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28th August 2026

Re: Response to CAA H8 Service Quality: Indicative options for MTI Targets and Incentives

The Airline Community welcomes the opportunity to comment on the CAA's indicative options for H8 Measures, Targets and Incentives (MTIs).

This response should be read alongside the Airline Community's response to the H8 Initial Proposals (CAP3232) and Presentation during Constructive Engagement¹, which are hereby incorporated and should also be read alongside the submissions made by individual airlines on MTIs. Our position is consistent with, and should be read in conjunction with, those submissions, including British Airways' detailed comments on the Outcome Based Regulation Framework (OBR) and the individual MTIs underpinning it, in response to CAP3232.

The positions set out below build on, and where necessary refine, those previously submitted in light of the additional detail now provided by the CAA on targets, incentive allocations and bonus structures. Nothing in this response should be taken as prejudicing, qualifying or departing from the positions set out in our response to CAP3232. Rather, this submission should be read as supplementary to, and consistent with, those earlier views.

The Airline Community remains committed to working constructively with the CAA and HAL (as required) to ensure the final H8 MTI framework is appropriately calibrated, focused on areas within HAL's control, delivers continuous improvement, and tangible benefits for consumers.

Question 1. Indicative Options for Targets

The Airline Community broadly supports the direction of travel proposed by the CAA and agree with many of the revised target levels. However, there are several areas where we believe further refinement is required to better reflect consumer priorities, operational realities and HAL's obligation as the regulated entity.

1.1 Consumer Measures

We support the increased targets for: Cleanliness (4.20); Helpfulness and Attitude of Security Staff (4.20); and Wi-Fi Performance (4.10)

¹ "Airline Community Presentation – CE R3_MTI Response" dated 29th August 2025



These are mature measures with well-established performance histories against which HAL has continued to outperform, as evidenced by the published MTI Performance Reports². They also relate to aspects of the passenger experience with increasing customer expectations. HAL should therefore continue to deliver improvements in these areas through appropriate incentivisation within the MTI scheme, in accordance with the principle of continuous improvement underpinning the OBR framework.

The Airline Community notes that the CAA has retained the current target for Wayfinding (4.20), notwithstanding the sustained outperformance observed across all terminals (as per the published MTI Performance Reports); a number of ongoing in-flight enhancements (such as digital wayfinding and passenger information). As such, the Airline Community considers that the target should be revisited in accordance with the principle of continuous improvement. In addition, we note that wayfinding has been identified as an area of high as highlighted in the CAA commissioned Steer review of HAL's consumer research undertaken for Initial Proposals. The Airline Community therefore considers that the target should be increased to at least 4.25 to ensure the incentive remains stretching, credible and capable of driving further performance improvements through H8.

1.2 Security Measures

The Airline Community supports retaining the existing H7 monthly security framework. As set out in those responses to Initial Proposals³, we agree that there are currently no reliable data demonstrating the benefits of a move to daily measures for passengers. We also agree with the CAA that HAL's proposals for adjusting the metric, target levels and incentive would appear to weaken the incentive and a therefore result in a deterioration of performance. A premature migration to a daily measurement framework could create unintended consequences during a period of significant operational change associated with Next Generation Security and the implementation of the XOVIS system. Retaining the current approach during this period provides greater stability while allowing the impact of these changes to be properly assessed before any further modifications are considered.

We therefore support retaining the following targets for the start of H8:

- Central Search: 95% <5 minutes and 99% <10 minutes
- Transfer Security: 95% <10 minutes
- Staff Search: 95% <10 minutes
- Control Posts: 95% <15 minutes

Nevertheless, the introduction of the XOVIS system will provide a significant opportunity to improve how security queue performance is measured, enabling automated queue-time measurement at an individual passenger level. Consistent with the airline proposals⁴ the CAA should include a licence commitment requiring the development and implementation of a new XOVIS-based measure during

² <https://www.heathrow.com/company/about-heathrow/performance/airport-operations/measures-targets-and-incentives>

³ Airline Community (see Paragraph 8.3); British Airways (see Paragraph 4.36 of response); Star Alliance (page 2)

⁴ Responses to CAP3232, Airline Community (Paragraph 8.3) and British Airways (Paragraphs 4.37 – 4.39)



H8, with a defined go-live date once the system is fully operational across the airport. Development and calibration of the new measure should proceed in parallel with the terminal roll-out to ensure it can be introduced without unnecessary delay, the final timings of which we believe could be no more than 3 months post final go-live, unless otherwise agreed by the airline community and CAA.

In addition, the substantial operational benefits expected from Next Generation Security investments justify a review of the current security targets to ensure that the framework continues to drive stretching performance improvements and reflects the enhanced capabilities of the future security operation, once more reliable data becomes available.

1.3 Asset Availability

1.3.1 Check-In Infrastructure

The Airline Community supports a target of 99% availability, as set out in our response to Initial Proposals though maintain the scope should be expanded to include Common Use Self Service (CUSS) hardware; Self-Service Bag Drop hardware and software; and Baggage input belts feeding baggage systems⁵.

As stated in our Initial Proposals response, these assets form a single operational process from a passenger perspective and should be measured as such.

1.3.2 Pre-Conditioned Air (PCA)

The Airline Community continues to support a target of 99% availability. This is in line with the CAA's findings in the H7 OBR mid-term review and responses to Initial Proposals⁶.

Recent performance evidence and improvements from capital expenditure demonstrate that a 99% target is achievable and the environmental and passenger benefits associated with operational PCA are significant. In addition, availability should include a serviceability requirement covering air volumes, pressure and temperatures consistent with manufacturer specifications., covering both PCA equipment and air delivery hoses. The measure would need to consider the variations in requirements due to aircraft specifications.

1.3.3 Terminal 5 Track Transit System (TTS)

The Airline Community are unclear on the CAA's proposal for this measure in the document issued.

As discussed through Constructive Engagement and outlined in the Airline Community and in detail in British Airways' response to Initial Proposals⁷, the MTI for the TTS needs to be updated or reflect the significant £82.2m capital investment made in new and additional rolling stock. The overall capacity of the system will have doubled from 10 cars to 20 cars by the end of 2026, and hence the measures need to be upgraded to reflect a new operating model, to ensure that the investment delivers the benefits to the consumer and to guarantee continuous improvement, and in line with the approved business case.

⁵ Airline Community response to CAP3232 (Paragraph 8.7)

⁶ Airline Community (Paragraph 8.3) and British Airways (Paragraphs 4.64 – 4.66)

⁷ Airline Community (Paragraph 8.7) and British Airways (Paragraphs 4.41 – 4.55)



In accordance with British Airways' response, the Airline Community propose that two measures exist into H8 as per today.

1. A demand vs capacity measure that ensures sufficient system capacity is available in line with forecast demand through a concept of train-hours
2. A backstop minimum service measure to ensure a minimum level of capacity and hence service is available throughout the operational day.

The detail of these options can be found in the British Airways' response to Initial Proposals. These measures have been agreed *in principle* with HAL during Constructive Engagement.

Train capacity aligned to the forecast passenger demand enables a good level of customer experience and a non-crowded comfortable journey. Customers should not be unnecessarily crowded on to a train, when sufficient capacity in the system exists but a decision has been made not to use it. If the full available capacity of the TTS system is only required for a short period at specific peak times, this will be fleshed out in the discussion around the timetable for the next month, which creates the baseline against which the MTI is measured and ensures efficient use of the available trains.

However, as previously noted and escalated to the CAA, HAL is unwilling to commit to the number of passenger cars making up a train on an operational day. An assumption of 4 cars (carrying up to 60 passengers each) would be used in the calculation of the baseline requirement, determining the capacity required of the system to meet the expected demand. Without defining the capacity of a train, it is not clear how the required number of train hours to meet the forecast demand will be calculated or how the agreed backstop will be applied. If the 4-car train is not operated when it is timetabled to do so, the capacity provided will not meet the expected requirement.

As there is now a clear disagreement between the Airline Community and HAL on this point, we ask the CAA to determine how capacity should be defined for the purposes of these measures. This is necessary to ensure that the new trains, which are expected to deliver a substantial increase in capacity relative to the existing fleet, provide the level of capacity anticipated and the benefit of the investment paid for by consumers. If HAL is unwilling or unable to commit to the capacity at a train level, we suggest this measure moves to a lower level of granularity and is measured at a car-hour level instead for both measures.

We summarise our MTI proposal below:

H8 TTS MTI	Definition	Target
Main measure	Train-hours operated in a month set against a baselined timetable, determined in accordance with forecast demand and required capacity (where a train is 4 cars in length, operating at an agreed frequency, and each car can accommodate a maximum of 60 passengers).	98%



Backstop	Operation of 2 trains (each of 4 cars in length) running 99% of the time over the month between 04:15 and 23:45 daily	99%
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1.3.4 Other Measures

We support maintaining the target of 99% for Availability of lifts, escalators and travelators; Jetties; Stand Entry Guidance; Fixed Electrical Ground Power; and Arrivals baggage carousel; as well as 95% for Pier-Served Stand usage.

These assets are critically important to passenger experience, accessibility and operational resilience. Any reduction in target ambition would be inconsistent with the resilience and customer priorities for H8 that have been discussed at length during Constructive Engagement.

Aircraft stand-related assets, including jetties, Stand Entry Guidance, Fixed Electrical Ground Power and Pre-Conditioned Air, are critical to passenger experience, accessibility and operational resilience. Reliable operation of these assets is essential to maintaining efficient on-pier operations, minimising disruption and inconvenience for passengers, and supporting the smooth functioning of the airport. Failures can result in re-gating, bussing operations, delays and increased operational complexity, directly affecting both passenger outcomes and the efficient use of scarce stand capacity at Heathrow.

As explained below, we are concerned by the CAA's proposal to reduce the incentive strength, by reducing the weighting of the rebate allocated to aircraft-stand related assets, notably Jetties, Stand Entry Guidance and Pre-Conditioned Air.

1.4 New Measures

1.4.1 Departing Baggage

The Airline Community continues to strongly support the introduction of a financial incentive for timely delivery of departing baggage. As set out in our response to the H8 Initial Proposals, baggage system resilience remains one of the most significant operational issues affecting consumers at Heathrow and is an area where stronger incentives are both justified and necessary. We therefore welcome the CAA's proposal in principle.

However, the Airline Community contests the proposed target of 98% timely delivery, as it will fail to capture the very events that have caused the greatest consumer detriment in recent years, namely major baggage system outages and prolonged infrastructure failures.

HAL has experienced several well-publicised baggage disruptions in recent years that resulted in substantial passenger inconvenience, operational disruption and significant costs for airlines, despite overall system reliability metrics remaining relatively high. As we noted in responses to the Initial Proposals⁸, these events are often diluted within monthly average performance measures and will therefore escape meaningful financial consequence and incentivisation under the proposed

⁸ Airline Community (Paragraph 8.1); British Airways (4.19 – 4.31); Star Alliance (page 2)



framework. In particular, we note that BA's analysis demonstrates that a 98% target would have failed to capture the majority of significant outages over the last three years, with the exception of four incidents across all terminals. BA has also provided analysis demonstrating that the vast majority of outages in Terminals 3 and 5 would not have been captured. Such analysis, as well as other examples provided throughout Constructive Engagement, showcase the highly disruptive impact and harmful impact of baggage outages on customers. We strongly encourage the CAA to explore the sensitivity of the target in light of such major outages across the airport which in our view will demonstrate that 98% is wholly insufficient.

The Airline Community's preferred solution remains the introduction of a backstop mechanism targeted for major HAL-controlled baggage failures. Such a measure should be triggered when defined thresholds of missed bags are exceeded, or where major baggage system failures occur, ensuring that severe consumer harm is not obscured by otherwise acceptable monthly average performance. This would preserve the timely delivery metric as the primary measure whilst ensuring resilience failures are appropriately incentivised.

If the CAA ultimately decides not to introduce an outage backstop, then it is essential that the primary performance target is strengthened. In that circumstance, the Airline Community would support a target of 99% rather than 98%. A 98% target allows approximately 2% of bags to fall outside the standard without financial consequence and, as demonstrated through our analysis, may still permit significant baggage outages to occur whilst remaining compliant with the underlying MTI target. A 99% target would materially improve the measure's sensitivity to major failures and provide a stronger incentive on HAL to address recurring baggage resilience issues.

Accordingly, the Airline Community's position is:

- Preferred option: retain the proposed 98% target but introduce a dedicated outage backstop for Heathrow-controlled baggage failures.
- Alternative option: if the CAA does not introduce a backstop, then the target should be set to 99%.

This approach is consistent with the broader principles of the MTI framework by ensuring incentives are aligned with areas under HAL's control and are capable of addressing the most significant sources of passenger detriment.

1.4.2 Passenger Assistance Satisfaction

The Airline Community continues to oppose introducing PRM/PRS satisfaction as a financial MTI as set out in detail in our response to Initial Proposals⁹.

PRM services are already delivered through a separate contractual framework with strong financial incentives and penalties. Introducing a financial MTI duplicates existing incentives while requiring reductions elsewhere in the incentive package and will create an overlap in measures. In addition, allocating an MTI to a service that is already incentivised elsewhere is not a proportionate regulatory response and would require reducing the weightings on other measures in order to accommodate it

⁹ Airline Community (Paragraph 8.2)



within the 7% cap for rebates. This will in turn reduce the effectiveness of those other measures, at the expense of the consumer.

Any continued monitoring should therefore remain reputational in nature.

Should the CAA wish to demonstrate publicly that financial incentives are in place for PRM performance, then we recommend that the CAA published the targets that already exist in the PRM contract with commentary highlighting that there are financial rebates if these targets are not met.

Questions 2 & 3. Allocation and Approach to Rebate Incentives

2.1 Rebate Approach

The Airline Community supports the principle that incentive allocations should evolve to reflect consumer priorities and emerging operational risks. However, reductions should not be made to critical operational and asset resilience measures solely to fund new measures. In this regard, we are particularly concerned by the CAA's proposal to reduce the rebate weights allocated to aircraft-stand related assets.

Our preference is for incentive allocations to reflect:

- Consumer detriment when failure occurs.
- HAL control.
- Strategic importance to resilience.
- Evidence of recent operational performance challenges.
- Extent to which incentives are already in place and / or HAL could seek to mitigate direct consequences on itself.

Applying those principles, we conclude that the CAA's proposed allocation does not appropriately reflect the relative importance of the underlying measures:

- Departing baggage requires greater weighting.
- Staff Search remains important.
- Jetty availability, Stand Entry Guidance and Fixed Electrical Ground Power remain critical assets and should not be reduced.
- PCA availability remains critical and should not be reduced .
- Asset availability incentives should continue to recognise the growing importance of accessibility and resilience.
- The Passenger Assistance MTI is duplicative and diminishes other areas which would benefit from a greater incentive allocation.



We therefore support reallocation where justified but not the specific reductions proposed in several asset-related measures (notably aircraft stand-related assets). We detail our response below.

2.2 Rebate Allocation

The Airline Community supports the overall level of the MTI package but does not support the proposed distribution of rebates.

Baggage

In line with the alternative Airline Business Plan and our responses to Initial Proposals (see for instance response by BA, paragraph 4.20), we support increasing the weighting for timely departing baggage performance, from 0.5% proposed by the CAA to 0.6%.

This reflects the increasing importance of baggage resilience and the significant customer detriment caused by baggage system failures, as set out further in our response to Question 1. We welcome the CAA's decision to introduce a baggage financial measure but believe it warrants greater emphasis within the package.

This should be funded through removal of Hygiene Red and Amber measures and modest reductions to cleanliness and wayfinding allocations.

Staff Search and Asset Availability

We also disagree with several proposed reductions:

- Staff Search should remain at 0.4%.
- Arrivals Baggage Carousel Availability should remain at 0.35%.
- Jetty Availability should remain at 0.2%.
- Stand Entry Guidance should remain at 0.2%.
- PCA Availability should remain at 0.2%.

These measures are fundamental to maintaining operational resilience and delivering positive passenger outcomes and therefore should not be subject to a reduction in relative weighting. We also make a particular challenge in relation to aircraft-stand related assets below.

Aircraft-stand related assets

Importantly, we contest the CAA's proposed reduction in the weighting of aircraft-stand related assets (Jetties, Stand Entry Guidance and PCA availability) from 0.20% to 0.15% each.

Aircraft stand-related assets are critical to passenger experience, accessibility and operational resilience. Reliable operation of these assets is essential to maintaining efficient on-pier operations, minimising disruption and supporting the smooth functioning of the airport. Airlines already operate in an environment of constrained on-pier capacity, with a significant proportion of flights using remote stands, meaning failures of stand-related assets can have material operational and customer



consequences. Jetty failures, for example, can result in passengers being re-gated, boarded by steps, transported by bus, or otherwise displaced from their expected journey, creating delays, additional costs and a poorer customer experience. In some circumstances, the unavailability of supporting equipment may mean that a jetty failure leads to a remote operation even where a stand remains available. This is not a hypothetical risk, and individual airlines may provide evidence to the CAA of the delays, disruption and passenger impacts arising from failures of aircraft stand-related assets. Jetty failures also create wider operational consequences. Where a jetty becomes stuck on an aircraft, departure may be prevented entirely until the fault is rectified. Even where an aircraft is able to push back, a defective jetty can prevent the subsequent aircraft from safely arriving on stand until the stand is cleared, effectively reducing available stand capacity and creating knock-on disruption elsewhere in the operation.

Given the operational criticality and direct passenger impact of these assets, the regulatory framework should continue to provide strong incentives for reliability and performance. Any reduction in incentive strength would be inconsistent with the wider resilience and customer service objectives discussed throughout Constructive Engagement and risks understating the operational consequences of asset failures.

Retaining the existing 0.20% weighting for each of Jetty Availability, Stand Entry Guidance and PCA would be more consistent with the principles underpinning the OBR framework, including resilience, passenger experience, operational performance and continuous improvement.

If reductions are required to accommodate new measures within the overall framework, there is a stronger case for reducing the rebate weightings attached to each of Cleanliness and Wayfinding which under the CAA's proposal would carry a weight of 0.30% each. While both remain important elements of the passenger experience and should continue to be measured and incentivised, failures in stand-related infrastructure can have more significant consequences for operational resilience, punctuality and the successful completion of the passenger journey, as highlighted during Constructive Engagement and raised again with the CAA. As such, any reallocation of incentive weightings should prioritise measures that have the greatest operational and passenger impact.

Question 4. Approach to Bonus Incentives

3.1 Approach and Allocation

Without prejudice to our long-standing position that there should not be any bonuses to a regulated monopoly for delivering the performance expected and paid for by consumers, the Airline Community welcomes the CAA's rejection of HAL's proposal to double the bonus pot. In fact, we note that the bonus system has resulted in a fundamental imbalance and insufficient ambition for HAL. As the CAA has confirmed in the Initial Proposals, over 2023-2025, HAL has earned 50% more in bonuses than paying out in rebates despite incurring an almost 5 times higher exposure to rebates

Within the existing framework, we broadly support the approach proposed, specifically retaining the Central and Transfer search bonus and the introduction of Staff Search and Control Posts.

However, we do not support the continuation of a Wayfinding bonus, particularly where the CAA is proposing to retain the current target and the overall strategy and underlying investments are yet to be settled.



We agree that Central Search should remain the primary allocation with the remaining measures adjusted to meet (or as close to) our position that bonuses should be no more than half the rebate amount.

3.2 Exclusions and Alleviations

The Airline Community reiterates that bonus payments should not apply where regulatory alleviations have been granted to HAL; or material disruption events have significantly influenced performance.

This position is consistent with concerns previously raised regarding bonus payments earned during periods of operational alleviation associated with security transformation.

Question 5. Other Views on Incentive Allocations

The Airline Community would highlight five overarching principles to be applied when establishing and setting the allocations, including how they are measured and assessed:

- **HAL Accountability:** MTIs should remain focused on outcomes within Heathrow's reasonable control. We continue to oppose the introduction of airline eligibility criteria.
- **Baggage Requires Stronger Incentives:** The departing baggage measure remains one of the most important enhancements proposed for H8. However, it should be strengthened through a meaningful backstop or an appropriately designed target to capture and deter the incidence of major outages, alongside an appropriate weighting within the overall rebate package. Indeed, given the operational and passenger impacts associated with baggage disruption, the incentive should be calibrated to drive both day-to-day performance and resilience during significant failures.
- **XOVIS and Security Transition:** The CAA should establish a clear, licence backed pathway for transition to automated security measurement and ensure HAL delivers the benefits of this technology investment.
- **Resilience including Asset Reliability Remains Fundamental:** Jetty, Stand Entry Guidance, Fixed Electrical Ground Power, Pre-Conditioned Air and staff search measures remain critical enablers of operational performance, customer experience and airport resilience and should therefore attract meaningful incentives within the MTI framework.

Our support for not reducing the weightings of some of those measures is not intended to downplay the importance of other passenger-facing elements, such as Wayfinding. Rather, it reflects our view that the MTI framework should be calibrated to provide the clearest incentives in those areas where failures result in the greatest operational and consumer detriment. When these critical assets and functions fail, it is airlines and passengers that bear the consequences through delays, disruption, reduced accessibility and additional costs. In an airport environment operating close to capacity, the bounded rebate and bonus framework should be calibrated to reflect these resilience realities and maintain strong incentives for the reliable performance of assets and services that are fundamental to efficient airport operations.



- The Airline Community remains open to considering a broader set of rebate measures within the overall MTI framework with the existing aggregate cap on risk exposure retained. This approach would allow a wider range of operational and passenger outcomes to be reflected within the incentive regime, while maintaining the current balance of financial exposure for HAL.
- **Reputational Measures should Remain Reputational:** Reputational measures remain the appropriate mechanism where delivery is shared across multiple parties or where Heathrow does not have direct operational control. This includes PRM which is already incentivised under the relevant supplier contract and where the introduction of a potentially weaker overlapping measure will create confusion and divert incentive strength from other measures.

We welcome the opportunity to discuss these issues further with the CAA and remain available to provide any additional information or clarification that may assist the development of the H8 MTI framework.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gavin Molloy'.

Gavin Molloy

Chair
London (Heathrow) Airline Consultative
Committee (LACC)

A handwritten signature in black ink, appearing to read 'Nigel Wicking'.

Nigel Wicking

CEO
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