

HEATHROW'S RESPONSE TO THE CAA'S CONSULTATION ON "H8 SERVICE QUALITY - MTI INDICATIVE OPTIONS"

28TH AUGUST 2026

1. Introduction

The CAA has asked us to share our views on the Targets and Incentives set out in their paper "H8 Service Quality - Indicative options for MTI scheme targets and incentives, August 2026".

Our response is structured to share Heathrow's views on the five asks from the CAA:

- i. Do you agree with the indicative options for targets?
- ii. Do you agree with the indicative options for the allocation of rebate incentives? (the proposed reductions are to facilitate incentives on new measures)?
- iii. Do you agree with the approach to the allocation of rebate incentives (the proposed reduction on some sets of measures, such as aircraft stand-related assets, to free up incentives for other measures)?
- iv. Do you agree with the approach to maintain the H7 bonus incentives for the two Central Search and Transfer Search measures and allocating the remaining bonus incentive equally across the remaining four measures?
- v. Do you have any other views on the indicative options for incentive allocations?

1.1. Summary of what is important for Heathrow from the MTI approach.

We welcome the CAA's continued commitment to Outcome Based Regulation and the progress made towards an MTI framework that more closely reflects the principles we set out in our Business Plan. Heathrow's portfolio of MTIs plays a critical role in focusing effort and investment on the outcomes that matter most to consumers and airlines, ensuring accountability for service delivery while providing clear incentives to improve performance. Our H8 proposals were developed through extensive engagement with the airline community and Heathrow Passenger Forum (HPF), passenger research, benchmarking and reviews of best practice across other outcome-based regulatory regimes.

As the CAA develops its H8 Final Proposals, it is essential that MTI targets and incentives are considered as part of the wider regulatory settlement rather than in isolation. Service quality outcomes are intrinsically linked to both operating expenditure (opex) and capital investment (capex) as well as the future realities the airport will face in terms of increased passenger volumes, capacity headroom and the age of our asset base. Higher performance expectations can only be sustainably delivered where the

corresponding resources and investment are available. Equally, funding decisions inevitably involve trade-offs between cost efficiency, asset investment and customer service outcomes.

During H8, passenger numbers are forecast to rise to almost 90 million by 2031. That is an increase of 17 million since 2013 – equivalent to adding an airport the size of Luton within Heathrow’s existing footprint. Yet the Initial Proposals and these indicative targets assume that this increase can be accommodated without investment in new infrastructure. As shown in Figure 1, unaddressed this would be significantly detrimental to passenger experience and would be inconsistent with the shared objective of delivering high-quality outcomes for passengers.

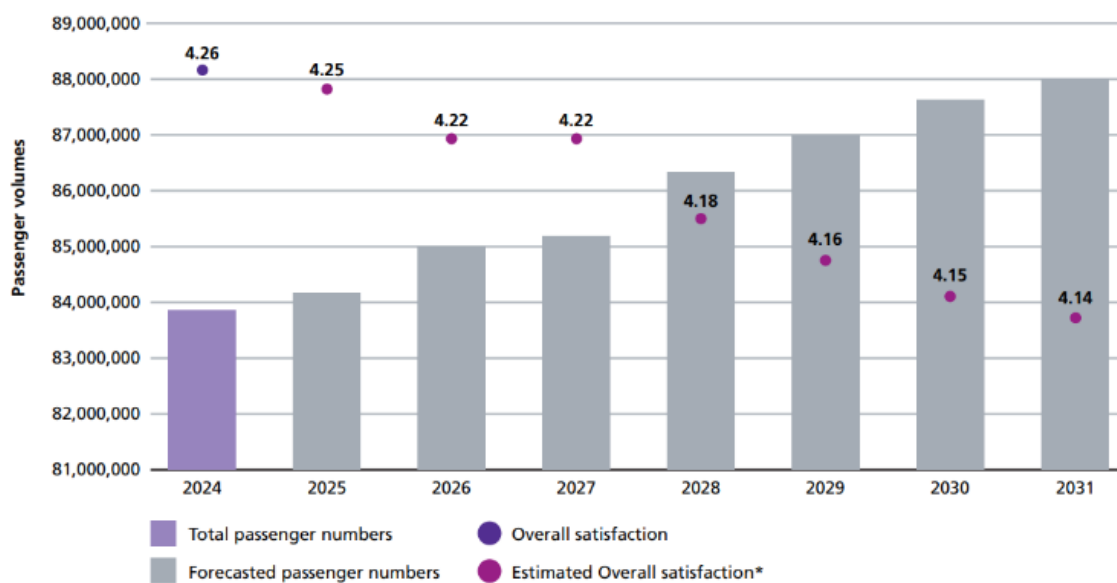


Figure 1: QSM Departures overall satisfaction alongside total passenger volumes (actual and estimated).

For this reason, we believe the relationship between opex, capex and service quality must be assessed holistically. Currently in the Initial Proposals the CAA has disallowed £2.2bn of capex that has a direct link to delivering the MTI targets proposed in our Business Plan and £325.7m of opex. Considering any one of these elements in isolation risks undermining the regulatory fair bet principle by creating performance obligations that are not supported by the underlying funding and investment assumptions. This risks creating a disconnect between the outcomes expected and the resources available to deliver them.

As Heathrow has previously highlighted to the CAA, passengers, airlines, Heathrow and the CAA share the same priorities for H8: improved resilience, a better passenger experience, stronger sustainability performance and value for money. MTIs should be assessed in the context of the wider settlement required to deliver those outcomes.

The final MTI package must be better aligned with the overall H8 settlement, ensuring that the targets are stretching, consumer-focused and past and future evidence-based, while remaining realistic and achievable within the final opex and capital framework.

This holistic approach will provide the strongest basis for delivering improved passenger outcomes, maintaining regulatory credibility and ensuring a fair and balanced settlement for consumers, the airline community and Heathrow.

1.2. Overall process

We welcome the opportunity to provide feedback on the CAA's indicative MTI proposals and remain committed to working constructively with the CAA and our stakeholders to develop an H8 MTI framework that delivers better outcomes for consumers.

However, we have concerns about the process adopted for this particular consultation. It was issued with limited advance notice, during a period when many colleagues are on annual leave, and with a relatively short response window. Given the breadth and complexity of the proposals, and their interaction with other key elements of the H8 settlement, this has constrained stakeholders' ability to provide fully developed views. While we have sought to respond as comprehensively as possible, Heathrow may need to refine its position and make further submissions as the CAA's proposals develop.

Our responses should therefore be viewed as provisional and based on our current understanding that the CAA's indicative MTI proposals have been based on the Initial Proposals and do not currently incorporate the detailed feedback by all stakeholders in their responses to the Initial Proposals. This means that Heathrow's response to this consultation must be viewed alongside our response to the Initial Proposals particularly pages 186-212.

Many of the issues raised in this consultation cannot be assessed in isolation. In particular, the appropriateness of MTI targets, incentive rates and risk allocations is closely linked to the decisions on opex allowances, the capital envelope and broader service quality expectations. As these elements of the H8 package continue to develop, we may wish to refine our views or provide additional evidence and comments.

We would also encourage the CAA to view this consultation as an important intermediate step rather than the conclusion of the discussion. Given the complexity of the MTI framework and the interdependencies between measures, targets, incentives, operational responsibilities and funding assumptions, we believe there would be significant value in further collaborative engagement before Final Proposals are determined.

The following sections set out Heathrow's views on the specific targets where we believe changes to the indicative proposals are required.

2. Targets:

Q1. Do you agree with the indicative options for targets?

Some of the proposed targets are currently unrealistic: they are not aligned with the proposals made in the H8 Initial Proposals around capital/opex envelopes, forecasted passenger growth or future operational realities.

2.1. General observations

We welcome the further development of the H8 MTI framework and note that many of the indicative targets are either aligned with our consumer focused H8 Business Plan or reflect positions developed through Constructive Engagement. We also welcome the CAA's agreement to remove the hygiene-related measures and other areas where the consultation reflects Heathrow's previously stated views.

Heathrow supports the proposed targets for Wayfinding, Wi-Fi Performance, Security Queue Times (Central Search, Transfer Search, Staff Search and Control Posts), Pier-served stand usage, Runway operational resilience, Feel safe and secure, Ease of access to the airport, Helpfulness/attitude of airport staff, and Immigration queue times (non-EEA, EEA). These targets represent an appropriately stretching level of ambition based on expected consumer outcomes and what has been included in the CAA's Initial Proposals relating passenger volume growth and capital/opex envelopes.

However, based on the CAA's Initial Proposals we do not currently support the proposed indicative targets for Cleanliness, Security Staff Helpfulness, Lifts, Escalators and Travelators, Availability of Stands, Fixed Electrical Ground Power, Baggage System Reclaim, Overall Satisfaction, Customer Effort, Airport arrivals management, Departures Flight Punctuality and Enjoy my time at the Airport. Several proposals increase or maintain performance expectations without corresponding certainty on the opex and capital allowances required to deliver them. The Initial Proposals disallows £2.2bn of capex that has a direct link to delivering the MTI targets proposed in Heathrow Business Plan and £ 325.7m of opex. Given the significant funding reductions proposed in the Initial Proposals, alongside increasing passenger demand and an ageing asset base, the deliverability of some targets remains dependent on the outcome of the wider H8 settlement. Absent of this clear causal link it will not be reasonably possible for Heathrow to achieve the targets and we do not believe that the CAA will be achieving its main statutory duty to further the interests of consumers.

We particularly draw the CAA's attention to pages 138-147 of our response to the Initial proposals, where we set out which measures and targets will be most impacted based on the current proposals relating to opex and on page 77 where we do the same for the

capital envelope. Figure 2 below from our Initial Proposals response sets out the capital projects removed from the H8 Business Plan proposed portfolio that have a direct impact on our ability to deliver MTI targets. We have screened out from this analysis projects that are required to deliver MTIs in an enabling capacity (e.g. the £35m disallowed project to replace the Picopass Card and Card Reader system which by reducing the risk of failure of the secure access system, is an indirect enabler of a number of MTI targets including passenger experience and security targets) and all secondary impacts. Disallowed capex for projects directly required to deliver more than one MTI has been allocated accordingly. By removing enabling and secondary impacts the chart therefore provides a conservative demonstration that our MTI targets are underfunded by £2.2bn.

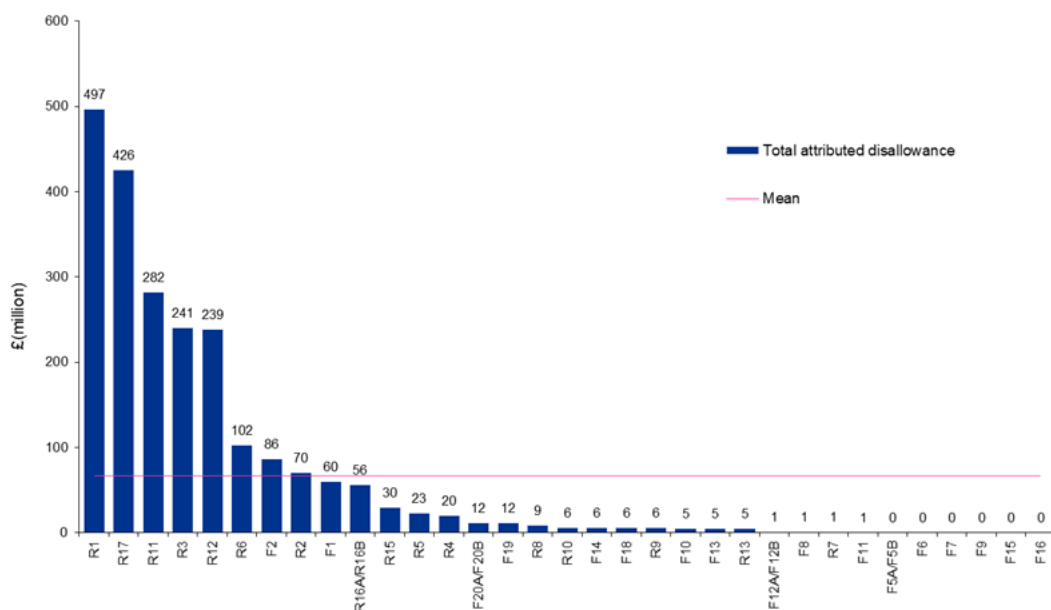


Figure 2: Total disallowed capital attributed to each MTI measure (direct links). Key below. Source: Heathrow's analysis of excluded capital projects & their linkage to MTIs.

F code	Financial MTI measure	R code	Reputational MTI measure
F1	Cleanliness	R1	Overall Satisfaction
F2	Wayfinding	R2	Customer Effort
F3	Helpfulness/attitude of security staff	R3	Enjoy My Time at the Airport
F4	Wi-Fi performance	R4	Airport that Meets My Needs
F5a	Security – CSA queue time <5 minutes	R5	Feel Safe and Secure
F5b	Security – CSA queue time <10 minutes	R6	Ease of Access to Airport
F6	Security – Transfer search	R7	Airport Staff – Helpfulness and Attitude
F7	Security – Staff Search	R8	Passenger Assistance Service – Overall Satisfaction
F8	Security – Control Posts	R9	Timely Delivery Baggage System
F9	Lifts, Escalators and Travelators	R10	Baggage Misconnect Rate
F10	Check-in Infrastructure	R11	Departure Punctuality
F11	Arrivals Reclaim	R12	Airport Departures Management
F12a	TTS – One Car	R13	Airport Arrivals Management
F12b	TTS – Two Car	R14	Population within 3hrs of airport
F13	Stands	R15	Passenger Injuries
F14	Jetties	R16a	Immigration Non-EEA
F15	Fixed Electrical Ground Power	R16b	Immigration EEA
F16	Stand Entry Guidance	R17	Carbon Emissions
F17	Pre-Conditioned Air		
F18	Pier Service		
F19	Runway Operational Resilience		
F20a	Hygiene Testing – Amber Tests Resolved in 12 hours		
F20b	Hygiene Testing – Red Tests Resolved in 2 hours		

Figure 3: Key for Financial and Reputational MTI codes.

2.2. Specific concerns on Targets for measures with financial incentives

2.2.1. Targets increased but unsupported by opex and capital allowances

Cleanliness

Heathrow's H8 Business Plan proposed retaining the existing cleanliness target of 4.15, a position supported through Constructive Engagement by the airline community and other stakeholders. The CAA's indicative proposal raises the target to 4.20 but provides no evidence for this uplift or explanation of how it could be delivered within the proposed expenditure allowances.

Heathrow remains committed to high standards of cleanliness and has consistently performed above the current H7 target of 4.15. However, had the proposed 4.20 target applied during H7, Heathrow would have been liable to pay a rebate on ten occasions.

Looking ahead to H8, Terminal 3 and Terminal 5 will accommodate significantly more passengers. Heathrow's Congestion QSM Analysis, submitted as part of our Business Plan, shows that cleanliness perceptions are closely linked to terminal congestion. Modelling the specific impact of solely future passenger demand on Terminal 3 during H8 leaves the Cleanliness MTI score at 4.18, but with Terminal 3 being our oldest

terminal with an ageing asset base this isn't the only downward pressure.

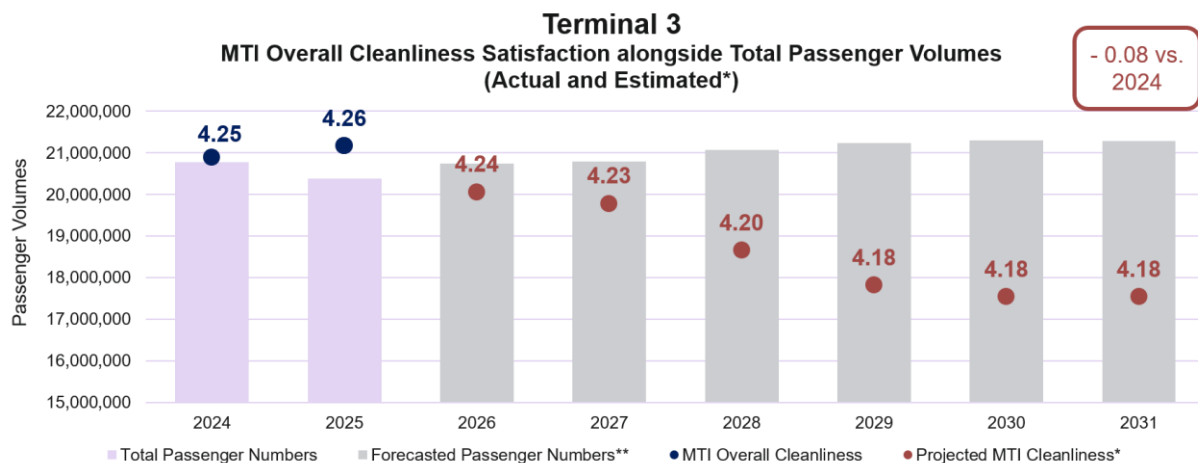


Figure 4: Impact of Passenger Congestion on Terminal 3 Cleanliness MTI during H8

Yet the capital allowances in the CAA's Initial Proposals excludes funding to increase the passenger space in Terminal 3 to reduce this congestion impact or additionally to refurbish the terminals ageing infrastructure and only provides for Terminal 5 passenger growth to 2028, while also reducing the allowance for passenger-facing facilities, including toilets, despite higher utilisation and an ageing asset base. These factors will place sustained downward pressure on cleanliness perceptions as H8 goes on. Raising the target without corresponding capital or opex support is therefore inconsistent with the regulatory fair bet principle.

Cleaning is labour-intensive and costs continue to rise, driven by factors including London Living Wage commitments and higher employment costs. Heathrow already has a long-term cleaning contract [REDACTED], as described on page 136 of our Initial Proposals response. That contract was priced on the basis of maintaining terminal cleanliness perceptions above 4.15. Moving to a 4.20 target would require a contract renegotiation and additional opex not included in the current H8 allowance.

[REDACTED]

[REDACTED]

The proposed increase from 4.15 to 4.20 therefore raises expectations without the funding required to deliver them. The consultation does not explain why a higher target is needed, how it reflects consumer priorities relative to other outcomes, or how it can be sustained within the opex and capital envelopes set out in the Initial Proposal.

We therefore consider the 4.15 target proposed in our H8 Business Plan to remain the right target for H8. It is stretching but achievable, was supported by airlines and stakeholders during Constructive Engagement, and strikes the right balance between passenger expectations, future passenger demand, affordability and deliverability. It is

also consistent with the fair bet principle that gives us the ability to drive performance for consumers.

Passenger Assistance Service (PAS) Satisfaction

We welcome the CAA's proposal to include Passenger Assistance Service (PAS) Satisfaction as a financial MTI in H8. This is consistent with Heathrow's proposal and recognises the importance of maintaining strong focus on accessibility outcomes. We also note that the CAA's Initial Proposals included a PAS Satisfaction target of 4.00, aligned with both Heathrow's H8 Business Plan and the CAA's wider expectations for PRM service quality under CAP1228.

The indicative consultation now proposes increasing the target to 4.10 but does not provide evidence or rationale for moving away from the CAA's earlier position. Heathrow has not identified any new evidence since the Initial Proposals that would justify this higher level of ambition from the start of H8.

We continue to believe that 4.00 remains the most appropriate starting target. A higher target would create potential inconsistency and a regulatory contradiction with the CAA's own accessibility assessment framework. CAP1228 states that a UK airport achieving a passenger satisfaction score of 4.0 or above may qualify for a "Very Good" accessibility rating. Heathrow could therefore be rated "Very Good" under CAP1228 while simultaneously being deemed to have fallen short of expected PAS Satisfaction under the H8 MTI framework and becoming liable for a rebate. That would be irrational sending unclear and inconsistent regulatory signals to consumers, stakeholders and industry.

As set out in Heathrow's Business Plan and response to the Initial Proposals, one of our key H8 objectives is to close the satisfaction gap between users of the Passenger Assistance Service and other passengers. Delivering that ambition depends on the ability to invest in infrastructure that makes assisted journeys easier and improves the facilities available to some of Heathrow's most vulnerable consumers. These investments are currently excluded from the CAA's Initial Proposals capital envelope, despite strong support from the airline community and Heathrow Passenger Forum. Without that investment, Heathrow's ability to improve the Passenger Assistance Service experience will be materially constrained.

Even if the required capital allowance is included in the CAA's H8 Final Proposals, the benefits will not be immediate. Heathrow will need time to deliver the relevant infrastructure improvements before Passenger Assistance Service users experience the benefits and before those improvements translate into higher satisfaction scores.

If the CAA remains minded to set a 4.10 target despite the regulatory contradiction it would cause, Heathrow considers this would be more appropriate from the H8 Mid-Term Review rather than from the start of the period. This would give Heathrow time to deliver the necessary investments while creating a clear incentive to prioritise PAS improvements early in H8.

In summary, we support moving PAS Satisfaction into the financial MTI framework but consider that the target should remain at 4.00 at the start of H8, consistent with Heathrow's H8 Business Plan, the CAA's Initial Proposals and the CAA's established definition of "Very Good" accessibility performance. If the CAA wishes to move to 4.10, that change should be considered at the H8 Mid-Term Review, once the relevant investment has been confirmed, delivered and reflected in passenger outcomes.

Helpfulness/Attitude of Security Staff

Our H8 Business Plan proposed increasing the Helpfulness of Security Staff target from 4.10 to 4.15, reflecting passenger expectations for a higher standard of customer service at security. Heathrow planned continued investment in security operations, colleague capability and service improvements to deliver this ambition within the proposed funding envelope and move performance above our European competitor airport benchmarks. The CAA's indicative proposal goes further, increasing the target to 4.20 and directly contradicts with the CAA Initial Proposals on security opex, where they have removed £110m of security costs due to perceived current over delivery on security queue time MTIs. As set out in our Initial Proposal response (see pages 128-132), a decision that if implemented will place greater pressure on remaining security officers to process passengers faster in order to continue to meet security queue time MTIs while at the same time putting increased pressure on other core elements of a passenger overall security experience (see Figure 16) such as Helpfulness/Attitude.

We recognise the importance of security staff interactions in shaping the passenger experience. Recent performance has often been at or above 4.20, helped by the initial uplift across security measures following the rollout of Next Generation Security (NGS) equipment. However, this uplift is unlikely to be sustained indefinitely as passengers become more familiar with the new process. Demonstrated by evidence from Terminal 3, where NGS was first completed, shows this effect is already beginning to soften.

As recently as 2025, Terminal 5 fell below the proposed 4.20 target. This is particularly relevant given the high volume of connecting passengers using the terminal and the greater complexity of many of their security interactions. Against the backdrop of a lower opex allowance, higher passenger volumes through Terminal 5 during H8 and the softening of the initial NGS uplift, Heathrow considers the proposed 4.20 target to be highly ambitious.

Performance against this measure depends on frontline staffing, training, engagement and operational resilience. Each of these is directly influenced by the resources available to support the security operation.

We therefore do not object in principle to the aspiration behind a 4.20 target. However, the consultation does not explain why a target above Heathrow's Business Plan proposal is required by consumers, or how it has been assessed against the lower opex allowance and increased passenger volumes assumed in the Initial Proposals. Without that evidence, it is unclear how the higher target remains consistent with the regulatory fair bet principle and provides Heathrow with the ability to drive this level of performance in the consumer interest.

This measure also acts as an important backstop within the wider security suite of measures in the MTI framework. Underperformance can affect both rebate exposure on the measure itself and Heathrow's ability to earn security-related bonus payments. This increases the overall financial exposure associated with security performance and should be clearly considered when assessing both the appropriate level of ambition and the funding assumptions needed to support it.

On balance, we continue to consider 4.15 to be the most appropriate H8 target. It represents a stretching improvement on H7, was supported through Constructive Engagement and remains aligned with the expenditure assumptions in Heathrow's H8 Business Plan. If the CAA retains the proposed 4.20 target, Heathrow would welcome greater transparency on the evidence, expenditure assumptions and fair bet assessment supporting this higher level of ambition.

2.2.2. Targets unsupported by opex and capital allowances

Availability of Lifts, Escalators and Travelators, Stands, Jetties, Fixed electrical Ground Power and Baggage System reclaim availability – arrivals carousel

We agree that the availability of these assets is critical to delivering a predictable, comfortable and accessible passenger journey. Heathrow proposed a 99% target in its H8 Business Plan following Constructive Engagement, reflecting the importance that consumers and airlines place on these assets. However, that proposal was based on the opex and capital allowances included in our H8 Business Plan.

The CAA's indicative options retain the 99% targets but do not address our concerns that the opex and capital envelopes proposed in the Initial Proposals are not sufficient to sustain this level of performance throughout H8. Heathrow's assets have aged materially during H7 [REDACTED], and recent performance has shown increasing pressure particularly on lifts, escalators and travelators, Jetties and other Stand related

measures as maintenance requirements grow and asset reliability deteriorates (see Figure 6). Despite this, the asset renewal assumptions in the Initial Proposals increase maintenance debt [REDACTED], reinforcing that these targets do not represent a fair bet within the funding envelope proposed by the CAA [REDACTED].

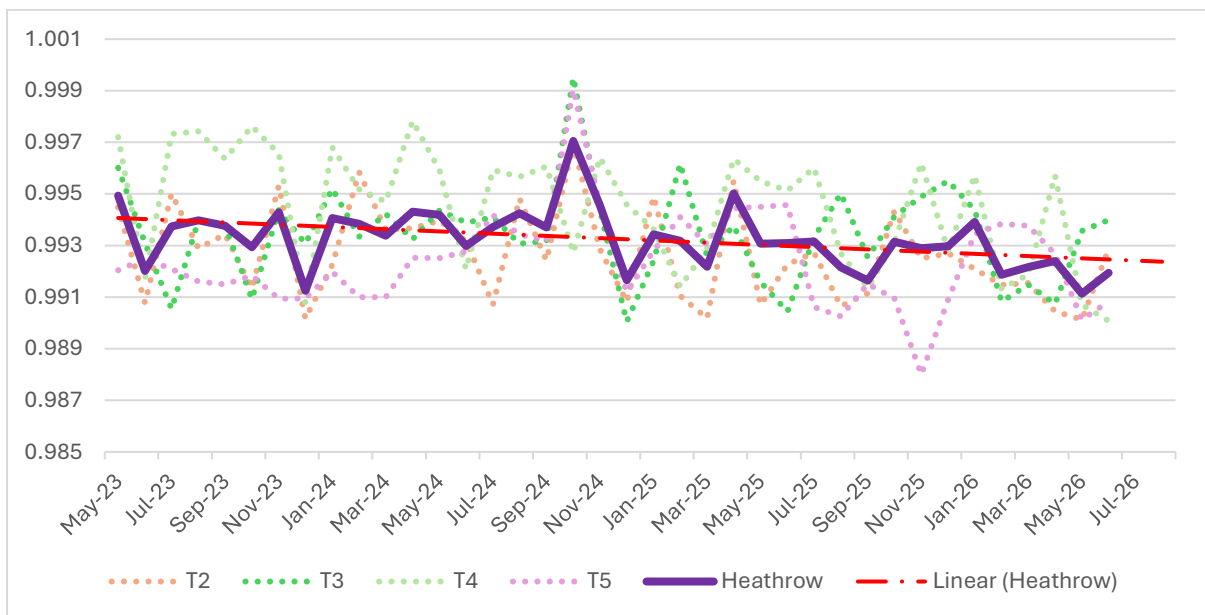
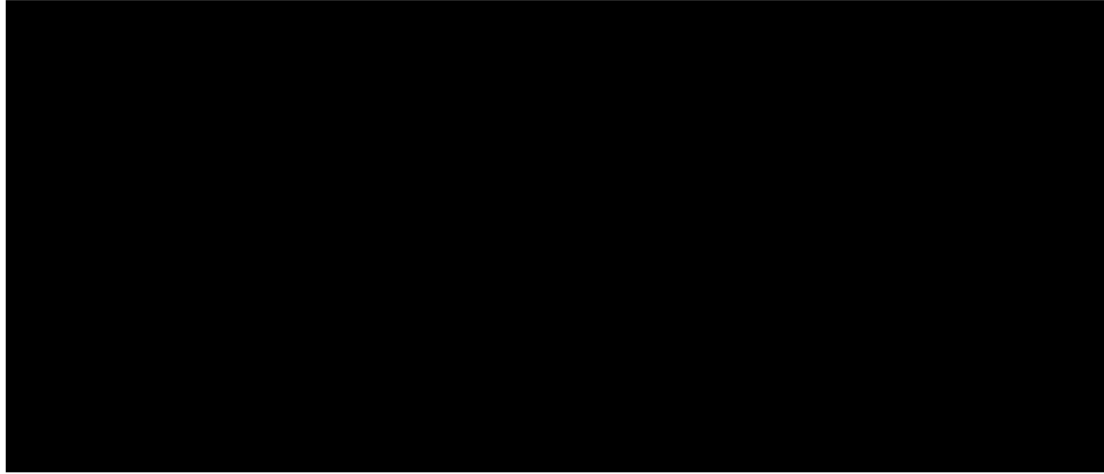
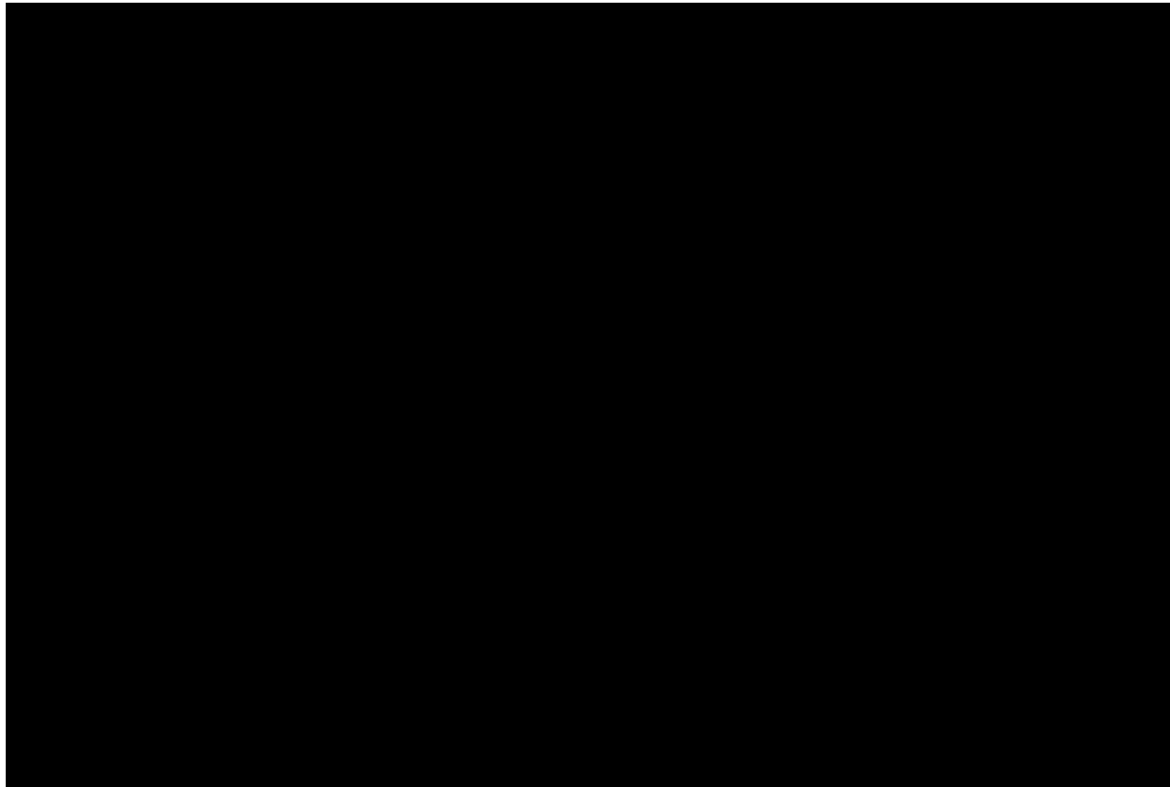


Figure 6: Lifts, Escalators and Travelators MTI performance across H7.



For jetties, Heathrow has already seen an increased level of failures at the end of 2025 and into 2026, leading to us being liable for more rebate payments as airbridges approach the end of their asset life. This risk will increase during H8, particularly as all jetties in Terminal 5A and Terminal 5B and a number in Terminal 3 and Terminal 4 reach the end of their asset life within the period.

As set out in our response to the CAA's Initial Proposals, particularly pages 49–77 and pages 138–147, all of these availability-related targets will come under increasing pressure over the course of H8.

Not allowing the necessary capital allowances linked to these assets (see Figure 7) and the removal of the Asset Resilience & Maintenance (£69m increasing to £82m based on IP AMC Capital allowance) and Technology Support & Maintenance (£90m) opex overlays from the Initial Proposals further reduces Heathrow's ability to mitigate asset deterioration through preventative maintenance, responsive repair activity and operational interventions and means we will not be able to meet consumer expectations.

The effect is that Heathrow would be expected to maintain current performance standards with an increasingly ageing and less resilient asset base. This risks poorer consumer outcomes and increasing pressure on asset availability performance as H8 progresses.

We therefore consider that the appropriateness of a 99% target cannot be assessed in isolation from the funding available to support delivery.

In terms of consumer expectations, a target of the 99% is the desired outcome but this is only possible alongside the appropriate opex and capital allowances required to maintain asset reliability and operational resilience. If the opex and capital envelopes are not increased as part of the Final Proposals, then the targets for these measures need to be reduced to 98.5% for H8 to make them realistic and achievable given the ageing asset bases and higher volumes of passengers.

We also encourage the CAA to review the alleviation framework for these measures, so Heathrow is exposed to financial penalties only where outcomes are within its reasonable control. This is essential to maintaining a fair bet and ensuring that Heathrow can deliver for consumers.

2.2.3. Undetermined ranges with no narrative on current CAA positions

Availability of check-in infrastructure

We support the continued inclusion of this measure and consider the 98% target proposed in our H8 Business Plan to remain the right starting point for H8. This target reflects the level of the current self-service check-in infrastructure, particularly in Terminal 4, and was agreed through Constructive Engagement. The CAA's consultation now seeks views on whether a higher target, in the range of 98% to 99%, would be appropriate.

Heathrow has previously been open to moving this target to 99%, but only once the planned Terminal 4 replacement programme has been completed and additional self-service check-in and bag drops machines are operational. As set out during H7, the current number of units in Terminal 4 means that having a single self-service check-in unit out of service can cause performance to fall below a 99% target. That was the key basis for the CAA setting the current 98% target for H7, a position that has not changed during H7. Until the planned investment is delivered, currently scheduled for March 2028, a 99% target would not reflect the capability of the existing asset base and would risk creating an unrealistic obligation rather than a fair incentive to deliver for consumers.

The proposed upgrades should improve infrastructure resilience, reliability and availability over time. We would therefore support reviewing the target at the H8 Mid-Term Review, once the Terminal 4 investment has been completed and the resulting operational performance benefits can be properly assessed.

We therefore consider that 98% should remain the target at the start of H8. Subject to the current programme being delivered to schedule and improved performance being evidenced, the target could then increase to 99% from the H8 Mid-Term Review. This

approach is stretching but achievable, reflecting both the constraints of the current asset base and the improvements expected from planned investment.

Availability of PCA

We recognise the importance of PCA in supporting decarbonisation, improving the passenger experience and reducing aircraft reliance on auxiliary power units. Heathrow's current PCA asset base is made up of a mixture of PCA units that are well beyond their useable asset life (legacy) and the on-going roll-out of replacement units. Availability performance between 2 types of assets varies considerably.

While we have generally exceeded the current 98% target and support the long-term ambition of the availability target moving to 99%, H8 should focus on increasing PCA utilisation alongside the roll-out of the new units, not simply asset availability. Significant progress has already been made through improved visibility of asset performance and closer collaboration with airlines and ground handlers, driving increased PCA usage across Team Heathrow. Increased utilisation is the outcome that delivers the greatest environmental, operational and consumer benefits, but also places greater demands on the asset base.

This progress is already visible in operational data. Since the PCA programme accelerated, usage rates have increased materially and continue to build on the foundations established during Summer 2025. In May 2025, PCA was used for approximately 11% of eligible aircraft connections, increasing to approximately 19% in August 2025. During Summer 2026, usage has been sustained at significantly higher levels, reaching approximately 19% in May, 23% in June and 22% in July despite the growing demands being placed on the asset base. At the same time, total active PCA hours have increased substantially, demonstrating that Heathrow, airlines and ground handlers are increasingly using PCA as intended as demonstrated in Figure 8 below. Furthermore, we see a strong correlation in usage with the delivery of the new assets; across June and July 2026, usage was above 50% on Stands equipped with Format 9 (new assets) PCA.

Date	Total PCA Connections	Aircraft on Dep Stand w/ all thresholds met	Usage v opportunity	Total Active Hours
May-25	1185	10,649	11.1%	2,744
Jun-25	1895	10,334	18.3%	3,814
Jul-25	2159	10,664	20.2%	4,635
Aug-25	2035	10,732	19.0%	4,576
Sep-25	1118	10,314	10.8%	2,516
Oct-25	379	10,587	3.6%	757
Nov-25	201	9,795	2.1%	370
Dec-25	93	10,190	0.9%	143
Jan-26	105	8,013	1.3%	177
Feb-26	93	8,889	1.0%	149
Mar-26	252	9,957	2.5%	517
Apr-26	617	9,832	6.3%	1,416
May-26	998	5,314	18.8%	1,968
Jun-26	1114	4,884	22.8%	2,312
Jul-26	2279	10,302	22.1%	4,356

Figure 8: Table showing PCA usage from May 2025 to July 2026.

It is also important to recognise that the airline community has endorsed the capital investment required to modernise Heathrow's PCA estate through the established governance process. This investment increases the aeronautical charge paid by airlines and ultimately by consumers. The rationale for that investment is among other things, that greater utilisation of PCA reduces aircraft reliance on auxiliary power units, lowering fuel burn, emissions and airline operating costs. If PCA is not used whenever reasonably possible, consumers effectively pay twice: first through the capital investment required to install and maintain the assets, and secondly through the higher operating costs associated with continued use of aircraft auxiliary power units. Heathrow therefore considers that increasing PCA utilisation is firmly in the interests of consumers and should remain the primary focus of the MTI framework.

We do not consider a 99% target to be appropriate from the start of H8. While the PCA replacement programme will continue throughout the period, a significant proportion of the estate will comprise legacy assets during the early years of H8 (see Figure 9). At the same time, increasing PCA utilisation will place additional pressure on asset reliability. Heathrow therefore considers that any increase to a 99% target should be considered at the H8 Mid-Term Review, once the benefits of the replacement programme have been demonstrated in operational performance.

End of Year	Total New Units (cumulative)	Legacy units still in operation
2026	28	80
2027	61	47
2028	83	25
2029	96	12
2030	97	11
2031	98	10

Figure 9: Current plan for new and legacy unit distribution through H8.

We also believe the alleviation framework should better reflect circumstances outside Heathrow's reasonable control, including occasions where engineering teams are unable to access equipment because stands remain occupied, or where outages result from third-party damage or incorrect operation. As the airport becomes increasingly capacity constrained during H8, such events are likely to become more frequent and should be addressed through a proportionate alleviation process consistent with the principle of a fair bet.

Despite these concerns, we expect performance to improve as replacement assets are deployed and operational practices mature. We would therefore support maintaining the current 98% target at the start of H8, with an increase to 99% from the H8 Mid-Term Review onwards, once the benefits of the investment programme and increased operational experience have been demonstrated. This would provide an appropriate balance between ambition, deliverability, consumer interests and regulatory fairness.

Timely delivery from Departure Baggage System

We support introducing Timely Delivery from the Departure Baggage System as a financial MTI and welcome the CAA's proposal to measure performance at 20 minutes before scheduled departure. This is consistent with Heathrow's H8 Business Plan, Minimum Connection Time assumptions and the operational reality of the departures baggage process.

As Heathrow has consistently evidenced through Constructive Engagement and in the H8 Business Plan, 98% remains the appropriate target for H8 and best reflects the overall consumer outcome: passengers travelling with their bags. Timely Delivery measures Heathrow's ability to process bags through its systems, but performance is also affected by passenger behaviour, airline and ground handler processes, bag presentation, collection activity and operational punctuality. Heathrow currently provides operational flexibility across this process to maximise the number of passengers who ultimately travel with their bags. That flexibility is particularly important because parts of Heathrow's baggage estate operate in a highly constrained environment and at, or close to, practical capacity during peak periods. Small variations

elsewhere in the process can therefore have a disproportionate impact on throughput and resilience.

The consultation provides no evidence that a 99% target would be achievable, proportionate or better aligned with consumer interests within the proposed H8 expenditure envelope. Heathrow will continue to operate a complex and ageing baggage estate through H8 while delivering lifecycle renewals and targeted interventions. Maintaining current performance will require continued investment and operational mitigation, both of which should be reflected in the final target. A 99% target could also require Heathrow to reduce the operational flexibility currently provided to airlines and ground handlers, potentially making it harder, not easier, for passengers to travel with their bags. That would not be in consumers' interests.

We are also concerned that the consultation considers target levels without resolving the wider accountability framework. Eligibility criteria are particularly important for this measure because the outcome is influenced by Heathrow, airlines and ground handlers. Their purpose is not to remove Heathrow's financial exposure where the target is missed: Heathrow would still pay any rebate. Rather, eligibility criteria ensure airlines are not compensated where their own actions have materially contributed to the outcome. This better aligns incentives with operational responsibilities across Team Heathrow.

Heathrow therefore considers that the H8 Final Proposals should include:

- agreed eligibility criteria;
- a clear measurement methodology;
- appropriate exclusions and alleviations;
- transparent rebate attribution arrangements; and
- a clear evidential basis for the final target selected.

Subject to these conditions, we consider that 98% remains the appropriate, proportionate and consumer-focused H8 target.

2.2.4. Targets where metrics could be updated at Mid-Term Review

Availability of Terminal 5 Track Transit System (TTS)

We welcome the CAA's continued engagement on the future of the TTS measure and support the long-term objective of moving towards a framework that better reflects the service passengers experience. Heathrow and the airline community have worked collaboratively to develop a Service Day approach, which would align service provision more closely with passenger demand and focus on consumer outcomes rather than the availability of individual assets. However, recent developments around One Stop

Security (OSS) have added complexity. Using TTS to support the OSS proposition could deliver significant consumer benefits, but it also interacts with the original Service Day approach. Heathrow is therefore continuing to engage with British Airways on how best to reflect this in the future measure.

While there is broad agreement on the direction of travel, further work is needed to agree the most appropriate methodology for assessing performance against a timetable-based approach. Heathrow will continue to work constructively with the airline community to seek agreement ahead of Final Proposals.

Heathrow believes the future TTS measure should retain limited operational flexibility, including allowing a small number of services to operate in degraded formation where this remains consistent with the agreed passenger service timetable and customer experience objectives.

This would be consistent with broader transport regulation, where performance frameworks increasingly focus on the outcomes experienced by passengers rather than the availability of every individual asset. For example, the Office of Rail and Road's modern performance framework emphasises passenger-focused measures such as punctuality, reliability and cancellations, recognising that passengers value a predictable and reliable service rather than the technical configuration of the rolling stock used to deliver it.

Applying the same principle to TTS, the measure should prioritise the service received by passengers rather than the availability of every individual component asset.

On this basis, Heathrow considers that it is generally better for passengers to receive a slightly reduced-capacity service than no service at all. Where a four-car train experiences a fault affecting a single carriage, continuing to operate a safe three-car train can preserve service frequency, maintain resilience and avoid unnecessary disruption while repairs are undertaken. By contrast, requiring the entire train to be withdrawn could reduce network capacity, increase waiting times and worsen passenger outcomes, even where most of the train remains available for use.

Heathrow is not proposing unrestricted flexibility. Any use of degraded formations should be tightly defined, transparent and limited to exceptional circumstances. However, a framework that recognises a short-duration three-car service as continued service delivery, rather than complete failure, would better align incentives with the consumer outcome of a predictable and reliable journey. It would also support operational decisions that are in passengers' interests, consistent with the Service Day concept developed jointly by Heathrow and the airline community.

Furthermore, Heathrow plans to deploy passenger flow monitoring technology across the TTS operation. This creates an opportunity to establish robust baselines and move

towards measuring passenger waiting times rather than train availability. Such a measure would provide a more direct assessment of the customer experience and align more closely with the outcome of delivering a predictable and reliable journey. We therefore encourage the CAA to consider whether a more passenger-focused measure could be introduced at the H8 Mid-Term Review, once the necessary evidence base has been established.

2.3. Specific concerns on Targets for measures with reputational measures

2.3.1. Targets unsupported by opex and capital allowances

Overall Satisfaction and Customer Effort

In setting out our Business Plan we undertook extensive engagement with consumers to understand what improvements they wished to see us make during the H8 period. And when we set stretching H8 targets for reputational measures based on the forecasted passenger growth putting significant additional pressure on our capacity constrained infrastructure particularly in Terminal 3 and Terminal 5 which welcome two thirds of our passengers.

Targets for these measures are predicated on the having the right capital and opex envelopes to be able to deliver the improvements our passengers want offsetting the pressures that future passenger demand will create within an ageing asset base. The CAA Initial Proposals does not allow for £407m of capital expenditure to deliver the proposed Overall Satisfaction target and £70m for Customer Effort to meet these targets.

So, it is disappointing that despite Heathrow having provided the CAA with the drivers models as part of our H8 Business Plan to enable them to align the proposed targets for these measures alongside the proposed capital and opex envelopes the CAA didn't account for this in their indicative targets.

As set out in our response to the Initial Proposals, we believe that if the capital and opex envelopes are not adjusted the realistic and achievable targets for these measures by the end of H8 instead need to be:

Measure	H7 Target	CAA Indicative option	HAL's Adjusted Target linked to IP
Overall Satisfaction	4.26	4.35	4.29
Customer Effort (ease)	91%	92%	90.8%

Figure 10: Difference in target position between H7, CAA Indicative Options and HAL's adjusted target linked to IP.

Airport Arrivals Management

Heathrow supports the retention of the Airport Arrivals Management measure as an important indicator of operational performance. However, we do not agree that the proposed target of 10 minutes appropriately reflects the complexity of aircraft movements at Heathrow or the extent to which performance is influenced by factors outside Heathrow's direct control and having reviewed the operational data again believe the target should be 13 minutes to reflect actual operational realities in all terminals.

As highlighted in Heathrow's previous submissions, performance against this measure is affected by a range of operational factors including runway configuration, runway crossing requirements, air traffic control sequencing, aircraft type, taxiway congestion and stand availability. While Heathrow seeks to optimise performance wherever possible, many of these drivers cannot be controlled unilaterally by Heathrow and vary materially from day to day.

These challenges are particularly evident in Terminal 4. Due to its location on the southern side of the airfield, aircraft frequently experience longer taxi routes and are more exposed to runway crossing constraints than aircraft serving other terminals. Heathrow's analysis demonstrates that a number of Terminal 4 stands already have expected taxi times approaching or exceeding the current target, particularly for Code F aircraft. Actual performance can be significantly affected by operational factors such as taxiway congestion, crossing movements and air traffic control decisions, especially during easterly operations. These factors are inherent to Heathrow's airfield layout and cannot be removed through operational improvements alone.

Code F	27R	27L	09R	09L
T2	11.16	9.17	6.57	6.87
T3	11.02	8.55	8.90	11.70
T4	13.32	8.78	6.60	12.72
T5	9.21	9.83	9.44	13.62

Figure 11: Average actual arrival taxi time (in minutes) for Code F Aircraft depending on runway operating model (2026 YTD)

More specifically, this issue is particularly acute for Tango and Tango Cul-de-sac stands (Stands 401-406 in Figure 12 below).

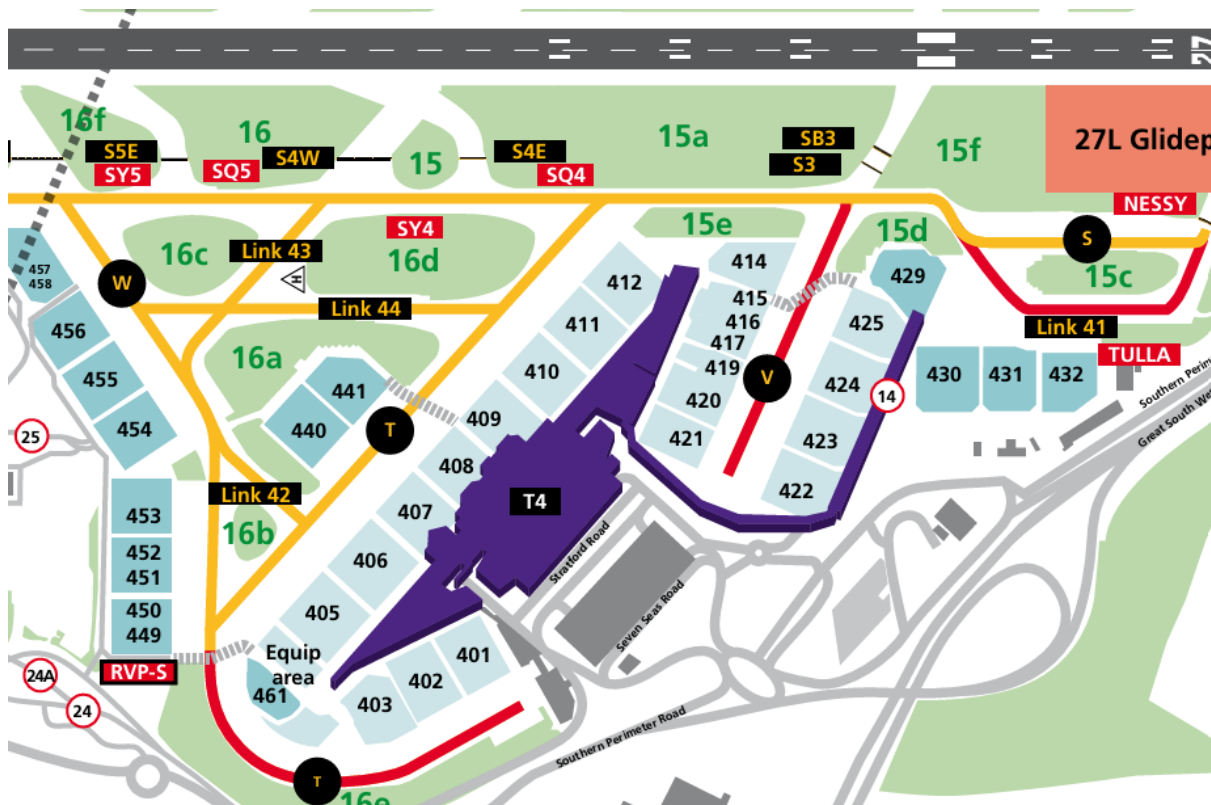


Figure 12: Illustration of stands serving London Heathrow Terminal 4.

Looking ahead, Heathrow is concerned that the challenge in Terminal 4 will become increase during H8 as passenger demand continues to grow. The CAA itself recognised in its H8 Initial Proposals the strong need case for the Terminal Occupancy Review, which is a key enabler of Heathrow accommodating forecast passenger growth over H8. Several of the occupancy scenarios currently under consideration rely on increased utilisation of Terminal 4 to unlock additional airport capacity and support future growth. While such changes are expected to improve airport-wide resilience and help accommodate future passenger demand, they are also likely to place additional pressure on taxi operations serving Terminal 4, particularly for arrivals using the northern runway (27R/09L), where runway crossing requirements and longer taxi routes already create operational challenges. In addition, NATS airfield modelling suggests varying degrees of increased airfield congestion across the occupancy scenarios, which may further affect performance against this measure. Heathrow therefore considers it important that the target reflects both the inherent operational characteristics of Terminal 4 and the future operating environment required to deliver the passenger growth anticipated by the CAA's H8 framework.

For these reasons and having reviewed the data again Heathrow now considers 13 minutes to be the most appropriate stretching target for H8. Consistent with Heathrow's previous submissions, this target remains stretching and would continue to drive operational improvements and innovation while recognising the physical and operational constraints inherent in operating a complex two-runway airport at close to

full capacity. It therefore represents a more appropriate balance between ambition, operational reality and the principle of a fair bet.

2.3.2. Higher targets than Heathrow's proposal with no evidence

Departures Flight Punctuality

We remain of the view that the modelled 80.2% target proposed in our H8 Business Plan is more appropriate than the CAA's proposal to retain the H7 target of 80.5%.

As set out in our H8 Business Plan and response to the Initial Proposals, departure punctuality is influenced by a range of factors beyond Heathrow's direct control, including airline operations, air traffic management and wider network disruption. Performance is expected to become increasingly challenging as passenger demand grows and the airport continues to operate in a highly constrained environment. Heathrow therefore proposed a modest adjustment to the target to reflect the realities of the operating environment while maintaining a stretching expectation for performance. As set out in our response to Initial Proposals and shown in Figure 2 above even a target of 80.2% would be unachievable based on the removal of £282m of Punctuality-linked projects from the current proposed capital envelope.

The consultation does not provide any new evidence explaining why the current target remains appropriate or why the evidence submitted by Heathrow in support of a revised target has been rejected. Heathrow would therefore welcome further explanation of the CAA's rationale.

We continue to consider 80.2% to be the most appropriate H8 target and delivers against consumer expectations for H8, as it remains ambitious, reflects the expected operating environment during H8 and is consistent with the evidence presented in Heathrow's Business Plan.

Enjoy My Time at the Airport

We consider the proposed 80.5% target to be unrealistic and unachievable during the H8 period even if it is recalibrated to reflect the capital and operating expenditure envelopes available, the expected trajectory of passenger growth, and the operational realities of an increasingly capacity-constrained estate.

As passenger volumes have increased during H7, Heathrow has had to prioritise the outcomes that passengers value most: a predictable and reliable journey and comfortable and secure. In a constrained operating environment, this has required difficult trade-offs, with investment and operational focus directed towards maintaining

core service resilience. The consequence is that performance on the comparatively lower-priority “enjoyable” outcome has come under increasing pressure.

In developing our Business Plan, we undertook extensive consumer engagement to understand the improvements passengers most wanted to see during H8. The stretching reputational targets we proposed were set in that context, and with a clear recognition that forecast passenger growth would place significant additional pressure on Heathrow’s infrastructure—particularly in Terminal 3 and Terminal 5, which together serve around two thirds of our passengers.

Delivery of these targets is therefore inseparable from the funding framework. They depend on having the appropriate capital and operating expenditure allowances to deliver the improvements passengers have asked for, while also offsetting the pressures created by growing demand and an ageing asset base. The CAA’s Initial Proposals do not provide for £241m of capital expenditure required to deliver the proposed “Enjoy my time at the airport” target. Without this funding, the proposed target is not supported by a credible delivery pathway.

Accordingly, as set out in our response to the Initial Proposals, if the capital and operating expenditure envelopes are not adjusted, the targets must be reset to levels that are stretching but deliverable. On that basis, the realistic and achievable end-H8 targets for these measures should instead be:

Measure	H7 Target	CAA Indicative option	HAL’s Adjusted Target linked to IP
Enjoy my time at the airport	81%	80.5%	75.6% in 2031

Figure 13: Table showing difference in target position between H7, CAA Indicative Options and HAL’s adjusted target linked to IP.

2.3.3. Reputational measures with unconfirmed targets

Carbon Emissions

We note that the consultation continues to include the Carbon Emissions measure with the target listed as “tbc”. This is consistent with the CAA’s Initial Proposals, which stated that Heathrow’s proposal to align the measure with its Net Zero Strategy 2030 goals was appropriate and that the CAA would engage further with Heathrow to develop updated targets for the remainder of H8.

We remain supportive of the measure and the approach proposed in our H8 Business Plan. However, it is unclear from the consultation when the further engagement referenced in the Initial Proposals will take place or how the CAA intends to develop the final H8 target.

Our recommendation to the CAA would be to use our 2030 target until Heathrow is in a position to update this with the latest view for 2031, which we expect to be determined by the mid-term review of the H8 price control period.

It is imperative to state that the feasibility of achieving the current 2030 target is under pressure as it is based on the scope set out in our H8 Business Plan capital envelope, yet the current IP capital envelope prevents some of the required activities from taking place. We would therefore welcome clarity on the proposed timetable for engagement and the process through which the final target will be determined.

2.3.4. Phasing of reputational targets

We broadly support the majority of the proposed reputational targets and welcome the CAA's acceptance of a number of Heathrow's H8 Business Plan proposals. However, for those measures where targets are intended to improve over the course of H8, it is essential that the Final Proposals clearly reflect the phased approach we proposed.

In particular, we proposed targets for Overall Satisfaction, Customer Effort (Ease) and Passenger Injuries which are intended to be end-of-period targets rather than targets applicable from the start of H8. The consultation document does not reflect this approach and appears to imply that the full target would apply immediately from the beginning of the period. This would not be consistent with Heathrow's Business Plan, which was based on the progressive implementation of improvements, operational changes and service enhancements over the H8 period that improvements would be delivered progressively as investment programmes, operational changes and service enhancements are implemented over H8.

We therefore encourage the CAA to explicitly confirm in its Final Proposals that these measures will be phased over the period and aligned with the timing of the underlying

2.3.5. Measures proposed for removal

We note that the consultation does not include indicative targets for the measures "Airport that meets my needs" and "Percentage of UK population within 3 hours (and one interchange) of Heathrow by public transport", consistent with our proposals to remove these measures from the H8 MTI framework.

We continue to support their removal. Neither measure provides a sufficiently clear line of sight in isolation between Heathrow's actions and the consumer outcomes being incentivised which isn't already covered by other proposed measures, and their exclusion supports a more focused MTI framework centred on those outcomes that Heathrow can most directly influence.

3. Rebate Allocation:

Q2. Do you agree with the indicative options for the allocation of rebate incentives? (the proposed reductions are to facilitate incentives on new measures)?

Q3. Do you agree with the approach to the allocation of rebate incentives (the proposed reduction on some sets of measures, such as aircraft stand-related assets, to free up incentives for other measures)?

Heathrow welcomes the move to make rebate allocation more in line with consumer outcomes but believe some of the proposed changes are not linked to consumer priorities and so the CAA it needs to go further.

3.1. Overall approach

We continue to firmly believe that the incentive framework should focus on driving performance for consumers and closely reflect the outcomes and priorities that matter most to them.

As a result, we welcome the CAA's decision to revise the allocation of rebate incentives to better reflect the outcomes that matter most to passengers. This represents a significant step towards the approach advocated by Heathrow throughout H7 and in both the H8 Business Plan and our response to the Initial Proposals (see pages 186-212).

In particular, we support the CAA's decision to move away from a predominantly measure-based allocation of rebates and towards an outcome-based framework that more closely reflects passenger research (see Figure 14). We also welcome the retention of the overall 7% rebate package and the inclusion of Heathrow's proposed financial MTIs for Timely Delivery from the Departure Baggage System and Passenger Assistance Service Satisfaction.

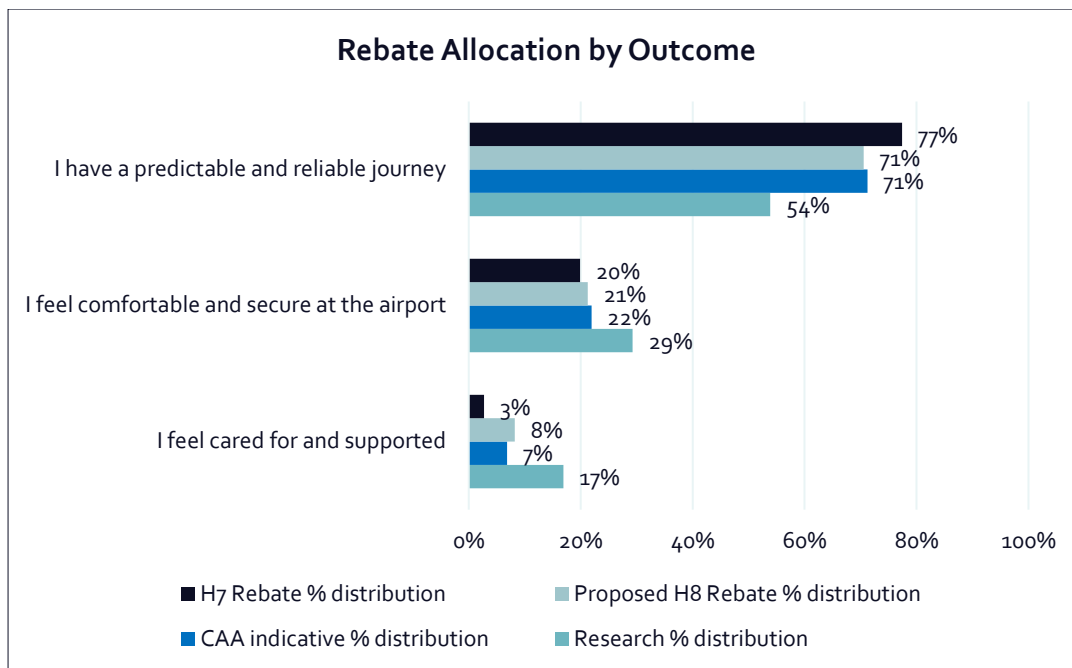


Figure 14: Chart showing rebate allocation by outcome.

The indicative proposals are therefore substantially closer to our preferred approach than the existing H7 framework. However, we do not agree with all elements of the proposed rebate allocation and believe that by making the adjustments set out in Figure 15, the CAA has the opportunity to move even closer to aligning the rebate allocations to what really matters most to consumers.

Measure	H7 Rebate	CAA Indicative option	HAL's Adjusted Rebate	Difference to Indicative option
Baggage Reclaim availability - Arrivals carousel	0.35%	0.20%	0.30%	+0.10%
Availability of stand entry guidance	0.20%	0.15%	0.20%	+0.05%
Availability of pre-conditioned air	0.20%	0.15%	0.20%	+0.05%
Availability of jetties	0.20%	0.15%	0.20%	+0.05%
Helpfulness/attitude of security staff	0.20%	0.20%	0.25%	+0.05%
Security queue times – Central Search	1.00%	1.00%	0.90%	-0.10%
Availability of lifts, escalators and travelators	0.70%	0.70%	0.55%	-0.15%
WiFi performance	0.20%	0.20%	0.15%	-0.05%
Total		2.75%	2.75%	0.00%

Figure 15: Difference in rebate position between H7, CAA Indicative Options and HAL's adjusted rebate.

The following sections set out our rationale for why we believe the proposed allocations should be revised for these specific areas.

3.2. Baggage Reclaim availability - Arrivals Reclaim

We welcome the CAA's decision to introduce Timely Delivery from the Departures Baggage System as a financial MTI and to retain a meaningful financial incentive for Arrivals Baggage Reclaim Availability. Together, these measures provide coverage across key stages of the end-to-end baggage journey and are aligned with Heathrow's objective of strengthening incentives around outcomes that matter to passengers.

In particular, we are concerned by the proposed reduction in the Arrivals Baggage Reclaim rebate from 0.35% to 0.20% and strongly believe it needs to be closer to the existing 0.35%. Baggage Reclaims continues to be one of the most important drivers of passenger satisfaction and as the CAA's review of consumer engagement shows an important priority for Team Heathrow to improve during H8. While the introduction of Timely Delivery is welcome, it measures a different aspect of baggage journey and performance and should not be considered a direct substitute for the Arrivals baggage experience. Passengers value both receiving their bags on time for departure and receiving them reliably on arrival so that they can get progress to their final destination.

The proposed allocation also appears inconsistent with the wider outcome-based approach adopted by the CAA. Passenger research consistently demonstrates the importance of baggage performance to the overall airport experience, and maintaining resilient performance across Heathrow's complex and ageing baggage estate requires significant operational focus and investment. Heathrow therefore considers that the proposed reduction in Arrivals Baggage Reclaim underweights the importance of baggage outcomes relative to other measures.

We support the overall direction of travel in the CAA's proposed rebate framework and the introduction of Timely Delivery as a financial MTI. However, we encourage the CAA to reconsider the allocation of rebates across the baggage measures to ensure they appropriately reflect passenger priorities, Heathrow's operational accountability and the importance of delivering a reliable end-to-end baggage journey.

3.3. Asset availability measures

We broadly support the proposed reduction in rebates for some asset availability measures as part of the wider shift towards passenger-focused outcomes. However, the proposed allocations should continue to reflect both the importance of the assets concerned and Heathrow's ability to influence performance through operational and capital investment decisions.

In particular, we are concerned that the proposed reduction in the PCA rebate from 0.20% in H7 to 0.15% may understate the importance of PCA in supporting passenger, environmental and operational outcomes. Heathrow has worked extensively with the airline community and ground handlers to increase PCA utilisation and improve asset performance, and these efforts will continue throughout H8 as new assets are deployed across the estate.

While we accept that some rebalancing is appropriate, we encourage the CAA to ensure that the final allocation continues to provide a meaningful incentive for sustained improvement in this area.

3.4. Lifts, escalators and travelators

We do not consider it necessary to retain the H7 rebate rate of 0.70% for lifts, escalators and travelators.

In our H8 Business Plan we proposed a rebate rate of 0.55%, reflecting the broader rebalancing of incentives towards passenger outcomes while still recognising the importance of these assets to accessibility and the overall passenger experience.

Availability of Lifts, escalators and travelators are particularly important in meeting the needs of our Passenger Assistance Service users, and failures have a direct impact on their journey experience. So with the addition to Passenger Assistance Service overall satisfaction as a new financial measure in H8, in Heathrow's proposal (Figure 15) the combined set of associated measures would still make up a rebate exposure linked to accessibility-related outcomes of 0.85%. This is higher than the equivalent level of exposure in H7 (0.7%) and provides a strong incentive to maintain performance while recognising the wider rebalancing of the rebate framework towards consumer outcomes.

Given the wider changes to the rebate framework and the introduction of additional financial measures for Passenger Assistance Service – overall satisfaction, we continue to believe that 0.55% represents a more proportionate allocation and better reflects the relative weighting passengers place on the overall outcomes being delivered.

3.5. Security-related measures

The CAA's indicative proposals retain the H7 rebate values for Customer Satisfaction with Security Staff and Helpfulness of Security Staff. We question whether retaining the existing H7 values remains appropriate given the wider reallocation of rebates elsewhere in the package.

In CAA initiative proposals Security related measures¹ make up 34.3% of the total rebate proportion with 91.7% of these focused on Predictable and Reliable journeys and only 8.3% currently associated with customer service. But we know when it comes to how passengers actually assess their overall security experience, just under a quarter is based on the service they receive from security officer.

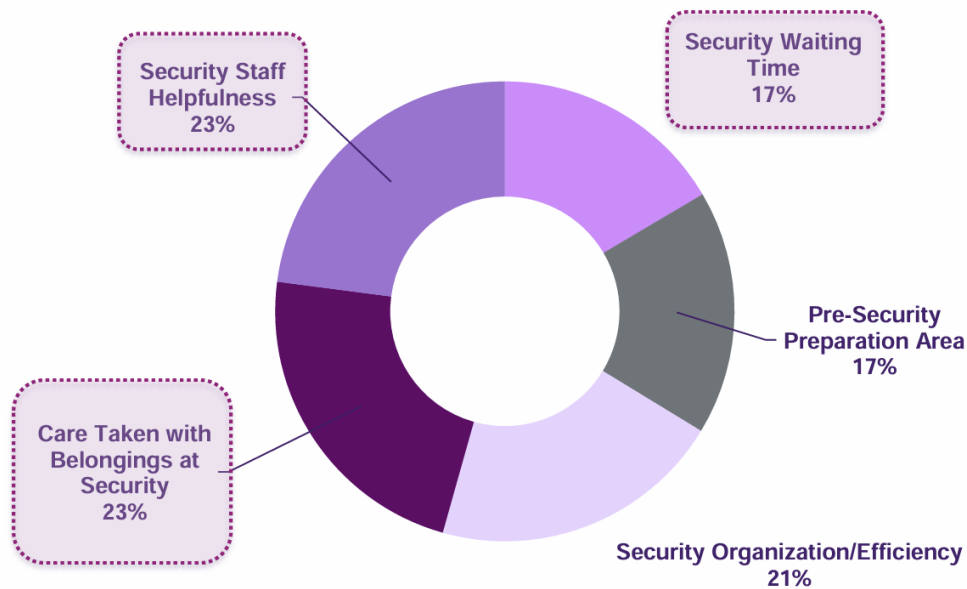


Figure 16: Drivers of Passengers' Overall Satisfaction with their security experience

As noted in relation to target setting, these measures already sit within a broader security MTI framework that includes significant financial upside and downside exposure. The interaction between the individual measures and the wider security incentive regime should therefore be considered when determining the final allocation of rebates. As a result, we feel that if the CAA were to adopt the changes proposed in Figure 15 it would move the allocations closer to aligning with the outcome-based approach adopted elsewhere in the consultation, with Customer Service-related metrics making up 11% of the security related incentives and all Security measures still representing over a third (33.6%) of the total pot.

¹ The two security measures included in Figure 15, plus Transfer, Staff Search and Control Posts.

4. Bonus Incentives

Q4. Do you agree with the approach to maintain the H7 bonus incentives for the two Central Search and Transfer Search measures and allocating the remaining bonus incentive equally across the remaining four measures?

Heathrow does not agree with the approach to maintain the H7 bonus incentives for the two Central Search and Transfer Search measures and allocating the remaining bonus incentive equally across the remaining four measures.

4.1. General observations

We welcome a number of positive developments in the CAA's indicative bonus proposals. In particular, we welcome the CAA's acceptance of Heathrow's proposal to rebalance the cleanliness bonus and its recognition that Staff Search and Control Post performance warrant inclusion within the bonus framework. These changes move the scheme closer to the operational priorities and consumer outcomes identified through Heathrow's H8 Business Plan and Constructive Engagement process.

However, we do not support the overall approach of retaining the H7 bonus envelope and distributing it equally across five of the measures. As set out in our response to the Initial Proposals, bonus incentives should be targeted at measures that best reflect Heathrow's strategic priorities and the outcomes that matter most to consumers. A simple redistribution of the existing H7 bonus pot risks weakening the incentive value of individual measures.

In particular, we remain of the view that Overall Satisfaction should form part of the bonus framework. Overall Satisfaction is Heathrow's headline consumer outcome measure and provides the clearest indication of whether improvements across the airport are being recognised by passengers. Including a bonus on this measure would strengthen alignment between operational performance, customer experience and the objectives of Outcome Based Regulation.

In summary, we welcome elements of the CAA's revised approach, but we continue to support the rationale set out in our response to the Initial Proposals (pages 191-193) and encourage the CAA to further consider whether the bonus framework is sufficiently aligned to the consumer outcomes and behavioural incentives it is seeking to encourage in H8.

5. Other Observations

Q5. Do you have any other views on the indicative options for incentive allocations?

5.1. Eligibility Criteria

As set out in our response to the CAA's Initial Proposals (see p196-202), we continue to support the evolution of the MTI framework to encourage greater collaboration across Team Heathrow when it comes to incentives, recognising that many passenger outcomes are influenced by multiple parties rather than Heathrow alone. While we welcome aspects of the consultation that move towards a more outcome-focused approach, we remain of the view that the framework should go further in recognising shared accountabilities through mechanisms such as eligibility criteria and appropriate rebate attribution arrangements.

For the five financial rebate measures that we propose applying airline eligibility criteria to, they will ensure our airline customers play their part in meeting service expectations at key touchpoints that are aligned with our consumer priorities, ultimately delivering a better end-to-end passenger journey across the whole Heathrow ecosystem.

6. Key messages for Final Proposals

We welcome the progress made by the CAA in developing the H8 MTI framework, particularly the greater emphasis on consumer outcomes, the introduction of new financial measures for Baggage Timely Delivery and Passenger Assistance Service satisfaction, and the continued evolution of Outcome Based Regulation. To ensure the Final Proposals deliver a fair, evidence-based and consumer-focused framework, Heathrow asks the CAA to make the following changes:

- i. **Align MTI targets with the final opex and capital settlement.** Passengers, airlines, Heathrow and the CAA share the objective of delivering excellent consumer outcomes as Heathrow accommodates significant passenger growth during H8. MTI targets should therefore be stretching and consumer-focused but must be deliverable within the final H8 funding package and operational realities. The CAA should recognise the direct relationship between service outcomes, operational resources and investment in airport assets and facilities. Where the Final Proposals do not provide the opex and capital required to sustain performance, targets should be adjusted to remain realistic and consistent with the regulatory fair bet principle.
- ii. **Adopt Heathrow's proposed target adjustments where the CAA's indicative targets are unsupported by evidence or funding.** This includes retaining Cleanliness at 4.15, Passenger Assistance Service Satisfaction at 4.00 from the start of H8, Security Staff Helpfulness at 4.15, Timely Delivery from the

Departure Baggage System at 98%, maintaining 98% targets for Check-in Infrastructure and PCA availability until the benefits of planned investment programmes have been delivered, setting Airport Arrivals Management at 13 minutes, and adjusting Overall Satisfaction, Customer Effort and Enjoy My Time at the Airport to reflect the final opex and capital settlement. The Final Proposals should ensure targets remain stretching, evidence-based and achievable within the final funding package, while recognising forecast passenger growth, increasing asset age and Heathrow's future operating environment.

- iii. **Revise rebate allocations so they better reflect consumer priorities and operational accountability.** Heathrow supports the move towards outcome-based allocation but asks the CAA to adjust the indicative package so arrivals management, baggage reclaim, stand-related assets, PCA and security staff helpfulness retain a more meaningful incentive, while reducing allocations where the current weighting is less clearly linked to passenger priorities and Heathrow's ability to influence performance.
- iv. **Reconsider the bonus framework so it supports headline consumer outcomes rather than simply redistributing the H7 bonus pot.** Heathrow asks the CAA to include Overall Satisfaction within the bonus framework and to ensure bonus incentives are targeted at measures where additional performance would most directly support consumer outcomes and Outcome Based Regulation.
- v. **Embed eligibility criteria, attribution arrangements and proportionate alleviation mechanisms.** For measures influenced by Heathrow, airlines, ground handlers or third parties, the Final Proposals should include clear eligibility criteria, transparent rebate attribution and appropriate alleviations so incentives reflect shared accountabilities and Heathrow is not penalised for outcomes outside its reasonable control.