disruption, in consultation with those parties. The rules of conduct shall be set out in the Licensee's Conditions of Use and in any written arrangements, including licences issued by the Licensee, for the supply of groundhandling services and shall comply with the following principles:

- (a) they shall be applied in a proportionate manner to the various airlines and suppliers of groundhandling services; and
- (b) they shall relate to the purpose in Condition D2.1.

- D2.14 The Licensee shall take all reasonable steps to ensure that airlines and suppliers of groundhandling services comply with the rules of conduct.

Provision of information

- D2.15 In the event of service disruption however caused the Licensee shall so far as is reasonably practicable:
- (a) coordinate the communication of timely, accurate, clear and relevant operational information, conditions and decisions to relevant parties, in relation to its own operations and, where

available to the Licensee, the operations of other relevant parties;

- (b) provide, or ensure the provision of timely, accurate, clear and relevant information about its operations to, and adequate communication with, users of air transport services; and
- (c) provide timely, accurate, clear and relevant information to users of air transport services including, but not limited to, information about their relevant rights under the Denied Boarding Regulations during disruption.

Definitions

D2.16 In this Condition D.2

- (a) Conditions of Use means the Heathrow Airport Conditions of Use including Airport Charges, as reviewed and published by the Licensee on an annual basis;
- (b) The Denied Boarding Regulations means Regulation (EC) 261/2004 of the European Parliament and of the Council of 11 February 2004 [and The Air Passengers Rights and Air Travel Organisers Licensing \(Amendment\) \(EU Exit\) Regulations 2019](#) -establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights, ~~and repealing Regulation (EEC) No 295/94~~; and
- (c) Relevant parties means those providing a service to users of air transport services at the Airport including airlines, providers of groundhandling services, the provider of aerodrome air navigation services, fuel and energy suppliers and the UKBF.

Part E Financial conditions

E1 Regulatory accounting requirements

- E1.1 This Condition applies for the purpose of making available, in a form and to a standard reasonably satisfactory to the CAA, such audited regulatory accounting information as will, in furtherance of the requirements of this Licence:
- (a) enable the CAA, airlines and users of air transport services to assess on a consistent basis the financial position of the Licensee and the financial performance of provision of airport operation services and associated services provided in connection with the Airport;
 - (b) assist the CAA, airlines and users of air transport services to assess performance against the assumptions underlying the price control conditions in Conditions C1 and C2 of this Licence; and
 - (c) inform future price control reviews.
- E1.2 The Licensee shall keep and, so far as it is able, procure that any related undertaking keeps the accounting records 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.
- E1.3 The Licensee shall prepare on a consistent basis from the accounting records referred to in Condition E1.2, in respect of the Regulatory Period and each subsequent Regulatory Year, regulatory accounts in conformity with the Regulatory Accounting Guidelines for the time being in force in accordance with this Condition.
- E1.4 The Regulatory Accounting Guidelines prepared pursuant to Condition E1.3 shall, without limitation:
- (a) provide that, except so far as the CAA reasonably considers otherwise, 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.

- E1.5 The Licensee shall:
- (a) procure, in respect of the regulatory accounts prepared in accordance with Condition E1.3 in respect of a Regulatory Period or 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 the Regulatory Accounting Guidelines;
 - (b) deliver to the CAA the Auditors' report referred to in subparagraph a) and the regulatory accounts referred to in Condition E1.3 as soon as reasonably practicable, and in any event not later than six months after the end of the Regulatory Period or Regulatory Year to which they relate; and
 - (c) arrange for copies of the regulatory accounts and Auditors' report referred to in Conditions E1.5 (a) and (b), respectively, to be made publicly available and, so far as reasonably practicable, to do so when the annual statutory accounts of the Licensee are made available.
- E1.6 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 its fulfilment of those duties.
 - (b) procure, as required from time to time by the CAA, in respect of the regulatory accounts prepared in accordance with Condition E1.3, 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.

Definitions

- E1.7 In this Condition E1 Regulatory Accounting Guidelines means the guidelines, published from time to time by the CAA so as to fulfil the purpose set out in Condition E1.1, which govern the format and

content of such regulatory accounts and the basis on which they are to be prepared.

- E1.8 In this Condition E1 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.

E2 Financial Resilience

Certificate of adequacy of resources

- E2.1 The Licensee shall at all times act in a manner calculated to secure that it has available to it sufficient resources including (without limitation) financial, management and staff resources, to enable it to provide airport operation services at the Airport.
- E2.2 The Licensee shall submit a certificate addressed to the CAA, approved by a resolution of the board of directors of the Licensee and signed by a director of the Licensee pursuant to that resolution. Such certificate shall be submitted within four months of the end of the relevant Regulatory Period or Regulatory Year and shall include a statement of the factors which the directors of the Licensee have taken into account in preparing that certificate. Each certificate shall be in one of the following forms:
- (a) “After making enquiries based on systems and processes established by the Licensee appropriate to the purpose, the directors of the Licensee have a reasonable expectation that the Licensee will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, any amounts of principal and interest due under any loan facilities and any actual or contingent risks which could reasonably be material to their consideration, sufficient financial and other resources and financial and operational facilities to enable the Licensee to provide airport operation services at London Heathrow Airport of which the Licensee is aware or could reasonably be expected to make itself aware it is or will be subject for a period of ~~two years~~18 months from the end of the previous Regulatory Year ~~from the date of this certificate.~~”
- (b) “After making enquiries based on systems and processes established by the Licensee appropriate to the purpose, the

directors of the Licensee have a reasonable expectation, subject to what is said below, that the Licensee will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, any amounts of principal and interest due under any loan facilities, and any actual or contingent risks which could reasonably be material to their consideration, sufficient financial and other resources and financial and operational facilities to enable the Licensee to provide airport operation services at London Heathrow Airport of which the Licensee is aware or could reasonably be expected to make itself aware it is or will be subject for a period of 18 months from the end of the previous Regulatory Year~~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 provide airport operation services at London Heathrow Airport for that period...”

- (c) “In the opinion of the directors of the Licensee, the Licensee will not have available to it sufficient financial or other resources and financial and operational facilities to provide airport operation services at London Heathrow Airport of which the Licensee is aware or of which it could reasonably be expected to make itself aware or to which it will be subject for a period of 18 months from the end of the previous Regulatory Year~~two years from the date of this certificate~~.”

E2.3 The Licensee shall inform the CAA in writing as soon as practicable if the directors of the Licensee become aware of any circumstance which causes them no longer to have the reasonable expectation expressed in the then most recent certificate given under Condition E2.2.

E2.4 The Licensee shall obtain and submit to the CAA with each certificate provided under Condition E2.2 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.

E2.5 If the Licensee or any of its linked companies (or, where applicable the directors and officers of any of those undertakings) seeks, or is

advised to seek, advice from an insolvency practitioner or any other person relating to

- (a) the Licensee's financial position or ability to continue to trade; or
- (b) that linked company's financial position or ability to continue to trade, only to the extent that it would affect the Licensee's financial position or ability to continue to trade,
- (c) the Licensee shall inform the CAA within 3 working days.

Restriction on activities

E2.6 The Licensee shall not, and shall procure that its subsidiary undertakings shall not, conduct any business or carry on any activity other than:

- (a) the Permitted Business; and/or
- (b) any other business or activity for which the CAA has given its written consent for the purposes of this Condition, such consent not to be unreasonably withheld or delayed.

Ultimate holding company undertakings

E2.7 The Licensee shall procure from each Covenantor a legally enforceable undertaking in favour of the Licensee in the form specified by the CAA that that 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 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.

E2.8 Such undertaking shall be obtained within seven days of the company or other person in question becoming a Covenantor and shall remain in force for so long as the Licensee remains the holder of this Licence and the Covenantor remains a Covenantor.

E2.9 The Licensee shall:

- (a) deliver to the CAA, within seven days of obtaining the

undertaking required by Condition E2.8, 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.

Change to banking ringfence

E2.10 The Licensee shall not amend, vary, supplement or modify or concur in the amendment, variation, supplementation or modification of any of the finance documents in respect of credit rating requirements (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:

- (a) notify the CAA of the possibility of any such Variation; and
- (b) provide a summary of the executed change.

E2.11 The provisions of Condition E2.10 shall not apply to any administrative or procedural Variation.

Definitions

E2.12 In this Condition E2:

- (a) **the Covenantor** means a company or other person which is at any time an ultimate holding company of the Licensee.
- (b) **a linked company** means any company within the Licensee's Group where the financial position of that company or its inability to continue to trade would have an adverse effect on the Licensee's financial position or ability to continue to trade;
- (c) **Permitted Business** means:
 - (i) any and all business undertaken by the Licensee and its subsidiary undertakings as at 1 April 2014;
 - (ii) to the extent that it falls outside the definition in Condition E2.12(c)(i), the business of owning, operating and developing the Airport and associated facilities by the

Licensee and its subsidiary undertakings (including, without limitation, any and all airport operation services, provision of facilities for and connected with aeronautical activities including retail, car parks, advertising and surface access and the infrastructure development thereof); and

- (iii) any other business, provided always that the average of any expenses incurred in connection with such businesses during any one financial year is not more than 2% of the value of the ~~regulatory asset base (RAB)~~ at the start of the financial year.

E3 Continuity of service plan

- E3.1 The purpose of the continuity of service plan shall be to describe in detail the legal, regulatory, operational and financial information that an administrator, receiver, new management or similar could reasonably be expected to require in order for the administrator to efficiently carry out its functions and to remain compliant with this Licence and the Licensee's aerodrome licence.
- E3.2 The Licensee shall prepare and at all times maintain a continuity of service plan fulfilling the requirements of Condition E3.1.
- E3.3 The continuity of service plan prepared under Condition E3.2 shall be submitted to the CAA as follows:
 - (a) the first continuity of service plan shall be submitted as soon as practicable, and in any event not later than 1 October 2014;
 - (b) subsequent continuity of service plans within 20 business days of the CAA's written request.
- E3.4 The form, scope and level of detail of the plan referred to in this Condition shall be approved by the CAA, (such approval not to be unreasonably withheld or delayed).
- E3.5 At least every ~~12~~24 months the Licensee shall review the appropriateness of its continuity of service plan and submit to the CAA a certificate addressed to the CAA, approved by a resolution of the board of directors of the Licensee and signed by a director of the Licensee pursuant to that resolution. Such certificate shall be submitted within four months of the end of the relevant Regulatory Period or Regulatory Year in the following form:

"The Licensee has reviewed its continuity of service plan. In the opinion of the directors of the Licensee the continuity of service plan is fit for purpose and complies with its obligations under its Licence."

Part F: Consultation conditions

F1.1 The Licensee shall ensure that:

- (a) it consults relevant parties on, as a minimum:
 - (i) its proposals for future investment in the short, medium and long term that have the potential to affect those parties;
 - (ii) its proposals for the development and delivery of key capital projects identified in its future investment proposals in Condition F1.1.(a)(i)
 - (iii) charges that are subject to Condition C2;
 - (iv) the service quality regime in Condition D1, including the Statement of Standards, Rebates and Bonuses in Schedule 1 to this Licence;
 - (v) its traffic forecasts;
 - (vi) its operational resilience activities in Condition D2; and
 - (vii) its policies and proposals for any other airport operation service it provides;
- (b) so that those parties have sufficient information to take an informed view; and
- (c) the views of the relevant parties are taken into account in deciding on the future development of the proposals.

F1.2 The Licensee shall by 1 October 2014 consult on, agree and publish one or more protocols setting out how it will satisfy the obligation in Condition F1.1.

F1.3 As a minimum, the protocols shall include those elements set out in any relevant guidance issued from time to time by the CAA.

F1.4 No revision of any CAA guidance under Condition F1.3 shall have effect unless the CAA has first consulted the Licensee and any other relevant parties.

F1.5 In compliance with Condition F1.2, the Licensee may publish any protocol that is already agreed with relevant parties and is in force at the date this Licence comes into force.

- F1.6 The Licensee shall, in consultation with relevant parties, review the protocols from time to time and update them as necessary, or if directed by the CAA by notice to do so.
- F1.7 Where the Licensee cannot reach agreement with the relevant parties under Conditions F1.2 or F1.6, it may refer the matter to the CAA for determination and the CAA may, by notice, determine it.
- F1.8 In this Condition F1, relevant parties means those stakeholders that need to be consulted for each protocol, including any groups or boards already established for the purpose of developing protocols and in place at the date this Licence was granted.

Schedule 1

Statement of Standards, Rebates and Bonuses

1. Introduction

- 1.1 This Schedule sets out the Standards, Rebates and Bonuses as referred to in Conditions C1 and D1 of this Licence. This Schedule may be modified from time to time in accordance with Condition D1.
- 1.2 The remaining parts of this Schedule are:
2. Components of the service quality rebates and bonuses (SQRB) scheme
 - (a) Quality of Service Monitor (QSM)
 - (b) Queue times for passengers and staff
 - (c) Queue times for vehicles
 - (d) Availability
 - (e) Aerodrome congestion term (ACT)
3. Rebates
 - (a) Payment
 - (b) Calculation
4. Bonuses
 - (a) Payment
 - (b) Calculation
5. Publication
6. General Matters
 - (a) Rounding
 - (b) Definitions
7. Tables

2. Components of the service quality rebates and bonuses (SQRB) scheme

2.1 The SQRB scheme consists of elements, standards, bonuses, rebates and publication requirements as set out in Table 1a to Table 10e of this Schedule. In these tables and in this Schedule:

- (a) Group defines the group in which the related elements belong to;
- (b) Element identifies the relevant element i of service;
- (c) Metric defines the basis of measurement for each relevant element i ;
- (d) $\text{Standard}_{i,j,a}$ defines the relevant standard of element i in month j in terminal a ;
- (e) ANNMAX_i is the maximum percentage of Airport Charges (relating to air transport services for the carriage of passengers for the relevant terminal) payable by the Licensee as rebates for any service failure in element i in the relevant Regulatory Period or Regulatory Year as specified in Table 1a to Table 6 of this Schedule;
- (f) $R_{i,j,RP}$ is a proportion of ANNMAX_i for any service failure in element i in month j for the Regulatory Period as specified in Table 1a to Table 6 of this Schedule;
- (g) $R_{i,j,RY}$ is a proportion of ANNMAX_i for any service failure in element i in month j for any relevant Regulatory Year as specified in Table 1a to Table 6 of this Schedule;
- (h) Passenger-sensitive equipment (PSE) includes lifts, escalators and travelators. PSE (priority) is a set of assets for each terminal agreed locally between the Licensee and the AOC and notified in writing from time to time to the CAA;
- (i) Specified element identifies the relevant element k of service for which bonuses shall be recovered by the Licensee;
- (j) MB_k is the maximum percentage of Airport Charges (relating to air transport services for the carriage of passengers for the relevant terminal) recoverable by the Licensee as bonuses for performance of specified element k in the relevant Regulatory

Period or Regulatory Year as specified in Table 8 of this Schedule;

- (k) LPL_k is the lower performance limit for specified element k used in the calculation of bonuses as specified in section 4(b). It has the values assigned in Table 8 of this Schedule; and
- (l) UPL_k is the upper performance limit for specified element k used in the calculation of bonuses as specified in section 4(b). It has the values assigned in Table 8 of this Schedule.

2(a) Quality of Service Monitor (QSM)

2.2 QSM is the Quality of Service Monitor survey. The results of the QSM survey are used to assess the Licensee's performance in the passenger satisfaction elements as specified in Table 2a to Table 5d and Table 8 of this Schedule.

2.3 The performance for passenger satisfaction elements is measured by moving annual averages weighted by passenger numbers in the relevant terminal, using the formulae:

- (a) Except for the period within 12 months after air transport services for the carriage of passengers commence at Terminal 2, performance of element i in month j in terminal a is:

$$\text{Performance}_{i,j,a} = \frac{\sum_{m=1}^{m=12} [\pi_{j-m+1,a} \text{Monthly performance}_{i,j-m+1,a}]}{\sum_{m=1}^{m=12} \pi_{j-m+1,a}}$$

- (b) For the 12 months after air transport services for the carriage of passengers commence at Terminal 2, performance of element i in month j in Terminal 2 is:

$$\text{Performance}_{i,j,2} = \frac{\sum_{m=1}^{m=\mu} [\pi_{j-m+1,2} \text{Monthly performance}_{i,j-m+1,2}]}{\sum_{m=1}^{m=\mu} \pi_{j-m+1,2}}$$

where:

$\pi_{j,a}$ is the number of passengers in month j in terminal a ;

Monthly performance $_{i,j,a}$ is the performance of element i in month j in terminal a ;

m is a counter of the 12 months ending in month j ; and

μ is a counter of months where

- the month in which air transport services for the carriage of passengers commence at Terminal 2 = 1;
- the month after air transport services for the carriage of passengers commence at Terminal 2 = 2, so on and so forth;
- the eleventh month after air transport services for the carriage of passengers commence at Terminal 2 = 12.

2.4 The QSM shall be conducted by the Licensee using the following approach:

- (a) the QSM shall be based on the results of survey interviews with not less than 30,000 passengers (departing and arriving interviews combined) per year at the airport;
- (b) the interviews obtained shall reflect the expected profile of passengers travelling through the airport weighted such that they are representative of:
 - (i) country of destination for departing interviews;
 - (ii) country of origin for arriving interviews;
- (c) in instances where the country total traffic is high, the sample may be sub-weighted by 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 or gate area immediately prior to boarding the aircraft, and/or other locations as agreed by the Licensee, the AOC and the CAA;
- (f) arriving passengers shall be interviewed on the arrivals concourse just before leaving the terminal building, and/or other locations as agreed by the Licensee, the AOC and the CAA;
- (g) selection of passengers to take part in the survey shall be random and unbiased with respect to demographic characteristics; and

- (h) during the course of a month, interviewing shall be conducted in each terminal on a selection of mornings/afternoons and weekdays/weekend days.

2.5 In respect of the relevant elements for measuring performance and calculating rebates and bonuses, the interviewing procedures specified in paragraph 2.6 to 2.12 shall apply.

Introduction

2.6 To invite passengers to take part in the QSM survey:

- (a) [for arriving and departing passengers] “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 seating availability

2.7 A simple average of the QSM scores for the question on seating:

- (a) [for departing passengers] “Now, thinking about the departures lounge, how do you rate the ease of finding a seat?”

Cleanliness

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

- (a) [for arriving and departing passengers] “How would you rate the toilet facilities level of cleanliness?”
- (b) [for departing passengers] “How would you rate the level of cleanliness of the check-in area?”
- (c) [for departing passengers] “How would you rate the cleanliness in the lounge?”
- (d) [for arriving passengers] “How would you rate the cleanliness of the arrivals concourse?”

Way-finding

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

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

Flight Information

- 2.10 A simple average of the QSM scores for the three flight information questions:
- (a) [for departing passengers] “Flight information (screens and boards only) – how do you rate the ease of finding?”
 - (b) [for departing passengers] “Flight information (screens and boards only) – how do you rate the ease of reading?”
 - (c) [for departing passengers] “Flight information (screens and boards only) – how do you rate the ease of understanding the information?”

Security

- 2.11 A simple average of the QSM scores for the four security questions:
- (a) [for departing passengers] “How would you rate the queuing time?”
 - (b) [for departing passengers] “and the helpfulness/courtesy of the staff?”
 - (c) [for departing passengers] “and the care taken with your belongings during the checks?”
 - (d) [for departing passengers] “and the organisation/efficiency of the whole Security process?”

Wi-fi

- 2.12 A simple average of the QSM scores for the second question below
- (a) [for departing and arriving passengers, to filter out non-Wi-fi users] “Have you used the Wi-fi service today at Heathrow?”

- (b) [for departing and arriving passengers who answered 'yes' in (a)]
“How would you rate the Wi-fi service in the Terminal on a scale of 1-5?”

2(b) Queue times for passengers and staff

2.13 **Queue times** for passengers and staff shall be used to assess the Licensee's performance in central search, transfer search and staff search as specified in Table 1a to Table 5d of this Schedule.

2.14 Queue times for passengers and staff shall be calculated by:

$$A - B + C$$

where:

A is the elapsed time between passengers or staff passing a defined entry portal and reaching the security roller bed (the exit point);

B is an allowance for the free flow transit time from the point when passengers or staff reach the entry portal to the point where they reach the security roller bed (including an allowance for any intermediate processes conducted between the portal and the roller bed). This is referred to as the 'unimpeded walk time'; and

C is any additional time that passengers or staff spend in the queue for search before reaching the defined entry portal.

2.15 The unimpeded walk times, the inclusion of any uni-queue or maze systems, process delay times, entry and exit points allowed for in the above equation shall be agreed locally for each search area between the Licensee and the AOC with final endorsement at the joint airport-airline Technical Review Forum.

2.16 Before the introduction of the automated security queue measurement technology, a queue time for central search, transfer search and staff search shall be the delay imposed by the queue for security including ticket presentation (central search and transfer search only) and facial capture, up to the point that the passenger or staff reaches the security roller bed.

2.17 Upon the introduction of the automated security queue measurement technology, the definition of a queue time for central search and

transfer search shall be agreed between the Licensee, the AOC and the CAA.

2.18 The Defined Method of data collection shall be agreed locally for each search area between the Licensee and the AOC with final endorsement at the joint airport-airline Passenger Experience Board. The **Defined Method** is either:

- (a) Manual method – where queues are measured by the Manual method in the manner agreed by the CAA during Q5, times will be taken manually noting the queue time of the first passenger or staff presenting to either the portal (if the queue does not extend to the portal) or the back of the queue (if the queue extends beyond the portal) after a clockwise 15-minute period. For example, taking four measurements in every hour at hh:mm, hh:mm+15, hh:mm+30, hh:mm+45 where mm lies between 0 and 14) during the relevant time over which performance counts for rebates, up to the point that the passenger or staff reaches the security roller bed; or
- (b) Automated method – where queues are measured by the automated method, times will be taken by an electronic system that has been reviewed and endorsed by the Relevant Parties and the CAA.

2.19 The proportion of measurements under a specified number of minutes in a period shall be calculated by dividing the number of measurements under a specified number of minutes by the total number of measurements taken in the period.

2.20 Upon the introduction of the automated security queue measurement technology and agreement between the Licensee, the AOC and the CAA, a per passenger metric is to be adopted for central search and transfer search. The per passenger metric shall be calculated as:

$$PPM = \frac{\sum_m Pax_m}{\sum_m Pax_m} \cdot C$$

where

Pax_m is the estimated number of passengers using the search facility in period m ;

C_m is the proportion of measurements under a defined number of minutes in period m as specified in Table 1a to Table 5d of this Schedule and it shall be calculated by dividing the number of measurements under a defined number of minutes by the total number of measurements taken in period m ; and

the periods m shall be agreed locally between the Licensee and the AOC with final endorsement at the joint airport-airline Technical Review Forum and the CAA.¹

2(c) Queue times for vehicles

- 2.21 **Queue times** for vehicles shall be used to assess the Licensee's performance in control posts as specified in Table 6 of this Schedule.
- 2.22 A queue time for vehicles shall be the time taken for a vehicle to move from the back of the vehicle queue to the start of the control post process (i.e. as the vehicle moves into the control post sterile area).
- 2.23 The Defined Method of data collection shall be the automatic number plate recognition system. Queue times for all vehicles transiting through vehicular control posts are captured.
- 2.24 Passing the overall control post standard shall require the Licensee passing the control post standard in each of the control post groups. The control post groups shall be defined as follows:
- | | | |
|------------|---|--------------------|
| CTA | : | CP5, CP8 |
| Cargo | : | CP10, CP10a, CP25a |
| Eastside | : | CP14, CP16 |
| Southside | : | CP24 |
| Terminal 5 | : | CP18, CP19, CP20 |

2(d) Availability

- 2.25 Availability shall be defined as 'serviceable and available for use, independent of any other element'. It shall be used to assess the Licensee's performance in respect of certain passenger operational elements and airline operational elements as specified in Table 1a to Table 5d of this Schedule.

¹ This specification allows for setting the number of periods m to 1 (the whole month), or to make a passenger weighted average of the measurements by defining two or more periods in the month (e.g. peak/off-peak or hourly periods).

- 2.26 Availability of relevant facilities is defined for element i in month j in terminal a as:

$$\text{Availability}_{i,j,a} = 100 \cdot \left(1 - \frac{\sum_{k=1}^{n_{i,a}} \text{TU}_{b,j,a}}{n_{i,a} \cdot \text{Time}_j}\right)$$

where:

$\text{Availability}_{i,j,a}$ is the percentage availability of element i in month j in terminal a ;

$\text{TU}_{b,j,a}$ is the relevant time elapsed in month j during which asset b in terminal a is unavailable as set out in paragraph 2.27;

$n_{i,a}$ is the number of assets included in element i in terminal a ; and

Time_j is the total relevant time in month j as defined in Table 1a to Table 5d of this Schedule.

- 2.27 The time elapsed during which an asset is unavailable shall be measured from when a fault is reported by automatic back indication or by inspection or by a third party report, subject to the Exclusions in paragraph 2.28.

- 2.28 **Exclusions** are 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, such as

- (a) specific stands, jetties and fixed electrical ground power to accommodate annual and five yearly statutory inspections, where this work is done in consultation with the AOC, and the period specified in advance, the exclusion not to be more than two days over any relevant Regulatory Period or Regulatory Year for any particular relevant asset. If works extend beyond any notified period, then any additional downtime shall count against the serviceability standard;
- (b) specific passenger-sensitive equipment or arrivals baggage carousels to accommodate planned maintenance, where the work is done in consultation with the AOC, the period is specified in advance, the work falls in a deadband period as defined in paragraphs 6.3(g) and 6.3(h), and the exclusion is not more than

30 days over any relevant Regulatory Period or Regulatory Year for any particular relevant asset. If works extend beyond a notified period, then any additional downtime shall count against the serviceability standard. (If a specific asset is measured against both the passenger-sensitive equipment (general) standard and the passenger-sensitive equipment (priority) standard this exclusion shall apply to both);

- (c) security queues for central search, transfer search and staff search for two hours following evacuations in the relevant terminal(s), and control post search for two hours following evacuations in the relevant control post(s);
- (d) closure of passenger-sensitive equipment (lifts, escalators, travelators) in areas immediately adjacent to security queues where it is considered by the Licensee that their continued use is likely to lead to unacceptable health and safety risks due to increased congestion;
- (e) stands taken out of service to accommodate high security flights;
- (f) 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 equipment was in the immediate vicinity of the stands or the incident;
- (g) 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;
- (h) passenger-sensitive equipment where downtime is due to the activation of an emergency stop button 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;
- (i) downtime to accommodate fire risk-assessed deep cleans where an assessment of the condition of the equipment has shown that a deep clean is needed to ensure a safe operation can be maintained and to reduce the risk of fire;

- (j) equipment downtime due to damage of, or misuse of, 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 Licensee in writing that the likelihood is that the damage has been caused by an airline or its agent;
- (k) 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;
- (l) 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 AOC, and the period specified in advance. If work extends beyond this period, then the additional downtime shall count against the serviceability target;
- (m) equipment or stands taken out of service for replacement or major refurbishment work, when the timing of work has been determined after consultation with the AOC, and the period specified in advance. If work extends beyond this period, then the additional downtime shall count against the serviceability target;
- (n) during trials of new security processes or equipment. The scope and terms of exclusion shall be for predetermined periods that have been agreed by the Licensee and the AOC; ~~and~~
- (o) during major operational disruption events which have a major impact on security staff resource, passenger volumes or off-schedule activity. The applicability and duration of the exclusion in respect of these events shall be as agreed with the AOC where such agreement can be made retrospectively;
- (p) where staff sickness from Covid-19 or other diseases requires widescale or mandated self-isolation, or otherwise prohibits normal operations.-
- (q) to implement short-notice (one month or less from notification to implementation) changes such as regulations, including but not

limited to social distancing and quarantine, imposed by Government or any competent body. A minimum exclusion period of two weeks shall be granted;

- (r) all measures except for Wi-Fi Performance, Cleanliness and Wayfinding during industrial action taken either by staff of the Licensee, an airline, or third party which would materially impact the Licensee.
- (s) any measures in the regime impacted by a supply chain failure, including where parts or specialist resources have been impacted by factors outside of the Licensee's control;
- (t) any measures where the service targets limit the Licensee's ability to serve more passengers or prioritise the best interests of passengers, to be jointly agreed with the AOC or with the CAA;
- (u) security measures or the track transit system in circumstances where the security lane or track transit system is open beyond scheduled flights; and
- (v) where an airline or supply chain acting on behalf of an airline / the AOC (including without limitation any airline's agent or sub-contractor) has impacted the forecasted presentation of demand, beyond the scope of reasonable variation.

2.281 In relation solely to those Exclusions where AOC agreement is expressly required, in the event that the AOC does not agree within 7 days of a formal written request by the Licensee to the AOC for such agreement ("Exclusion Agreement Request") (or such shorter period as is reasonable in the circumstances), the Licensee may refer the matter to the CAA in writing ("Determination Reference"). The Exclusion will be deemed to apply, 14 days after the date of the Determination Reference, notwithstanding the AOC's refusal to agree unless, before that period expires, the CAA determines in writing by notice to the Licensee that the Exclusion Agreement Request should be denied.

2.282 The Licensee shall not be obliged to pay any rebate related to an Exclusion proposal where AOC agreement is expressly required but has not been obtained, until the earlier of (i) 49 days after the Exclusion Agreement Request, if the Licensee has not referred the matter to the CAA in that time; or (ii) 28 days after the CAA making a determination denying the

[Exclusion Agreement Request in writing under paragraph 2.281.](#)

2(e) Aerodrome congestion term (ACT)

2(e)(1) *Basis of rebates*

2.29 Rebate_{ACT} shall be calculated across all the air transport services for the carriage of passengers at the airport and the same rebates as a percentage of the relevant charges shall be paid to the Relevant Parties using all the terminals at the airport.

2.30 Except as set out in paragraph 2.44, a rebate shall be payable in respect of departures or arrivals where a **Material Event** has occurred and which was caused primarily by a failure on the part of the Licensee or of the provider of aerodrome air traffic services or their respective agents or contractors (where 'agents' exclude bodies carrying out activities specified in the annex of the EU Groundhandling Directive²); and this has generated a **Material Operational Impact** as defined in paragraph 2.34.

2(e)(2) *Definitions of terms*

Material Events

2.31 A **Material Event** is one or more of the following:

- (a) radar or other critical air traffic control equipment or systems failure;
- (b) tower staff shortages;
- (c) tower industrial action;
- (d) industrial action by the Licensee's operational staff;
- (e) closure of runways;
- (f) closure of rapid exit taxiways, rapid access taxiways, and other runway exit or access taxiways or both;
- (g) closure of aircraft manoeuvring areas;
- (h) runway or taxiway lighting system failures;
- (i) failure of other critical equipment such as fire tenders; or
- (j) where bad weather has been forecast and has materialised and the **Relevant Bad Weather Equipment** as set out in paragraph 2.33 is not available or has not been deployed.

2.32 The Licensee shall not be liable to pay rebates for disruption due to

² 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).

bad weather unless one or more of the factors above apply.

Relevant Bad Weather Equipment

2.33 The **Relevant Bad Weather Equipment** is defined as in respect of:

- (a) Low visibility procedures:
 - (i) Instrument Landing System (ILS), Instrumented Runway Visual Range (IRVR) system, Surface Movement Radar (SMR), Microwave Landing System (MLS) (where installed) and Advanced Surface Movement Guidance and Control System (ASMGCS) (where installed); and
 - (ii) operational availability of lighting and signage systems to enable Category 2/3 operations to continue.
- (b) Ice
 - (i) airfield (i.e. runways, taxiways and manoeuvring area) and aircraft stands anti/de-icing equipment and media (as specified to the AOC); and
 - (ii) operational availability and deployment of trained staff to operate the equipment.
- (c) Snow
 - (i) runway and taxiway snow clearance equipment (as specified to the AOC by the requirements of paragraph 2.41); and
 - (ii) operational availability and deployment of trained staff to operate the equipment.

Material Operational Impact

2.34 A **Material Operational Impact** is defined as:

- (a) For arrivals:
 - (i) a flow rate restriction (Air Transport Flow Management (ATFM) or local³) is applied which is less than the declared runway scheduling limit; and

³ 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 Tower watch supervisor.

- (ii) 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.
- (b) For departures:
 - (i) 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.

Maximum Cumulative Arrival Movements Deferred

2.35 **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:

$$= A_d \times \sum_{s=1}^{s=\theta} (\text{Expected ARR}_s - \text{Actual ARR}_s)$$

where:

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

θ denotes the **Relevant Measurement Period** relating to that particular **Material Event** at which $\text{Expected ARR}_s - \text{Actual ARR}_s$ reached its maximum.

Expected ARR_s is the number of **Expected Arrival Movements** in the **Relevant Measurement Period** s as determined in accordance with paragraphs 2.40 to 2.43;

Actual ARR_s is the number of actual arrivals in the **Relevant Measurement Period** s ; and

A_d is the **Proportion of Responsibility** for the d^{th} **Material Event** attributed to the Licensee or the provider of aerodrome air traffic services or their respective agents or contractors.

Maximum Cumulative Departure Movements Deferred

2.36 **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:

$$= A_d \times \sum_{s=1}^{s=\theta} (\text{Expected DEP}_s - \text{Actual DEP}_s)$$

where:

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

θ denotes the **Relevant Measurement Period** relating to that particular material event at which $\text{Expected DEP}_s - \text{Actual DEP}_s$ reached its maximum.

Expected DEP_s is the number of **Expected Departure Movements** in the **Relevant Measurement Period** s as determined in paragraphs 2.40 to 2.43;

Actual DEP_s is the number of actual departures in the **Relevant Measurement Period** s ; and

A_d is the **Proportion of Responsibility** for the d^{th} **Material Event** attributed to the Licensee or the provider of aerodrome air traffic services or their respective agents or contractors.

Relevant Measurement Period

2.37 **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.

Clock-Face Hour

2.38 **Clock-Face Hour** is the period of 60 minutes which for any relevant hour hh , starts with $hh:00:00$ and ends at $hh:59:59$.

Proportion of Responsibility

- 2.39 Where the Licensee reasonably considers that a **Material Event** with a **Material Operational Impact** has been made more severe by contributory causes beyond the control of the Licensee 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 2.31. The Licensee shall provide evidence to support its consideration of such contributory causes.

Expected Arrival Movements and Expected Departure Movements

- 2.40 The **Expected Arrival Movements** and **Expected Departure Movements** shall be estimates made by the Licensee retrospectively by hour for each **Material Event** and made available to users on the Licensee's extranet site or in a manner agreed with users, as soon as practicable after the **Material Event** to which it relates.
- 2.41 The Licensee shall use its 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**.
- 2.42 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 may be supplemented by a consideration of other relevant factors which the Licensee regards as appropriate in order to make best estimates.
- 2.43 The Licensee shall set out the basis of its calculations with the estimates.
- 2(e)(3) *Exceptions*
- 2.44 The unavailability of facilities shall not require the rebates to be payable:
- (a) where the **Material Event** is due to runways, taxiways, other aircraft manoeuvring areas, or associated airfield lighting being 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 AOC, and the period specified in advance.

If work extends beyond this period, then rebates shall be payable if the work causes **Material Events** as defined in paragraph 2.31; or

- (b) where the **Material Event** is due to runways, taxiways, other aircraft manoeuvring areas, or associated airfield lighting being taken out of service for replacement or major refurbishment work or tower related works and when the timing of work has been determined after consultation with the AOC, and the period specified in advance. If work extends beyond this period, then rebates shall be payable if the work causes **Material Events** as defined in paragraph 2.32.

2(e)(4) Data collection and communication

2.45 The Licensee shall:

- (a) provide to the AOC prior to each Winter season a list of the anti-icing or de-icing equipment and media and runway and taxiway snow clearance equipment in commission at the airport;
- (b) 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 shall include ATFM and local restrictions imposed on operations at the airport along with Material Events relating to departures (which may not necessarily have been linked to an ATFM or local restriction). The Licensee may also include other events where it considers that this materially adds to the value of the Super-Log as a complete record;
- (c) 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 Licensee and Relevant Parties; and
- (d) 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 paragraphs 2.31 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 2.39.

3. Rebates

3.1 The Licensee shall pay rebates to Relevant Parties as set out in this Schedule and as may be modified from time to time.

3(a) Payment

3.2 This Schedule sets out the total level of rebates that shall accrue over each relevant Regulatory Period or Regulatory Year. The Licensee shall, however, pay rebates to the Relevant Parties on a monthly basis in the month following the month in which they accrue.

3.3 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 air transport services for the carriage of passengers in that month.

3.4 The payments on a month-by-month basis shall be based on a forecast of the total Airport Charges paid in respect of air transport services for the carriage of passengers in the relevant Regulatory Period or Regulatory Year. The Licensee shall base the scale of monthly rebate payments on its best estimate of the total Airport Charges from such services for the relevant Regulatory Period or Regulatory Year. This is likely to lead to the sum of the monthly rebates paid during the course of the relevant Regulatory Period or Regulatory Year being less or more than the rebates required by this Schedule for the relevant Regulatory Period or Regulatory Year as a whole. Therefore,

- (a) where the amount of rebates paid during the course of the relevant Regulatory Period or Regulatory Year is less than the amount of annual rebates required by this Schedule, the Licensee 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 Regulatory Period or Regulatory Year is brought up to the level required by this Schedule. Such additional amounts shall be paid to the Relevant Parties pro rata to the rebates already paid in the course of the year and shall be made as soon as practicable and no more than three calendar months after the publication of the Licensee's audited accounts. Payment will be waived where the CAA receives a letter from the AOC to the effect that the sum is so small that to enforce

payment would incur disproportionate processing costs for the Relevant Parties;

(b) where the amount of rebates paid during the course of the relevant Regulatory Period or Regulatory Year is more than the amount of annual rebates required by this Schedule, the Licensee may recover the difference between the amount paid and the required amount from the Relevant Parties that have received rebates pro rata with the rebates paid.

3.4A In the event of an airline failing to pay any charges payable to the Licensee (or any of its related entities) when due, the Licensee shall be entitled to set off any amount so due against any SQRB rebate due to the airline.

~~(b)(c)~~

3(b) Calculation

3.5 The Licensee shall pay rebates for each terminal calculated as follows:

$$\text{Total rebate} = \text{Rebate}_{\text{P\&A}} + \text{Rebate}_{\text{ACT}} + \text{Rebate}_{\text{ADD}}$$

where:

Total rebate is the total aggregate percentage rebate payable for the Regulatory Period and each subsequent Regulatory Year;

$\text{Rebate}_{\text{P\&A}}$ is the aggregate percentage rebate in the relevant Regulatory Period or Regulatory Year relating to the 'Passenger' and 'Airline' elements (P&A) set out in Table 1a to Table 6 of this Schedule and calculated in accordance with section 3(b)(1) of this Schedule

$\text{Rebate}_{\text{ACT}}$ is the aggregate percentage rebate in the relevant Regulatory Period or Regulatory Year relating to the Aerodrome Congestion Term as calculated in accordance with section 3(b)(2) of this Schedule; and

$\text{Rebate}_{\text{ADD}}$ is the additional monthly rebate payable by the Licensee if automated security queue measurements is not introduced by 1 April 2015.

3(b)(1) $\text{Rebate}_{\text{P\&A}}$

- 3.6 Except where explicitly stated, $\text{Rebate}_{\text{P\&A}}$ shall be calculated separately for each terminal based on the performance relevant to each individual terminal against the standards set out for that terminal.
- 3.7 $\text{Rebate}_{\text{P\&A}}$ for the Regulatory Period shall be calculated as follows:

$$\text{Rebate}_{P\&A} = \sum_a \sum_i \text{MIN} [\sum_j R_{i,j}RP \cdot x_{i,j,a}, \text{ANNMAX}_i]$$

where:

$R_{i,j}RP$ is defined in paragraph 2.1(f);

$x_{i,j,a} = 0$ if $\text{Standard}_{i,j,a}$ in month j is met as defined in paragraph 3.9; or
 $= 1$ otherwise; and

ANNMAX_i is defined in paragraph 2.1(e).

3.8 The $\text{Rebate}_{P\&A}$ for any Regulatory Year shall be calculated as follows:

$$\text{Rebate}_{P\&A} = \sum_a \sum_i \text{MIN} [\sum_j R_{i,j}RY \cdot x_{i,j,a}, \text{ANNMAX}_i]$$

where:

$R_{i,j}RY$ is defined in paragraph 2.1(g);

$x_{i,j,a} = 0$ if $\text{Standard}_{i,j,a}$ in month j is met as defined in paragraph 3.9; or
 $= 1$ otherwise; and

ANNMAX_i is defined in paragraph 2.1(e).

3.9 The $\text{Standard}_{i,j,a}$ of element i in month j in terminal a is met if:

- (a) for elements other than departure lounge seating availability, cleanliness, way-finding, flight information and pier-served stand usage:

$$\text{Monthly performance}_{i,j,a} \geq \text{Standard}_{i,j,a}$$

- (b) for departure lounge seating availability, cleanliness, way-finding, flight information and pier-served stand usage:

$$\text{Performance}_{i,j,a} \geq \text{Standard}_{i,j,a}$$

where:

$\text{Monthly performance}_{i,j,a}$ is the recorded monthly performance of

element i in month j in terminal a;

Performance_{i,j,a} is the moving annual average Monthly performance_{i,j,a} weighted by monthly passenger numbers in terminal a and is calculated using the formulae set out in paragraph 2.3; and

Standard_{i,j,a} is the relevant standard of element i in month j in terminal a as defined in Table 1a to Table 6 of this Schedule.

3.10 In the calculation of Rebate_{P&A}, for control posts (element 20), the subscript a in $x_{i,j,a}$, Monthly performance_{i,j,a} and Standard_{i,j,a} does not refer to a particular terminal. The same standard applies individually to all control post groups across the airport.

3.11 During the Regulatory Period, the Licensee shall pay a percentage rebate of $R_{i,jRP}$ for the first four service failures of element i, and a percentage rebate of half of $R_{i,jRP}$ for the fifth service failure of element i. During any subsequent Regulatory Year, the Licensee shall pay a percentage rebate of $R_{i,jRY}$ for the first six service failures of element i. $R_{i,jRP}$ is defined in paragraph 2.1(f) and $R_{i,jRY}$ is defined in paragraph 2.1(g).

3.12 The performance for the elements security and Wi-fi are for publication only and shall not be used in the calculation of Rebate_{P&A}. No standards are set for these two elements.

3(b)(2) *Rebate_{ACT}*

3.13 The Rebate_{ACT} shall be calculated as follows:

$$\text{Rebate}_{\text{ACT}} = \text{Min} \left[100 \cdot \left(\frac{\text{Rebate}_{\text{ARR}} + \text{Rebate}_{\text{DEP}}}{R_t} \right), \text{MAXRebate}_{\text{ACT}} \right]$$

where:

Rebate_{ARR} = $\sum_{\text{All material events}} V_{\text{ARR}_d}$ is the element of this term related to arrival movements at the airport;

Rebate_{DEP} = $\sum_{\text{All material events}} V_{\text{DEP}_d}$ is the element of this term related to departure movements at the airport;

R_t is the total revenue from Airport Charges in respect of relevant air services levied at the relevant airport in the relevant Regulatory Period

or Regulatory Year t ; and

$MAXRebate_{ACT}$ is the maximum percentage rebate (1.00%) for the relevant Regulatory Period or Regulatory Year for the aerodrome congestion term.

3.14 For each **Material Event** d :

- (a) $VARR_d$ is the value in Table 7 of this Schedule, dependent on the **Maximum Cumulative Arrival Movements Deferred** for the d^{th} relevant **Material Event** as adjusted by inflation specified in paragraph 3.15; and
- (b) $VDEP_d$ is the value in Table 7 of this Schedule, dependent on the **Maximum Cumulative Departure Movements Deferred** for the d^{th} relevant **Material Event** as adjusted by inflation specified in paragraph 3.15.

3.15 For $Rebate_{ACT}$ incurred in the relevant Regulatory Period or Regulatory Year t (i.e. $Rebate_{ACT,t}$), the amount payable shall be inflated to outturn prices by the formula:

$$Rebate_{ACT,t} = Rebate_{ACT,2013/14} \times \left(\frac{P_t}{P_{2013/14}} \right)$$

where:

$Rebate_{ACT,2013/14}$ is $Rebate_{ACT}$ in 2013/14 prices as listed in Table 7 of this Schedule;

P_t is the value of the CHAW series of the Retail Price Index published by the Office for National Statistics with respect to April in the relevant Regulatory Period or Regulatory Year t ; and

$P_{2013/14}$ is the value of the CHAW series of the Retail Price Index published by the Office for National Statistics with respect to April 2013.

3(b)(3) *Rebate_{ADD}*

3.16 The Licensee shall pay additional monthly rebates if automated security queue measurement is not introduced by 1 April 2015. The rebate is payable every month from April 2015 until the month in

which automated security queue measurement is introduced in the relevant terminals. The amount of rebates is set out in Table 2a to Table 5d of this Schedule.

4. Bonuses

4(a) Payment

4.1 The Licensee may recover bonuses from Relevant Parties. Bonus payments shall be included in the calculation of the Airport Charges in respect of relevant air transport services in Condition C1.

4(b) Calculation

4.2 B_t , the bonus factor as specified in Condition C1, is based on performance achieved in respect of specified elements in the relevant Regulatory Period or Regulatory Year t as set out in Table 8 of this Schedule.

4.3 For the purposes of calculating M_t as specified in Condition C1, the corresponding periods for which bonuses are recoverable by the Licensee to be included in the calculation of M_t are set out in Table 9 of this Schedule.

4.4 For the purposes of calculating M_t for the Regulatory Period, $B_{t-2} = B_{2012/13}$ is set to zero; for the purposes of calculating M_t for the Regulatory Year t starting on 1 January 2015, $B_{t-2} = B_{2013/14}$ is set to zero. This is because bonuses earned in 2012/13 and 2013/14 should have been recovered through the K factor as specified in Condition C1.

4.5 B_t for the Regulatory Period, i.e. B_{2014} , shall be calculated as follows:

$$B_t = \sum_{j=\text{April}}^{j=\text{December}} \sum_k \text{Max} [0, \text{Min}[\text{BNS}(\text{T2})_{kj}, \text{BNS}(\text{T3})_{kj}, \text{BNS}(\text{T4})_{kj}, \text{BNS}(\text{T5})_{kj}]]$$

For each month j and specified element k ;

$$\text{BNS}(\text{T2})_{kj} = \frac{1}{9} \times \text{MB}_k \frac{\text{Min}[\text{UPL}_k, \text{MP}(\text{T2})_{kj}] - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(T3)_{kj} = \frac{1}{9} \times \text{MB}_k \frac{\text{Min}[\text{UPL}_k, \text{MP}(T3)_{kj}] - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(T4)_{kj} = \frac{1}{9} \times \text{MB}_k \frac{\text{Min}[\text{UPL}_k, \text{MP}(T4)_{kj}] - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(T5)_{kj} = \frac{1}{9} \times \text{MB}_k \frac{\text{Min}[\text{UPL}_k, \text{MP}(T5)_{kj}] - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

where:

MB_k , LPL_k and UPL_k are defined in paragraphs 2.1(j), 2.1(k) and 2.1(l) respectively; and

$\text{MP}(T2)_{kj}$, $\text{MP}(T3)_{kj}$, $\text{MP}(T4)_{kj}$ and $\text{MP}(T5)_{kj}$ are the moving annual average monthly performance for specified element k in month j weighted by monthly passengers numbers in Terminal 2, Terminal 3, Terminal 4 and Terminal 5, respectively. It is calculated using the formulae set out in paragraph 2.3.

4.6 B_t for any subsequent relevant Regulatory Year t shall be calculated as follows:

$$B_t = \sum_{j=\text{January}}^{\text{December}} \sum_k \text{Max} [0, \text{Min}[\text{BNS}(T2)_{kj}, \text{BNS}(T3)_{kj}, \text{BNS}(T4)_{kj}, \text{BNS}(T5)_{kj}]]$$

For each month j and specified element k ;

$$\text{BNS}(T2)_{kj} = \frac{1}{12} \times \text{MB}_k \frac{\text{Min}[\text{UPL}_k, \text{MP}(T1)_{kj}] - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(T3)_{kj} = \frac{1}{12} \times \text{MB}_k \frac{\text{Min}[\text{UPL}_k, \text{MP}(T2)_{kj}] - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(T4)_{kj} = \frac{1}{12} \times \text{MB}_k \frac{\text{Min}[\text{UPL}_k, \text{MP}(T4)_{kj}] - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(\text{T5})_{kj} = \frac{1}{12} \times \text{MB}_k \frac{\text{Min}[\text{UPL}_k, \text{MP}(\text{T4})_{kj}] - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

where:

MB_k , LPL_k and UPL_k are defined in paragraphs 2.1(j), 2.1(k) and 2.1(l) respectively; and

$\text{MP}(\text{T2})_{kj}$, $\text{MP}(\text{T3})_{kj}$, $\text{MP}(\text{T4})_{kj}$ and $\text{MP}(\text{T5})_{kj}$ are the moving annual average monthly performance for specified element k in month j weighted by monthly passengers numbers in Terminal 2, Terminal 3, Terminal 4 and Terminal 5, respectively. It is calculated using the formulae set out in paragraph 2.3.

5. Publication

5.1 The Licensee shall publish in each terminal at the airport:

- (a) on a monthly basis, within four weeks of the end of the month,
 - (i) its performance against the standards (where applicable) for each of the terminals at the airport with respect to:
 - departure lounge seating availability (QSM);
 - cleanliness (QSM);
 - way-finding (QSM);
 - flight information (QSM);
 - security (QSM) [no standard is set for this element];
 - Wi-fi (QSM) [no standard is set for this element];
 - central search (either interim or automated measurement metrics depending on method in use during the month); and
 - transfer search (either interim or automated measurement metrics depending on method in use during the month).

5.2 The Licensee shall publish on the Service Quality page on its website:

- (a) on a monthly basis, within four weeks of the end of the month,

- (i) its performance against the standards (where applicable) for each of the terminals at the airport with respect to all elements specified in Table 10a to Table 10e of this Schedule; and
 - (ii) the estimated amount of rebates and bonuses, generated by the performance relating to all elements specified in Table 10a to Table 10e of this Schedule.
 - (b) within two months of the end of the relevant Regulatory Period or Regulatory Year,
 - (i) its confirmed performance against the standards (where applicable) for each of the terminals at the airport with respect to all elements specified in Table 10a to Table 10e of this Schedule; and
 - (ii) the estimated amount of rebates and bonuses, generated by the performance relating to all elements specified in Table 10a to Table 10e of this Schedule.
- 5.3 The Licensee shall publish on the Regulatory Accounts page on its website:
- (a) on an annual basis, as soon as available,
 - (i) the audited actual amount of rebates and bonuses, generated by the performance relating to all elements specified in Table 10a to Table 10e of this Schedule split by relevant element.
- 5.4 Detailed publication requirements are set out in Table 10a to Table 10e of this Schedule.

6. General Matters

6(a) Rounding

- 6.1 For the purposes of this Schedule, the calculation and reporting of all performance and standards shall be to two decimal places (in the case of percentages to two decimal places of a percentage point).
- 6.2 In Table 1a to Table 6 of this Schedule, the maximum rebates for the relevant Regulatory Period or Regulatory Year are measured to two decimal places, and the maximum monthly rebates are measured to

four decimal places. In Table 7 of this Schedule, the amounts of Rebate_{ACT} in thousands are measured to two decimal places. In Table 8 of this Schedule, the maximum bonuses are measured to two decimal places.

6(b) Definitions

6.3 In this Schedule:

- (a) Airport Charges has the meaning as in Regulation 3(1) of the Airport Charges Regulations 2011 (2011 No. 2491);
- (b) Relevant Parties means airlines that have paid Airport Charges in the relevant month in respect of air transport services for the carriage by air of passengers;
- (c) the Regulatory Period has the meaning set out in Part A of this Licence;
- (d) the Regulatory Year has the meaning set out in Part A of this Licence;
- (e) the AOC means the Airline Operators Committee;
- (f) Terminal excludes general aviation facilities and facilities for the handling of cargo; and
- (g) A relevant deadband period is:
 - (i) 1 November to 30 November;
 - (ii) 1 January to 31 January;
 - (iii) 1 February to 28 February (29 February in a leap year); and
 - (iv) 1 March to 14 days before Easter Sunday.
- (h) Dates that fall outside of the periods as defined in paragraph 6.3(g) shall not be regarded as falling in a deadband period.

7. Tables⁴

Table 1a: Terminal 1 – passenger satisfaction elements [Not used]

Table 1b: Terminal 1 – security [Not used]

Table 1c: Terminal 1 – passenger operational elements [Not used]

Table 1d: Terminal 1 – airline operational elements [Not used]

⁴ In Tables 2a to Table 5d, for the time of day over which performance counts for rebates, where relevant, if the Licensee and the AOC fail to agree a period for a particular element, the default time period will be the period specified for central search. In Tables 2a to Table 6, $ANNMAX_i$ is defined in paragraph 2.1(e) and is measured to two decimal places. $R_{i,j}RP$ and $R_{i,j}RY$ are defined in paragraphs 2.1(f) and 2.1(g) respectively and are measured to four decimal places. In Table 7, the calculation of ACT rebates in thousands is specified in section 2(e) and is measured to two decimal places. In Table 8, MB_k , LPL_k and UPL_k are defined in paragraphs 2.1(j), 2.1(k) and 2.1(l) and are measured to two decimal places.

Table 2a: Terminal 2 – passenger satisfaction elements

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY	
1	Departure lounge seating availability	Moving annual average QSM scores weighted by monthly passenger numbers	Unrestricted	3.80	0.36%	0.0800%	0.0600%	
2	Cleanliness			4.00	0.36%	0.0800%	0.0600%	
3	Way-finding			4.10	0.36%	0.0800%	0.0600%	
4	Flight information			4.30	0.36%	0.0800%	0.0600%	
5	Security			Publication only				
6	Wi-fi			Publication only				

Table 2b: Terminal 2 – security⁵

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY
7-i1	Central search (interim)	Percentage of queue times measured once every 15 minutes that are less than 5 minutes	05:00 to 22:30	95.00%	1.00%	0.2222%	0.1667%
7-i2		Percentage of queue times measured once every 15 minutes that are less than 10 minutes	05:00 to 22:30	99.00%			
8-i1	Transfer search (interim)	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	05:00 to 22:30	95.00%	0.50%	0.1111%	0.0833%
7	Central search	Percentage of passengers queuing less than 10 minutes	05:00 to 22:30	99.00%	1.00%	0.2222%	0.1667%
8	Transfer search		05:00 to 22:30	99.00%	0.50%	0.1111%	0.0833%
7-a	Central search	Delivery of an automated security queue measurement by a date agreed by Heathrow Airport and the Airline Community	Not applicable	By a date agreed by Heathrow Airport and the Airline Community	1.00%	N.A.	0.0833%
8-a	Transfer search				0.50%		
9	Staff search	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	Period agreed locally between the Licensee and the AOC	95.00%	0.38%	0.0844%	0.0633%

⁵ The standards for central and transfer search (elements 7 and 8) take effect upon the introduction of an automated security queue measurement and on a date agreed by Heathrow Airport and the Airline Community. Prior to that, the standards for central and transfer search (interim) (elements 7-i1, 7-i2 and 8-i1) remain in effect. Additional monthly rebates (elements 7-a and 8-a) are payable upon the failure to set a G2 date with a milestone plan to a G3 date by 11 June 2015 until a plan is agreed. In June stakeholders will engage with the CAA and HAL on the determination of the next steps and subsequent treatment of the rebate associated with the delivery of an agreed automated per passenger security queue measurement system.

Table 2c: Terminal 2 – passenger operational elements

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY
10	PSE (general)	% time serviceable and available for use, independent of any other element	Period agreed locally between the Licensee and the AOC	99.00%	0.35%	0.0778%	0.0583%
11	PSE (priority)			99.00%	0.35%	0.0778%	0.0583%
12	Arrivals baggage carousels			99.00%	0.35%	0.0778%	0.0583%
13a	Track transit system	% one train serviceable and available for use, independent of any other element	Not applicable	Not applicable			
13b		% two trains serviceable and available for use, independent of any other element					

Table 2d: Terminal 2 – airline operational elements⁶

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY
14	Stands	% time serviceable and available for use, independent of any other element	Period agreed locally between the Licensee and the AOC	99.00%	0.20%	0.0444%	0.0333%
15	Jetties			99.00%	0.20%	0.0444%	0.0333%
16	Fixed electrical ground power			99.00%	0.15%	0.0333%	0.0250%
17	Stand entry guidance			99.00%	0.25%	0.0556%	0.0417%
18	Pre-conditioned air			98.00%	0.20%	0.0444%	0.0333%
19	Pier-served stand usage	Moving annual average of % passengers served (last 12 months)	Unrestricted	95.00%	0.25%	0.0556%	0.0417%

⁶ In this table, pier-served stand usage (element 19) would be a combined Terminal 1/Terminal 2 element. Its standard is subject to exceptions to be agreed by the Licensee and the AOC.

Table 3a: Terminal 3 – passenger satisfaction elements

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY	
1	Departure lounge seating availability	Moving annual average QSM scores weighted by monthly passenger numbers	Unrestricted	3.80	0.36%	0.0800%	0.0600%	
2	Cleanliness			4.00	0.36%	0.0800%	0.0600%	
3	Way-finding			4.10	0.36%	0.0800%	0.0600%	
4	Flight information			4.30	0.36%	0.0800%	0.0600%	
5	Security			Publication only				
6	Wi-fi			Publication only				

Table 3b: Terminal 3 – security⁷

i	Element	Metric	Time of day over which performance counts for rebates	Standard _{i,j,a}	ANNMAX _i	R _{i,j} RP	R _{i,j} RY
7-i1	Central search (interim)	Percentage of queue times measured once every 15 minutes that are less than 5 minutes	05:00 to 22:30	95.00%	1.00%	0.2222%	0.1667%
7-i2		Percentage of queue times measured once every 15 minutes that are less than 10 minutes	05:00 to 22:30	99.00%			
8-i1	Transfer search (interim)	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	05:00 to 22:30	95.00%	0.50%	0.1111%	0.0833%
7	Central search	Percentage of passengers queuing less than 10 minutes	05:00 to 22:30	99.00%	1.00%	0.2222%	0.1667%
8	Transfer search		05:00 to 22:30	99.00%	0.50%	0.1111%	0.0833%
7-a	Central search	Delivery of an automated security queue measurement by a date agreed by Heathrow Airport and the Airline Community	Not applicable	By a date agreed by Heathrow Airport and the Airline Community	1.00%	N.A.	0.0833%
8-a	Transfer search				0.50%		0.0417%
9	Staff search	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	Period agreed locally between the Licensee and the AOC	95.00%	0.38%	0.0844%	0.0633%

⁷ The standards for central and transfer search (elements 7 and 8) take effect following the introduction of an automated security queue measurement and on a date agreed by Heathrow Airport and the Airline Community. Prior to that, the standards for central and transfer search (interim) (elements 7-i1, 7-i2 and 8-i1) remain in effect. Additional monthly rebates (elements 7-a and 8-a) are payable upon the failure to set a G2 date with a milestone plan to a G3 date by 11 June 2015 until a plan is agreed. In June stakeholders will engage with the CAA and HAL on the determination of the next steps and subsequent treatment of the rebate associated with the delivery of an agreed automated per passenger security queue measurement system.

Table 3c: Terminal 3 – passenger operational elements

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY
10	PSE (general)	% time serviceable and available for use, independent of any other element	Period agreed locally between the Licensee and the AOC	99.00%	0.35%	0.0778%	0.0583%
11	PSE (priority)			99.00%	0.35%	0.0778%	0.0583%
12	Arrivals baggage carousels			99.00%	0.35%	0.0778%	0.0583%
13a	Track transit system	% one train serviceable and available for use, independent of any other element	Not applicable	Not applicable			
13b		% two trains serviceable and available for use, independent of any other element					

Table 3d: Terminal 3 – airline operational elements⁸

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY
14	Stands	% time serviceable and available for use, independent of any other element	Period agreed locally between the Licensee and the AOC	99.00%	0.20%	0.0444%	0.0333%
15	Jetties			99.00%	0.20%	0.0444%	0.0333%
16	Fixed electrical ground power			99.00%	0.15%	0.0333%	0.0250%
17	Stand entry guidance			99.00%	0.25%	0.0556%	0.0417%
18	Pre-conditioned air			98.00%	0.20%	0.0444%	0.0333%
19	Pier-served stand usage	Moving annual average of % passengers served (last 12 months)	Unrestricted	95.00%	0.25%	0.0556%	0.0417%

⁸ In this table, the standard for pier-served stand usage (element 19) is 95% excluding Delta Airlines for April to June 2014 and BA off-pier short-haul services for April to September 2014, and is 93% for October 2015 to June 2016. It is subject to exceptions to be agreed by the Licensee and the AOC.

Table 4a: Terminal 4 – passenger satisfaction elements

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY	
1	Departure lounge seating availability	Moving annual average QSM scores weighted by monthly passenger numbers	Unrestricted	3.80	0.36%	0.0800%	0.0600%	
2	Cleanliness			4.00	0.36%	0.0800%	0.0600%	
3	Way-finding			4.10	0.36%	0.0800%	0.0600%	
4	Flight information			4.30	0.36%	0.0800%	0.0600%	
5	Security			Publication only				
6	Wi-fi			Publication only				

Table 4b: Terminal 4 – security⁹

i	Element	Metric	Time of day over which performance counts for rebates	Standard _{i,j,a}	ANNMAX _i	R _{i,j} RP	R _{i,j} RY
7-i1	Central search (interim)	Percentage of queue times measured once every 15 minutes that are less than 5 minutes	05:00 to 22:30	95.00%	1.00%	0.2222%	0.1667%
7-i2		Percentage of queue times measured once every 15 minutes that are less than 10 minutes	05:00 to 22:30	99.00%			
8-i1	Transfer search (interim)	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	05:00 to 22:30	95.00%	0.50%	0.1111%	0.0833%
7	Central search	Percentage of passengers queuing less than 10 minutes	05:00 to 22:30	99.00%	1.00%	0.2222%	0.1667%
8	Transfer search		05:00 to 22:30	99.00%	0.50%	0.1111%	0.0833%
7-a	Central search	Delivery of an automated security queue measurement by a date agreed by Heathrow Airport and the Airline Community	Not applicable	By a date agreed by Heathrow Airport and the Airline Community	1.00%	N.A.	0.0833%
8-a	Transfer search				0.50%		0.0417%
9	Staff search	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	Period agreed locally between the Licensee and the AOC	95.00%	0.38%	0.0844%	0.0633%

⁹ The standards for central and transfer search (elements 7 and 8) take effect upon the introduction of an automated security queue measurement and on a date agreed by Heathrow Airport and the Airline Community. Prior to that, the standards for central and transfer search (interim) (elements 7-i1, 7-i2 and 8-i1) remain in effect. Additional monthly rebates (elements 7-a and 8-a) are payable upon the failure to set a G2 date with a milestone plan to a G3 date by 11 June 2015 until a plan is agreed. In June stakeholders will engage with the CAA and HAL on the determination of the next steps and subsequent treatment of the rebate associated with the delivery of an agreed automated per passenger security queue measurement system.

Table 4c: Terminal 4 – passenger operational elements

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY
10	PSE (general)	% time serviceable and available for use, independent of any other element	Period agreed locally between the Licensee and the AOC	99.00%	0.35%	0.0778%	0.0583%
11	PSE (priority)			99.00%	0.35%	0.0778%	0.0583%
12	Arrivals baggage carousels			99.00%	0.35%	0.0778%	0.0583%
13a	Track transit system	% one train serviceable and available for use, independent of any other element	Not applicable	Not applicable			
13b		% two trains serviceable and available for use, independent of any other element					

Table 4d: Terminal 4 – airline operational elements¹⁰

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY
14	Stands	% time serviceable and available for use, independent of any other element	Period agreed locally between the Licensee and the AOC	99.00%	0.25%	0.0556%	0.0417%
15	Jetties			99.00%	0.25%	0.0556%	0.0417%
16	Fixed electrical ground power			99.00%	0.20%	0.0444%	0.0333%
17	Stand entry guidance			99.00%	0.25%	0.0556%	0.0417%
18	Pre-conditioned air		Not applicable	Not applicable			
19	Pier-served stand usage	Moving annual average of % passengers served (last 12 months)	Unrestricted	95.00%	0.30%	0.0667%	0.0500%

¹⁰ In this table, the standard for pier-served stand usage (element 19) is subject to exceptions to be agreed by the Licensee and the AOC.

Table 5a: Terminal 5 – passenger satisfaction elements

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY	
1	Departure lounge seating availability	Moving annual average QSM scores weighted by monthly passenger numbers	Unrestricted	3.80	0.36%	0.0800%	0.0600%	
2	Cleanliness			4.00	0.36%	0.0800%	0.0600%	
3	Way-finding			4.10	0.36%	0.0800%	0.0600%	
4	Flight information			4.30	0.36%	0.0800%	0.0600%	
5	Security			Publication only				
6	Wi-fi			Publication only				

Table 5b: Terminal 5 – security¹¹

i	Element	Metric	Time of day over which performance counts for rebates	Standard _{i,j,a}	ANNMAX _i	R _{i,j} RP	R _{i,j} RY
7-i1	Central search (interim)	Percentage of queue times measured once every 15 minutes that are less than 5 minutes	05:00 to 22:30	95.00%	1.00%	0.2222%	0.1667%
7-i2		Percentage of queue times measured once every 15 minutes that are less than 10 minutes	05:00 to 22:30	99.00%			
8-i1	Transfer search (interim)	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	05:00 to 22:30	95.00%	0.50%	0.1111%	0.0833%
7	Central search	Percentage of passengers queuing less than 10 minutes	05:00 to 22:30	99.00%	1.00%	0.2222%	0.1667%
8	Transfer search		05:00 to 22:30	99.00%	0.50%	0.1111%	0.0833%
7-a	Central search	Delivery of an automated security queue measurement by a date agreed by Heathrow Airport and the Airline Community	Not applicable	By a date agreed by Heathrow Airport and the Airline Community	1.00%	N.A.	0.0833%
8-a	Transfer search				0.50%		0.0417%
9	Staff search	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	Period agreed locally between the Licensee and the AOC	95.00%	0.38%	0.0844%	0.0633%

¹¹ The standards for central and transfer search (elements 7 and 8) take effect following the introduction of an automated security queue measurement and on a date agreed by Heathrow Airport and the Airline Community. Prior to that, the standards for central and transfer search (interim) (elements 7-i1, 7-i2 and 8-i1) remain in effect. Additional monthly rebates (elements 7-a and 8-a) are payable upon the failure to set a G2 date with a milestone plan to a G3 date by 11 June 2015 until a plan is agreed. In June stakeholders will engage with the CAA and HAL on the determination of the next steps and subsequent treatment of the rebate associated with the delivery of an agreed automated per passenger security queue measurement system.

Table 5c: Terminal 5 – passenger operational elements

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY
10	PSE (general)	% time serviceable and available for use, independent of any other element	Period agreed locally between the Licensee and the AOC	99.00%	0.25%	0.0556%	0.0417%
11	PSE (priority)			99.00%			
12	Arrivals baggage carousels			99.00%			
13a	Track transit system	% one train serviceable and available for use, independent of any other element	Period agreed locally between the Licensee and the AOC	99.00%	0.30%	0.0667%	0.0500%
13b		% two trains serviceable and available for use, independent of any other element		97.00%			

Table 5d: Terminal 5 – airline operational elements¹²

i	Element	Metric	Time of day over which performance counts for rebates	Standard_{i,j,a}	ANNMAX_i	R_{i,j}RP	R_{i,j}RY
14	Stands	% time serviceable and available for use, independent of any other element	Period agreed locally between the Licensee and the AOC	99.00%	0.25%	0.0556%	0.0417%
15	Jetties			99.00%	0.25%	0.0556%	0.0417%
16	Fixed electrical ground power			99.00%	0.20%	0.0444%	0.0333%
17	Stand entry guidance			99.00%	0.30%	0.0667%	0.0500%
18	Pre-conditioned air			98.00%	0.25%	0.0556%	0.0417%
19	Pier-served stand usage	Moving annual average of % passengers served (last 12 months)	Not applicable	Not applicable			

¹² In this table, the standard and rebates for pier-served stand usage (element 19) are subject to change should there be a change in operation control of stand allocation or terminal occupancy or both.

Table 6: Control post rebates¹³

i	Element	Metric	Time of day over which performance counts for rebates	Standard _{i,j,a}	ANNMAX _i	R _{i,j} RP	R _{i,j} RY
20	Control posts	Percentage of vehicle queue times measured once every 15 minutes that are less than 15 minutes at each of the control post groups.	Period agreed locally between the Licensee and the AOC	95.00%	0.38%	0.0844%	0.0633%
20-a	CTA	CTA : CP5, CP8					
20-b	Cargo	Cargo : CP10, CP10a, CP25a					
20-c	Eastside	Eastside : CP14, CP16					
20-d	Southside	Southside : CP24					
20-e	Terminal 5	Terminal 5 : CP18, CP19, CP20					

Table 7: Aerodrome congestion term rebates

Maximum cumulative movements deferred per day	0 – 3	4 – 5	6 – 7	8 – 9	10 – 11	12 – 13	14 – 15	16 – 17	18 – 19	20 or more
Rebates in thousands (£'000 in 2013/14 prices)	–	12.11	19.61	28.09	38.87	51.94	67.20	84.88	104.73	121.08

¹³ In this table, the subscript a in Standard_{i,j,a} does not refer to a particular terminal. The same standard applies individually to each control post group.

Table 8: Bonuses

k	Specified element	Metric	Maximum bonus MB_k	Lower performance limit LPL_k	Upper performance limit UPL_k
1	Departure lounge seating availability	Moving annual average QSM scores weighted by monthly passenger numbers in the relevant terminal	0.36%	4.10	4.50
2	Cleanliness		0.36%	4.20	4.50
3	Way-finding		0.36%	4.20	4.50
4	Flight information		0.36%	4.40	4.70

Table 9: Periods of bonuses earned to be taken into account when setting M_t as specified in Condition C1¹⁴

To set the maximum revenue yield per passenger M_t	M_t representing the period	Take account bonuses earned in B_{t-2}	B_{t-2} representing the period
M_{2014}	April 2014 – December 2014	$B_{2012/13}$	April 2012 – March 2013
M_{2015}	January 2015 – December 2015	$B_{2013/14}$	April 2013 – March 2014
M_{2016}	January 2016 – December 2016	B_{2014}	April 2014 – December 2014
M_{2017}	January 2017 – December 2017	B_{2015}	January 2015 – December 2015
M_{2018}	January 2018 – December 2018	B_{2016}	January 2016 – December 2016
M_{2019}	January 2019 – December 2019	B_{2017}	January 2017 – December 2017
M_{2020}	January 2020 – December 2020	B_{2018}	January 2018 – December 2018
M_{2021}	January 2021 – December 2021	B_{2019}	January 2019 – December 2019

¹⁴ In Table 9, for the purposes of calculating M_{2014} , $B_{2012/13}$ is set to zero; for the purposes of calculating M_{2015} , $B_{2013/14}$ is set to zero.

Table 10a: Publication – passenger satisfaction elements

Area	i	Element	Metric	Terminal (monthly)	Website (monthly and annual)	Regulatory accounts (annual)
T2, T3, T4 and T5	1	Departure lounge seating availability	Moving annual average QSM scores weighted by monthly passenger numbers in the relevant terminal	Performance and standard	Performance, standard, estimated rebates and bonuses	Rebates and bonuses reviewed and agreed by the CAA.
	2	Cleanliness				
	3	Way-finding				
	4	Flight information				
	5	Security				
	6	Wi-fi		Performance	Performance	Not applicable

Table 10b: Publication – security

Area	i	Element	Metric	Terminal (monthly)	Website (monthly and annual)	Regulatory accounts (annual)
T2, T3, T4 and T5 ¹⁵	7-i1	Central search (interim)	Percentage of queue times measured once every 15 minutes that are less than 5 minutes	Performance and standard	Performance, standard and estimated rebates	Rebates reviewed and agreed by the CAA.
	7-i2		Percentage of queue times measured once every 15 minutes that are less than 10 minutes			
	8-i1	Transfer search (interim)	Percentage of queue times measured once every 15 minutes that are less than 10 minutes			
T2, T3, T4, T5 ¹⁶	7	Central search	Percentage of passengers queuing less than 10 minutes	Not applicable	Quarterly update on the website beginning from a date agreed by Heathrow Airport and the Airline Community	
	8	Transfer search				
T2, T3, T4, T5 ¹⁷	7-a	Central search	Delivery of automated security queue measurement by a date agreed by Heathrow Airport and the Airline Community	Not applicable	Quarterly update on the website beginning from a date agreed by Heathrow Airport and the Airline Community	
	8-a	Transfer search				
T2, T3, T4 and T5	9	Staff search	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	Not applicable	Performance, standard and estimated rebates	Rebates reviewed and agreed by the CAA.

¹⁵ Following the delivery of an automated security queue measurement and on a date agreed by Heathrow Airport and the Airline Community.

¹⁶ Upon the planned delivery of an automated security queue measurement and on a date agreed by Heathrow Airport and the Airline Community.

¹⁷ Additional monthly rebates (elements 7-a and 8-a) are payable every month upon the failure to set a G2 date with a milestone plan to a G3 date by 11 June 2015 until a plan is agreed. In June stakeholders will engage with the CAA and HAL on the determination of the next steps and subsequent treatment of the rebate associated with the delivery of an agreed automated per passenger security queue measurement system.

Table 10c: Publication – passenger operational elements

Area	i	Element	Metric	Terminal (monthly)	Website (monthly and annual)	Regulatory accounts (annual)
T2, T3, T4 and T5	10	PSE (general)	% time serviceable and available for use, independent of any other element	Not applicable	Performance, standard and estimated rebates	Rebates reviewed and agreed by the CAA.
	11	PSE (priority)				
	12	Arrivals baggage carousels				
T5	13a	Track transit system	% one train serviceable and available for use, independent of any other element	Not applicable	Performance, standard and estimated rebates	Rebates reviewed and agreed by the CAA.
	13b		% two trains serviceable and available for use, independent of any other element			

Table 10d: Publication – airline operational elements

Area	i	Element	Metric	Terminal (monthly)	Website (monthly and annual)	Regulatory accounts (annual)
T2, T3, T4 and T5	14	Stands	% time serviceable and available for use, independent of any other element	Not applicable	Performance, standard and estimated rebates	Rebates reviewed and agreed by the CAA.
	15	Jetties				
	16	Fixed electrical ground power				
	17	Stand entry guidance				
T2, T3, T5	18	Pre-conditioned air				
T2, T3, T4	19	Pier-served stand usage	Moving annual average of % passengers served (last 12 months)			

Table 10e: Publication – control posts and ACT

Area	i	Element	Metric	Terminal (monthly)	Website (monthly and annual)	Regulatory accounts (annual)
Campus	20	Control posts	Percentage of vehicle queue times measured once every 15 minutes that are less than 15 minutes at each of these control post groups	Not applicable	Performance by control post group, standard and estimated rebates	Rebates reviewed and agreed by the CAA.
	20-a	CTA	CTA : CP5, CP8			
	20-b	Cargo	Cargo : CP10, CP10a, CP25a			
	20-c	Eastside	Eastside : CP14, CP16			
	20-d	Southside	Southside : CP24			
	20-e	Terminal 5	Terminal 5 : CP18, CP19, CP20			
Airfield		Aerodrome congestion term	As specified in section 2(e) of Schedule 1			

Heathrow Airport Limited
Act 2012

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APPENDIX K

Rolling forward the Regulatory Asset Base

Purpose and basis of the calculation

- K1 This Appendix specifies the detail of the formulae that the CAA intends to use for tracking the regulatory asset base [\(RAB\)](#). The purpose of this Appendix is to describe how to calculate the ~~regulatory asset bases~~ [\(RAB\)](#) for Heathrow airport respectively.
- K2 The equations set out below are based on the projections made by the CAA in reaching its final decision on the charge conditions for the control period 1 April 2014 to 31 December 2018.

Inflation indices

- K3 Each year, each RAB is expressed in actual end year price levels. The modelling used fixed 2011/12 price levels and the figures below must be uplifted to current price terms each year.

Retail Price Index ("RPI") Growth t from 2011/12 = The RPI (as defined in the Condition) as at 31 December of financial year t divided by the average of the relevant monthly RPI figures for the financial year 2011/12, which (based on the All Items index¹⁴⁴ and based on 13 January 1987 = 100) equals 237.3

Annual RPI Growth t = The RPI as at 31 December of financial year t divided by The RPI as at 31 December of financial year t-1

Within Year RPI Growth t = The RPI as at 31 December of financial year t divided by

¹⁴⁴ All Items (CHAW) index, source: ONS.

the average of the monthly RPI figures for the relevant number of preceding months (nine for the first Regulatory Period, 12 for all subsequent Regulatory Years)

Heathrow Airport RAB

K4 This section describes how the RAB at Heathrow Airport will be rolled forward from one Regulatory Period or year to another.

$$\text{RAB } t = (\text{Basic RAB})_t + (\text{Cumulative Profiling Adjustment})_t$$

K5 Both the Basic RAB and the Cumulative Profiling Adjustment are to be separately identified. This is to allow full visibility to interested parties.

$$\begin{aligned} \text{Closing} &= \text{Opening RAB } t \\ (\text{Basic RAB})_t &+ (\text{Total Actual Capex } t \times \text{Within Year RPI Growth } t)^{145} \\ &+ (\text{Shared Risk Adjustment } t \times \text{Within Year RPI Growth } t) \\ &- (\text{Proceeds from Disposals } t) \\ &- (\text{CAA's Assumed Ordinary Depreciation } t \times \text{RPI Growth from 2011/12}) \end{aligned}$$

$$\begin{aligned} \text{Opening} &= \text{For the first Regulatory Period (1 April to 31 December 2014, where} \\ (\text{Basic RAB})_t &\text{ } t=1), \text{ this figure will be set according to the following formula:} \\ &\text{£ 13,815.828 million } \times \text{RPI Growth from 2011/12} \\ &+ \text{Actual Capex 2013/14 } \times \text{RPI Growth from 2013/14} \\ &- \text{£ 1,292.874 million } \times \text{RPI Growth from 2011/12} \\ &- (\text{Actual proceeds from Disposals 2013/14}) \times \text{RPI Growth from} \\ &\text{2013/14)} \\ &= \text{For the remaining Regulatory Years, this figure will be set according} \\ &\text{to the following formula:} \\ &\text{Closing RAB } t-1 \times \text{Annual RPI Growth } t \end{aligned}$$

$$\begin{aligned} \text{Assumed} &= \text{For each financial year this figure will be fixed at the following values:} \\ \text{Ordinary} &\text{ Regulatory Period 1 (1 April to 31 December 2014): £ 467.255 million} \\ \text{Depreciation } t \text{ in} & \end{aligned}$$

¹⁴⁵ Accrued capex with no adjustment for movements in working capital.

2011/12 prices

Regulatory Year 2 (calendar year 2015): £ 644.921 million

Regulatory Year 3 (calendar year 2016): £ 652.732 million

Regulatory Year 4 (calendar year 2017): £ 672.132 million

Regulatory Year 5 (calendar year 2018): £ 676.246 million