

Economic Regulation of Heathrow Airport: Outcome Based Regulation Mid-Term Review – Final Proposals

CAP3108

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About this document

This document gives notice under section 22(2) of the Civil Aviation Act 2012 of our proposal to modify Heathrow Airport Limited's economic licence to make changes to the Outcome Based Regulation framework to introduce a new carbon reporting measure and definition, and update targets for selected measures. It sets out:

- the background to the review;
- a summary of our Initial Proposals and stakeholders' views on them;
- our latest assessment and, where needed, updates to the draft modifications to HAL's licence that would put these final proposals into effect;
- a limited number of minor additional licence modifications to clarify and update the Licence that have been developed alongside the mid-term review; and
- the statutory notice of the proposed licence modifications to put these final proposals into effect.

We are consulting on these issues for a period of four weeks until 11th August 2025. We expect to set out our decision on these modifications in Autumn 2025.

Introduction and Summary

Background

1. The final decision for the price control for the H7 period (“H7 Final Decision”) applicable to Heathrow Airport Limited (“HAL”) confirmed that we would conduct a “mid-term” review (the “Review”) of the Outcome Based Regulation (“OBR”) framework during the H7 period. The aim of the Review is to:
 - address certain issues that could not be resolved in time for the H7 Final Decision¹;
 - understand how the new OBR framework is bedding in; and
 - determine certain specific issues relating to the application of new measures and targets.
2. The OBR framework is an evolution of the service quality rebates and bonuses (“SQRB”) scheme that was in place in HAL’s licence (the “Licence”)² for previous price controls. The SQRB scheme was focused on service standards that consumers and airlines could expect from HAL. The adoption of the OBR framework introduced reputational incentives alongside the existing financial incentives allowing the framework to cover aspects of service quality that are not fully within HAL’s control, such as those that are provided in conjunction with airlines or ground handlers.
3. The ability of the OBR framework to focus on these wider aspects of service quality is important as consumers’ experience at Heathrow airport is driven by the quality of the overall service they receive, rather than solely by those aspects provided by HAL. Taking this approach furthers consumers’ interests by seeking to secure that the services HAL provides, and facilitates others to deliver, meet consumers’ needs in terms of the range, availability, continuity and quality of the airport operation services provided.
4. These final proposals set out our proposed changes to the OBR framework as a result of the Review.

The Review and Initial Proposals

5. In April 2024, we wrote to stakeholders confirming that the scope of the Review would be the same as envisaged in the H7 Final Decision and would cover:

¹ See CAP2524B H7 Final Decision at para 3.38, <https://www.caa.co.uk/publication/download/20189>

² See the Licence granted to Heathrow Airport Limited: <https://www.caa.co.uk/media/tmzmc45t/heathrow-licence-01sep2024-final.pdf>

- issues that could not be resolved in time for inclusion in the H7 Final Decision;
 - specific issues arising from the application of the new measures and targets introduced in the H7 Final Decision;
 - changes that are specifically required as a result of new investment projects that have been agreed between HAL and airlines;
 - the appropriate level of granularity for targets such as security queues and asset availability measures;
 - changes to security queue measures and targets necessary to reflect (in a neutral way) the impact of the security transformation programme or the installation of new queue measurement systems;
 - possible changes to the way that asset availability targets are applied; and
 - in a strictly limited number of cases, consideration of possible increases in targets.
6. We noted that, by May 2024, the OBR framework would have been in operation for a year, so providing insights into how it is working in practice. This would allow the Review to address issues for the remainder of the H7 price control period as well as helping to inform our approach to the H8 price control review.
7. We also explained the importance of the Review not undermining the structure of the five-yearly price control reviews and not exposing stakeholders to additional risks. The scope of the Review was consistent with these objectives.³ We said we would adopt a proportionate approach, including in relation to where there is only limited new information available and would seek to ensure that any changes resulting from the Review would be consistent with the broader H7 price control decision.
8. As noted above, the Review considered the level of granularity for targets. To assist with this, we commissioned a study by Grant Thornton to analyse and review security performance data at Heathrow. The scope of this study included:
- whether targets should be set on a monthly, daily or other basis;
 - whether targets should be set for individual control posts or groups of control posts; and
 - the possible harmonisation of security queue targets for direct and transfer passengers.

³ See CAP2524B H7 Final Decision at para 3.27, <https://www.caa.co.uk/publication/download/20189>

9. In January 2025 we set out our initial proposals on these matters (the “Initial Proposals”) following consultation with stakeholders and shared our own further analysis where this was appropriate.⁴
10. In summary, our Initial Proposals were:
 - to adopt HAL’s existing carbon measure definition (as published in its Annual Accounts) as the basis for a reputational incentive;
 - to set targets of 30-minutes for the Airport Departures Management and 10-minutes for the Airport Arrivals Management measures as a reputational incentive;
 - to set a 94.0 per cent target for the “An Airport that meets My Needs” measure as a reputational incentive;
 - that HAL should facilitate and pay for an independent service quality audit of the Measures Targets and Incentives (“MTI”)⁵ scheme in 2025 to provide assurance ahead of the “H8” price control period starting in 2027;
 - to increase the wi-fi performance target from a Quality of Service Monitor (QSM)⁶ survey score of 4.05 to 4.10;
 - to increase the Pre-Conditioned Air availability target from 98 per cent to 99 per cent; and
 - to maintain the check-in infrastructure availability target at 98 per cent.
11. We did not propose changes to:
 - the granularity of the security queue targets or the groupings of control posts: While daily, rather than monthly, targets could strengthen incentives in certain circumstances, the benefits were unclear and we noted that the airport has been exceeding its security queue performance targets, and passengers appear to be broadly satisfied with security screening at Heathrow;⁷

⁴ See CAP3073 OBR Mid-Term Review Initial Proposals and Grant Thornton’s mid-term review targets study, www.caa.co.uk/cap3073

⁵ The OBR framework includes a scheme of measures, targets and incentives that indicate the progress made towards achieving one or more of the outcomes in the framework linked to the airport operations services that consumers value. See CAP2524B H7 Final Decision: Section 1 at chapter 3 www.caa.co.uk/cap2524B

⁶ QSM refers to Quality of Service Monitor which is HAL’s passenger survey tool for tracking passenger satisfaction with elements of Heathrow’s operation and service on a scale of 1-5 scale - Extremely Poor (1), Poor (2), Average (3), Good (4), to Excellent (5). See the Licence granted to Heathrow Airport Limited: at Annex 2 <https://www.caa.co.uk/media/tmzmc45t/heathrow-licence-01sep2024-final.pdf>.

⁷ See CAP3073 para 4.30, www.caa.co.uk/cap3073

- new investment projects: no projects were identified by HAL or airlines and we noted that future changes could be agreed between the parties using the Licence self-modification process;⁸
 - security programme changes: as the Security transformation programme is still in progress, it would be better to consider changes to security measures and targets as part of the H8 price control review;⁹ and
 - the asset availability target methodology: neither HAL nor airlines expressed support for any changes to the way asset availability targets are applied.¹⁰
12. We also set out a number of possible clarifications to the Licence to increase the clarity of the regulatory framework, which we said was consistent with the interests of consumers. These possible changes and clarifications included:
- updates to the Price Control and Charges for Other Services in Part C; and
 - improvements to MTI scheme references in Schedule 1.
13. We received three stakeholder responses to the Initial Proposals, from:
- HAL;
 - Heathrow Airport Operators Committee and IATA London (Heathrow) Airport Consultative Committee (“AOC/LACC”) - joint response on behalf of the airline community; and
 - Virgin Atlantic Airways (“Virgin”).
14. These responses have been published on the CAA website.¹¹

Final proposals

15. As with our Initial Proposals, we have developed these final proposals in line with our duties under the Civil Aviation Act 2012 (“CAA12”) to further the interests of consumers regarding the range, availability, continuity, cost and quality of airport operation services. A summary of those duties can be found at Appendix A. In doing so, we have also considered what we said about the Review in the H7 Final Decision, including that:
- it should not undermine the structure of five-yearly price control reviews;

⁸ See CAP3073 paras 3.4 and 3.5, www.caa.co.uk/cap3073

⁹ See CAP3073 paras 5.4 to 5.7, www.caa.co.uk/cap3073

¹⁰ See CAP3073 paras 6.5 and 6.6, www.caa.co.uk/cap3073

¹¹ See responses listed under “CAP3073 Mid-term review of the Measures, Targets and Incentives, January 2025”, <https://www.caa.co.uk/commercial-industry/economic-regulation-and-competition-policy/heathrow-airport/current-price-control-h7-2022-2026/consultations-implementing-the-h7-final-determination/>

- it should not expose stakeholders to additional risk;
 - where a target appears potentially too low, we would not generally expect to make any adjustment until the next price control review; and
 - where changes are proposed as part of the Review for the H7 period (for security queues and asset availability targets granularity, control post groupings, and security queue targets harmonisation), our aim would be to ensure these have neutral impact on the net revenues HAL might expect to earn from bonuses and/or pay out as rebates during the remainder of H7.
16. We have also considered these final proposals against our duty under the Equality Act. As the matters under consideration within the Review relate to over-arching airport performance metrics, for example carbon performance, aircraft taxi times, and equipment availability, these should benefit different consumer groups in the same or similar ways and so we do not propose to make any changes to our proposals as a result.
17. These final proposals cover both the changes to update the OBR framework and the MTI scheme as a result of the Review as well as changes, following stakeholder consultation, on the other licence clarifications that were proposed alongside this.
18. As summarised in the following chapters we have taken into account the responses to our Initial Proposals in formulating these Final Proposals, and this document constitutes a notice under section 22(2) CAA12 of our proposals to modify the Licence.
19. The modifications to the Licence we propose to make to implement these final proposals are set out in Appendix B.
20. In summary, our final proposals for the Review are consistent with those set out in the Initial Proposals and are:
- to adopt HAL's existing carbon measure definition (as published in its Annual Accounts) as the basis for a reputational incentive;
 - to set targets of 30 minutes for the Airport Departures Management and 10 minutes for the Airport Arrivals Management measures as a reputational incentive;
 - to set a 94.0 per cent target for the "An Airport that meets My Needs" measure as a reputational incentive;

- to increase the wi-fi performance target from a Quality of Service Monitor (QSM)¹² survey score of 4.05 to 4.10;
 - to increase the Pre-Conditioned Air availability target from 98 per cent to 99 per cent; and
 - to maintain the check-in infrastructure availability target at 98 per cent.
21. As outlined in the Initial Proposals, we considered but decided not to propose any changes relating to new investment projects, security programme changes, the granularity of security targets, and the asset availability targets methodology as part of this Review. So, our final proposals do not include modifications in relation to these matters.
22. As stated previously, our final proposals will update the OBR framework for the remainder of the H7 period. In certain instances, we note that, although we are not making changes as a result of the Review, these issues will be considered further as part of the H8 price control review.
23. In addition to the matters defined above and considered by the Review, we also set out a number of possible clarifications to the Licence to increase the clarity of the regulatory framework and improve provision of information, which is consistent with the interests of consumers. The changes we propose are:
- updates to the Price Control and Charges for Other Services in Part C; and
 - improvements to MTI scheme references in Schedule 1.
24. Finally in the Initial Proposals we said that:
- HAL should facilitate and pay for an independent service quality audit of the MTI¹³ scheme in 2025 to provide assurance ahead of the H8 price control period starting in 2027; and
 - HAL should produce and share additional information on its daily security performance for the remainder of H7 to help inform the H8 price control review.
25. We are engaging with HAL on both of these proposals outside of the scope of the Review and so the final proposals do not refer to them separately.

¹² QSM refers to Quality of Service Monitor which is HAL's passenger survey tool for tracking passenger satisfaction with elements of Heathrow's operation and service on a scale of 1-5 scale - Extremely Poor (1), Poor (2), Average (3), Good (4), to Excellent (5). See the Licence at Annex 2 <https://www.caa.co.uk/media/tmzmc45t/heathrow-licence-01sep2024-final.pdf>.

¹³ The OBR framework includes a scheme of measures, targets and incentives that indicate the progress made towards achieving one or more of the outcomes in the framework linked to the airport operations services that consumers value. See CAP2524B H7 Final Decision: Section 1 at chapter 3 www.caa.co.uk/cap2524B

Our timeline

26. The timeline for the remainder of the Review is:
- July 2025: Final Proposals and statutory notice of proposed licence modifications (this document); and
 - September/October 2025: subject to the outcome of the statutory consultation, Final Decision and statutory notice of proposed licence modifications.¹⁴
27. We will consider stakeholders comments on all the matters in these final proposals before taking a decision on whether and how to modify the Licence.

Structure of this document

28. In this document,:
- chapter 1: sets out our proposed changes to OBR measures and targets and other issues;
 - chapter 2: sets out other proposed modifications to the Licence and clarifications;
 - Appendix A sets out a summary of our duties under CAA12; and
 - Appendix B sets out the modifications we propose to make to the Licence in accordance with section 22 CAA12.

Next Steps

29. We welcome feedback from stakeholders on these final proposals. We will take account of this feedback before making our final decision on these matters.
30. Please e-mail responses to economicregulation@caa.co.uk by **no later than 5pm on 11th August 2025**.
31. We cannot commit to take into account representations received after this date. We expect to publish the responses we receive on our website as soon as practicable after the period for representations expire. Any material that is regarded as confidential should be clearly marked as such. Please note that we have powers and duties with respect to information under section 59 of CAA12 and the Freedom of Information Act 2000.

¹⁴ If a licence modification is to be made, it would not come into effect for a minimum of 6 weeks from the date of this notice.

CHAPTER 1

Proposed changes to OBR measures and targets and other issues

Introduction

- 1.1 This chapter considers the proposed changes to OBR measures and targets that were outlined in the Initial Proposals as a result of the Review. It sets out a summary of the Initial Proposals, a summary of stakeholder views, our latest thinking on the issues raised by stakeholders and our final proposals on these matters.

Initial Proposals

- 1.2 The Initial Proposals are summarised below.

- Introduction of a Carbon measure: in the H7 Decision we noted that improving the sustainability of aviation is an important priority for consumers and that the introduction of a measure of HAL's carbon performance was a priority for the Review. We said that publication of this information was important to consumers, to inform them about the airport operation services provided by HAL, and important to both HAL and other airport stakeholders, to inform what might be reasonable steps to manage and mitigate the environmental impact of the airport. We proposed to introduce this as a reputational measure as this would recognise the important role that HAL can play in influencing behaviour and coordinating actions across stakeholders at the airport.

We said that the new carbon measure should adopt the existing definition used for HAL's Annual Accounts carbon reporting. The definition of the measure would be the Total GHG Emissions (Scope 1,2 and 3)¹⁵ on a Tonnes CO₂ equivalent per year, or a split of these Scope areas on the same reporting basis.

¹⁵ The Greenhouse Gas ("GHG") Protocol requires reporting as follows: Scope 1 – all direct GHG emissions from activities at Heathrow Airport under its direct control (such as HAL's own vehicles, fuel required to heat terminals, etc); Scope 2 – all indirect GHG emissions from the electricity purchased for HAL's owned and operated activities; and Scope 3 – all other indirect GHG emissions from activities in relation to Heathrow Airport, occurring from sources that HAL do not own or control. See <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

- Airport Departures and Arrivals Management targets: these new measures were introduced in the H7 Final Decision to cover the time it takes aircraft to move from the terminal to the runway on departure and from the runway to the terminal on arrival. Performance times and the availability of airfield taxiways for these aircraft movements are important measures of punctuality for consumers. We reviewed stakeholder comments, considered the broad approach we took to establishing OBR targets during the H7 price control review, and also considered comparator airport performance levels using Eurocontrol data.

We proposed to adopt targets of 30 minutes for departures and 10 minutes for arrivals based on the average H7 performance to date including 10 per cent contingency. We considered that this approach based on strengthening the backstop protection for consumers, and historic performance levels, would be appropriate for these two reputational incentives.

- “An Airport that Meets My Needs” target: this is a new consumer satisfaction survey measure set as a reputational incentive for the H7 price control period. It measures the extent to which consumers in each terminal agree that the airport meets their needs. Prior to the start of H7, we did not have a stable performance baseline to inform the setting of a common target for this measure. We said that the performance reporting in H7 to date now provides a sufficient baseline for setting a target for this reputational incentive with all terminals steadily increasing performance levels across the H7 period to date.

We proposed to set a 94.0 per cent target for all terminals to achieve by the end of H7, including a stretch element. We considered that a single airport-wide target was appropriate with the stretch element being consistent with an approach to embed recent improvements in HAL’s performance for consumers across the airport.

- Wi-fi performance score target: this existing measure with a financial incentive was continued from the previous price control period into H7 covering consumer satisfaction with airport wi-fi service for each terminal. Ensuring the airport provides a good wi-fi service is important so consumers have access to information as part of their journey and to help provide wider connectivity to enjoy their time at the airport. For H7 we adopted a more cautious target of 4.05 due to uncertainty around performance levels during the H7 review¹⁶ but we retained the option to increase these targets based on experience and actual H7 performance. We noted that since setting the more cautious target at the start of H7 performance in all terminals has exceeded 4.10.

We proposed to increase the target from the 4.05 QSM score to a 4.10 score.

- Pre-Conditioned Air (PCA) availability target: this existing measure with a financial incentive was continued from the previous price control period into H7 covering the availability of PCA equipment on stand for aircraft. PCA reduces carbon emissions and local air quality impacts by providing on-board air-conditioning in the passenger cabin without having to use the aircraft's engine to power its own auxiliary power unit. For H7, we maintained the existing target of 98 per cent availability but we retained the option to increase this target based on experience and actual H7 performance.

We proposed to increase the PCA availability target from 98 per cent to 99 per cent. We noted that performance across the three terminals equipped with PCA has typically been in excess of 99.5 per cent availability. This is consistent with our approach to embed improvements in performance in the baseline service proposition and aligns PCA with other asset availability measure targets.

- 1.3 We also considered an increase for the check-in infrastructure availability target which was introduced as a new measure with a reputational incentive for H7. It covers the availability of Self-Service Bag Drops and Common-Use Self-Service kiosks for passenger use in terminal check-in areas. As with wi-fi satisfaction and PCA availability, we retained the option to increase this target based on experience and actual H7 performance. The Review considered an increase to 99 per cent but we did not propose any changes, maintaining the target at 98 per cent. We noted that the current 98 per cent target appears to be reasonably calibrated with the majority of H7 performance between the 98 per cent and 99 per cent level. We said we would continue to monitor this measure for the remainder of H7 and review the target level as part of the H8 price control review.

¹⁶ See CAP2365B H7 Final Proposals para 3.80 (check-in infrastructure and PCA) and para 3.81 (wi-fi), www.caa.co.uk/cap2365B

- 1.4 In addition to these Initial Proposals, we also proposed two actions related to the granularity of targets for security queues (that is, should measurement be monthly or daily) that have been considered as part of the Review, which were:
- HAL should facilitate and pay for an independent audit of the MTI scheme to provide assurance on the delivery, operation and measurement methods and processes ahead of the H8 period. This would ensure the MTI scheme has been audited ahead of the H8 period, and form a key input to the H8 review; and
 - HAL should share daily security queue time performance data for Central Search, Transfer Search, and Staff Search by area for each terminal and individual Control Posts queue time performance for the remainder of the H7 period both with and without agreed exclusions applied. Sharing this data would provide greater visibility of performance prior to the start of the H8 period as the Security Transformation Programme enters its final stages and the benefits of technology and operating practices become evident toward the end of H7 prior to the start of H8.

Summary of stakeholders' views

- 1.5 HAL supported the proposal to adopt their existing carbon measure definition covering Scope 1, 2 and 3 emissions¹⁷ as a reputational measure to be reported annually. It noted that, while Scope 3 emissions are not in its direct control, it is an important measure of wider airport emissions and can help influence behaviours and coordinating with airport stakeholders.
- 1.6 HAL stated its position on proposals to set new targets and increase existing targets in line with its previous input to the Review, explaining that it:
- supports having a reputational incentive for the Airport Departures Management and Airport Arrivals Management measures but repeated its view that, as these measures are impacted by factors outside of its control, the targets should recognise this and be set at the 90th percentile of current performance (these are: 38 minutes for departures and 15 minutes for arrivals);
 - does not support an increase in the wi-fi performance QSM target from 4.05 to 4.10 noting that while its performance is amongst the best compared with other European hub airports, passenger satisfaction is cyclical with investment benefits offset by increased consumer expectations over time. It said the target should be considered as part of the H8 price control review; and

¹⁷ See footnote 16.

- support for the proposed increase in the Pre-Conditioned Air availability target from 98 per cent to 99 per cent noting strong performance and that more usage would support reduced carbon emissions at the airport; and
- it did not support our proposal to maintain the Check-in infrastructure availability target at 98 per cent noting that this is a critical area of the customer experience and allowed for too much downtime. It repeated its support for an increase to 99 per cent and suggested a 99.5 per cent target was more appropriate.

- 1.11 The AOC/LACC was concerned that HAL is significantly insulated against risk through a layering of measures and wanted the CAA to consider the appropriateness and balance of these measures as part of the H8 price control review.
- 1.12 It repeated its call for the “Timely Delivery from the Baggage System” measure to move from a reputational to a financial incentive, by switching the Hygiene Safety Testing measure from a financial to a reputational incentive, in order to incentivise HAL and its supplier to deliver world class baggage performance. Noting that we had not previously supported this proposal, it asked how we intended to address baggage system issues without any proposed changes to the OBR framework over the rest of H7.
- 1.13 The AOC/LACC also re-iterated its call for an audit of capital projects to determine whether anticipated benefits had been achieved and to understand how performance targets in the OBR framework is adjusted for these. It called for HAL to provide this information to the CAA.
- 1.14 Virgin noted that it supported the AOC/LACC response. It said that Terminal 3, where it operates, lacks investment and noted that HAL acknowledged that service in the terminal is not comparable to the rest of the airport.
- 1.15 Virgin said the current MTIs are not appropriately aligned with the consumer or an airport user’s wants or needs. It contrasted its view that service quality and performance at Terminal 3 and Heathrow has continued to deteriorate with the reported MTI performance being assessed as good and resulting in the award of performance incentives. It noted operational disruption at Terminal 3 with multiple delay incidents over 2023 and 2024 and provided a summary of incidents in the last year covering baggage system failures, stand and jetty availability, and control post queues.
- 1.16 It requested that the approach to the OBR framework and the MTI scheme should be reviewed and noted that the current framework is inadequate and potentially incapable of either ensuring the service quality at Heathrow is maintained or incentivising improvements. It said the minor adjustments proposed by the Review for a few select targets were insufficient.

Our views

- 1.17 We note that, in the main, stakeholder responses either supported our Initial Proposals or re-iterated their previous positions made in relation to these issues. We do not consider that stakeholders raised any substantive new issues that had not already been raised with us or that could be taken forward as part of this Review given its limited scope. We have considered operational performance data for the measures within the Reviews scope since the Initial Proposals were published and we do not consider that subsequent performance indicates that our approach is inappropriate.
- 1.18 Improving the sustainability of aviation is an important priority for consumers and the introduction of a measure of HAL's carbon performance, and setting a definition for that, remains a priority for the Review. We note HAL's support for our proposal to adopt its existing reporting as an annual measure with a reputational incentive.
- 1.19 We consider that the measure should be reported at both a total level and with the sub-totals for each scope area to provide clarity for consumers on areas that HAL is responsible for (Scope 1 and 2 GHG emissions), and areas which primarily reflect airline operations from Heathrow airport but where HAL can influence and coordinate actions (Scope 3 GHG emissions).
- 1.20 Publishing information on the airport's carbon performance is consistent with other reputational incentives that form part of the H7 OBR framework including Immigration performance and Departures Punctuality performance. These measures focus on areas of airport performance that are important to consumers, where stakeholders other than HAL provide significant elements of the overall performance level.
- 1.21 For the Airport Departures Management and Airport Arrivals Management measures we maintain our view that the proposed targets of 30 minutes for departures and 10 minutes for arrivals based on the average H7 performance to date including 10 percent contingency are appropriate. As shown in Table 1.1 below, since our Initial Proposals, departures performance has been between 25-26 minutes for departures and at 8 minutes for arrivals which is consistent with the performance levels observed over the H7 period to date.

Table 1.1: Airport Departures and Arrivals Management performance

Measure	November 2024	December 2024	January 2025	February 2025	March 2025	April 2025
Departures	26 minutes	26 minutes	25 minutes	25 minutes	27 minutes	25 minutes
Arrivals	8 minutes	8 minutes	8 minutes	8 minutes	8 minutes	8 minutes

Source: HAL MTI performance reporting November 2024 - April 2025.

- 1.22 We do not agree with HAL's suggestion that the targets should be set at the 90th percentile as performance can be affected by factors beyond its control. We consider that the design of these as reputational incentives is sufficient to reflect these considerations.
- 1.23 Noting AOC/LACC support on our proposal for the "An Airport that meets my Needs" performance and that since our Initial Proposals this metric has remained consistently between 92 per cent to over 94 per cent across all Heathrow terminals, we consider it reasonable to maintain the proposed 94 per cent target for this measure.
- 1.24 Wi-fi satisfaction performance also remains strong with all terminals continuing to perform significantly above the proposed 4.10 target level and around the 4.20 score level since our Initial Proposals. We continue to consider it reasonable to increase the cautious target level adopted at the start of the H7 period in light of this strong performance.
- 1.25 Pre-Conditioned Air availability performance has remained at or near 100 per cent availability levels in recent months, in line with the H7 performance to date that we assessed when proposing to increase the availability target from 98 per cent to 99 percent. While we note the issues raised by HAL around ageing PCA equipment and increased demand and maintenance, we do not agree this precludes increasing the target. The strong performance levels, and the rollout of new PCA equipment, should allow availability performance to be maintained in line with that of other stand assets.
- 1.26 Check-in infrastructure availability performance has largely remained within the 98 per cent to 99 per cent range since we published our Initial Proposals. Our assessment remains that this measure for Common Use Self-Service and Self-Service Bag Drops remains reasonably calibrated and the target should remain at 98 per cent. We note that the appropriate target level for this measure has been discussed by HAL and airlines in H8 Constructive Engagement sessions and we support further discussion to understand and agree an appropriate target level for the H8 period.
- 1.27 As performance across measures within our Initial Proposals remains consistent, and with responses either supporting our proposed changes or not raising any substantive new issues, we consider our overall approach remains appropriate and we do not propose any subsequent changes for our Final Proposals.
- 1.28 As for other points raised by stakeholders our views are summarised as follows:

- we welcome HAL's statement that it will look to address its concerns about the high number of OBR framework input measures, setting terminal-specific rather than airport-wide targets, and reviewing the Runway Operational Resilience measure as part of the H8 price control review;
- we note the AOC/LACC's concerns on the need for a baggage performance measure with a financial incentive. At this stage of the price control period, our view is that baggage performance measures are best considered as part of the ongoing H8 review process. We said in the recent H8 Method Statement that the review of the MTI framework should consider baggage systems including the type and level of incentivisation.¹⁸ We note this is being discussed by HAL and airlines in Constructive Engagement sessions; and
- our view is that HAL and airlines should seek to agree any appropriate service improvement benefits as part of the capital expenditure Delivery Obligations and this is a suitable forward-looking approach to take. We do not agree with the AOC/LACC proposal for an audit of capital project benefits to inform OBR framework performance target adjustments. The effort and resource needed for this would likely not be proportionate to the consumer benefit that any OBR adjustment would deliver. The OBR framework targets are not typically determined through a bottom-up approach and capital projects can deliver the maintenance of existing service levels as well as improvements. Capex benefits can also be realised as operating efficiencies, and capacity increases as well as performance improvements.

1.29 Noting Virgin's concerns, we would encourage it to engage with HAL in relation to how the delay incidents are reflected in the MTI reporting. These delay incident examples could also be reviewed as part of the independent MTI audit to understand their impact on the MTI reporting and to inform our proposals as part of the H8 price control review. The more fundamental concerns related to the overall OBR framework should be raised as part of the H8 price control review, and in the Constructive Engagement phase with HAL. We would note that the scope of this Review is consistent with that outlined in the H7 Final Decision.

1.30 We also note that proposals for an independent audit of the MTI scheme and for HAL to provide daily security queue performance data are now being taken forward separately from this Review.

¹⁸ See CAP3083 H8 method statement and business plan guidance paras 5.26 and 5.27, www.caa.co.uk/cap3083

Final proposals

- 1.31 Based on our assessment and views set out above, consistent with our statutory duties and the scope of the Review, our final proposals are:
- Carbon measure: to introduce this new measure with a reputational incentive and adopt the existing annual HAL carbon reporting definition to support it. The definition of the measure will be the Total GHG Emissions (Scope 1,2 and 3) on a Tonnes CO2 equivalent per year, with a sub-total for each Scope area to be reported on the same basis;
 - Airport Departures and Arrivals Management targets: to adopt targets of 30 minutes for departures and 10 minutes for arrivals based on the average H7 performance to date for each measure with an additional 10 per cent time allowance added for contingency;
 - An Airport that Meets My Needs target: to set a 94.0 per cent target for all terminals to achieve by the end of H7 including a stretch element applied to HAL's suggested 93.6 per cent target for simplicity;
 - Wi-fi performance score target: to increase the wi-fi performance target from a QSM score of 4.05 to a QSM score of 4.10; and
 - Pre-Conditioned Air availability target: to increase the PCA availability target from a 98 per cent to a 99 per cent target.
- 1.32 The licence modifications to implement these proposals are set out in Appendix B.

CHAPTER 2

Proposed clarifications to the Licence and other matters

Introduction

- 2.1 The Initial Proposals identified a small number of other areas in the Licence that would benefit from clarifications and updates, in addition to the changes appropriate to implement the Review. These changes would help provide more effective reporting of airport MTI performance and facilitate ongoing information sharing between HAL and airlines. As such, we consider that they would be in the interests of consumers.
- 2.2 While the Initial Proposals noted that, to the extent that it applies, HAL and airlines could use the self-modification procedure in Condition D1 (Service Quality Measures, Targets, Incentives and Publication)¹⁹ of the Licence to effect some of these changes, we considered that the benefits to consumers of making them is such that we should implement them using the statutory process in CAA12.
- 2.3 This chapter summarises our Initial Proposals on these matters and stakeholders' views on them before setting out our views and final proposals.

Initial Proposals

- 2.4 The Initial Proposals set out the proposed clarifications and updates:
- in Condition C1 Price Control: to update a paragraph reference;
 - in Condition C2 Charges for Other Services: to update a paragraph reference;
 - in the MTI scheme in Schedule 1: to
 - (i) improve presentation of 10 QSM metrics (measures F1 to F4, R1 to R5, R7);
 - (ii) clarify the definition of the Surface Access Customer Satisfaction Survey (SACS) metric (measure R6);
 - (iii) clarify the definition of the Special Assistance Quality of Service Monitor (SpA QSM) metric (measure R8);
 - (iv) improve the presentation of Pier-served stand usage (measure F18) and Passenger injuries (measure R15); and
 - (v) to update three paragraph references.

¹⁹ See Condition D1 Service Quality Measures, Targets, Incentives and Publication, paragraphs D1.6 – D1.8 of the HAL Licence - <https://www.caa.co.uk/media/tmzmc45t/heathrow-licence-01sep2024-final.pdf>

Summary of stakeholders' views

- 2.5 HAL was the only stakeholder to provide comments on the draft licence modifications. It did not raise any issues in relation to the proposed clarifications to the Licence outlined in this chapter. Instead, it suggested alternative targets in support of its views on the changes summarised in the previous chapter, where these matters are addressed.
- 2.6 HAL also highlighted an issue with our proposed licence modification to introduce a carbon measure (Measure R17) as para 7.2(b) of Schedule 1 of the Licence specifies that carbon reporting should be reported in the terminal on a monthly basis, but Table 8 of Schedule 1 of the Licence specifies annual reporting in the terminal.

Our views

- 2.7 We consider that it is in the interests of consumers for the regulatory arrangements set out in the Licence to be clear, consistent and properly reflect the underlying intent of the condition in question. As a result, as airlines and HAL have not agreed to use the self-modification procedure to effect any changes, we propose to use the statutory licence modification procedure to implement the changes discussed below.

Final proposals

- 2.8 For implementing the carbon measure, we consider the latest annual performance should be published monthly on HAL's website. This would align the carbon reporting measure with the way HAL reports the measure of "% of UK population within 3 hours (and one interchange) of the Airport by public transport".
- 2.9 Further, in reviewing our proposal for the publication of the annual carbon emissions measure reporting, we have identified a discrepancy between "Section 7 Publication Requirements" and "Table 8 Publication requirements" in Schedule 1 of the Licence. Table 8 specifies that the following measures should be published on HAL's website and not in the terminal:
- R12 Airport departures management;
 - R13 Airport arrivals management;
 - R14 % of UK population within 3 hours (and one interchange) of the Airport by public transport; and
 - R15 Passenger injuries.
- 2.10 However, Section 7 paragraph 7.2(b) specifies that the performance reporting for these four measures should be published in the terminal. Our view is that Table 8 correctly specifies the publication requirements for these measures and paragraph 7.2(b) should be modified to align with it. As a result, we propose to amend

paragraph 7.2(b) to ensure consistency both internally within the licence and with our policy (see paragraphs 2.33 and 2.34 below) that this data should be published on HAL's website, not in the terminal.

- 2.11 We consider that the carbon emissions measure should be reported on HAL's website and we propose to modify Table 8 to specify publication on the website only and not in the terminal as part of the modification to introduce the carbon measure discussed in Chapter 1 (Proposed changes to OBR measures and targets and other issues).
- 2.12 We have withdrawn the proposed clarification for a paragraph reference update for Condition C2 (Charges for Other Services) which is not required, and have revised the update of three paragraph references in Schedule 1 for the MTI scheme in the manner set out below.

Proposed licence modifications

- 2.13 The modifications we propose to make to the Licence to effect minor clarifications and updates, are set out below in the same format as the Initial Proposals.²⁰ For each modification, we note where new or amended modifications are proposed or where the original modification has been retained.

Condition C1 (Price Control): to update three paragraph references

- 2.14 Two additional updates for Condition C1.4(j) and Condition C1.5(l) are proposed alongside the previously proposed update of Condition C1.13 from our Initial Proposals.
- 2.15 Condition C1.4(j) should refer only to Condition C1.22. We propose that we correct this paragraph reference for the AK_{2024} (additional correction factor).
- 2.16 Condition C1.5(l) should refer to Condition C1.23. We propose that we correct this paragraph reference for the $H7_t$ (H7 factor).
- 2.17 Condition C1.13 should refer to Condition C1.12 instead of Condition C1.9. We propose that we correct this paragraph reference for capex allowances.

MTI scheme: to improve presentation of 10 QSM metrics (measures F1 to F4, R1 to R5, R7)

- 2.18 This modification is unchanged from our Initial Proposals.
- 2.19 In the MTI scheme, we use QSM survey results to estimate HAL's performance in certain measures. In the Q5 and Q6 regulatory periods, we used the moving annual average QSM score weighted by monthly passenger numbers and have

²⁰ See CAP3073 paras 8.5 and 8.16, www.caa.co.uk/cap3073

specified the calculation in the Metrics part (section 3) in Schedule 1 of the Licence.

2.20 For H7, in four newly introduced reputational measures, we used a different calculation using the QSM score to estimate performance. The alternative definition is the moving annual average percentage of passengers giving favourable responses (that is, a score of 4 or 5 on a scale of 1-5). We have included this alternative definition in Table 4 of Schedule 1 of the Licence but have not specified how the metric should be calculated.

2.21 These two different ways of calculation ((i) the moving annual average QSM score weighted by monthly passenger numbers (MAA QSM score) and (ii) the moving annual average percentage of passengers giving favourable responses (MAA QSM percentage)), are used in the MTI measures set out in Table 2.1 below.

Table 2.1 MTI measures that adopt MAA QSM score and MAA percentage for measuring performance

Moving annual average QSM score weighted by monthly passenger numbers (MAA QSM score)		Moving annual average percentage of passengers giving favourable responses (MAA QSM percentage)	
F1	Cleanliness	R2	Customer effort (ease)
F2	Wayfinding	R3	Enjoy my time at the airport
F3	Helpfulness/attitude of security staff	R4	Airport that meets my needs
F4	Wi-Fi performance	R5	Feel safe and secure
R1	Overall satisfaction		
R7	Helpfulness/attitude of airport staff		

2.22 We propose that we clarify the two different ways of using the QSM survey results in the following way:

- updating the list of measures for which either the MAA QSM score or the MAA QSM percentage applies in table at paragraph 3.3 of Schedule 1 of the Licence;

- distinguishing between the MAA QSM score (by amending the existing Licence drafting at paragraph 3.3 of Schedule 1 of the Licence and new paragraph 3.4) and the MAA QSM percentage (by introducing new Licence drafting at new paragraphs 3.5 and 3.6 of Schedule 1) to clarify their respective definitions;²¹ and
- adding the method for calculation of the MAA QSM percentage in the Metrics section (by introducing new Licence drafting at new paragraph 3.6 of Schedule 1).²²

MTI scheme: to clarify the definition of the Surface Access Customer Satisfaction Survey (SACS) metric (measure R6)

2.23 This modification is unchanged from our Initial Proposals.

2.24 For the Ease of access to the airport (Measure R6), we use the moving annual average Surface Access Customer Satisfaction Survey score weighted by monthly passenger numbers (“MAA SACS score”) to measure performance.

2.25 In the light of the clarifications proposed for MAA QSM score, we consider it appropriate to update the definition of MAA SACS score, to achieve consistency between MAA QSM score and MAA SACS score. We propose to do this by amending paragraphs 3.7 and 3.8, and Table 5 in Schedule 1 of the Licence to clarify that performance is measured quarterly as a moving annual average score.

MTI scheme: to clarify the definition of the Special Assistance Quality of Service Monitor (SpA QSM) metric (measure R8)

2.26 This modification is unchanged from our Initial Proposals.

2.27 For Passengers with reduced mobility (“PRM”) – overall satisfaction (Measure R8), we use the moving annual average Special Assistance Quality of Service Monitor score weighted by monthly passenger numbers (“MAA SpA QSM score”) to measure performance.

2.28 In the light of the clarifications proposed for MAA QSM score, we consider it appropriate to update the definition of MAA SpA QSM score, to achieve consistency between MAA QSM score and MAA SpA QSM score. We propose to do this by amending paragraphs 3.9 and 3.10, and Table 5 in Schedule 1 of the Licence to clarify that performance is measured monthly as a moving annual average score.

²¹ See this document Appendix B section 2 paragraph B8.

²² See this document Appendix B section 2 paragraph B8.

MTI scheme: to improve presentation of Pier-served stand usage (measure F18) and Passenger injuries (measure R15)

- 2.29 This modification is unchanged from our Initial Proposals.
- 2.30 For Pier-served stand usage (Measure F18) and Passenger injuries (Measure R15), there are square brackets in the definition of the metrics. Those square brackets have only a single term in them so are not needed. To make them consistent with other metrics, we propose that we remove these square brackets.

MTI scheme: to update two paragraph references

- 2.31 We have withdrawn the proposed clarification for a paragraph reference update for paragraph 3.29 of Schedule 1, as the proposed change is already in the latest version of the Licence, and we have amended the update to paragraph 6.5(d) of Schedule 1 from the Initial Proposals. The change to paragraph 6.5(d) of Schedule 1 is so it refers to both sets of formulae for QSM performance calculations (see paragraphs 2.18-2.22 above).
- 2.32 We propose that we update the paragraph references below:
- paragraph 6.5(d) of Schedule 1 should refer to paragraph 3.4 and paragraph 3.6; and
 - paragraph 6.13(d)(i) of Schedule 1 should refer to paragraph 3.4 instead of paragraph 3.6.

MTI scheme: to update the list of performance measures to be published in terminals (“Publication Requirements” for measures R12 to R15)

- 2.33 This is a new modification in addition to those set out in the Initial Proposals.
- 2.34 For the reasons set out above, we propose to update the list of measures to be published in terminals to remove measures R12 to R15 and align paragraph 7.2(b) with the publication requirements set out in Table 8. This will correctly specify the list of measures to be published in terminal.

APPENDIX A

Our Duties

- A1. The CAA is an independent economic regulator. Our duties in relation to the economic regulation of airport operation services (AOS) are set out in the Civil Aviation Act 2012 (“CAA12”).
- A2. CAA12 gives the CAA a general (‘primary’) duty to carry out its functions under CAA12 in a manner which it considers will further the interests of users of air transport services regarding the range, availability, continuity, cost and quality of AOS.
- A3. CAA12 defines users of air transport services as present and future passengers and those with a right in property carried by the service (i.e. cargo owners). We often refer to these users by using the shorthand of ‘consumers’.
- A4. The CAA must also carry out its functions, where appropriate, in a manner that will promote competition in the provision of AOS.
- A5. In discharging this primary duty, the CAA must also have regard to a range of other matters specified in CAA12. These include:
- the need to secure that each licensee is able to finance its licensed activities;
 - the need to secure that all reasonable demands for AOS are met;
 - the need to promote economy and efficiency on the part of licensees in the provision of AOS;
 - the need to secure that the licensee is able to take reasonable measures to reduce, control and/or mitigate adverse environmental effects;
 - any guidance issued by the Secretary of State or international obligation on the UK notified by the Secretary of State; and
 - the Better Regulation principles.
- A6. CAA12 also sets out the circumstances in which we can regulate airport operators through an economic licence. In particular, airport operators must be subject to economic regulation where they fulfil the market power test as set out in CAA12. Airport operators that do not fulfil the test are not subject to economic regulation. As a result of the market power determinations we completed in 2014, the airport operators of both Heathrow and Gatwick airports are subject to economic regulation.
- A7. We are only required to update these determinations if we are requested to do so and there has been a material change in circumstances since the most recent

determination. We may also undertake a market power determination whenever we consider it appropriate to do so.

APPENDIX B

Notice under section 22(2) of the Civil Aviation Act 2012 (“CAA12”) that the CAA proposes to modify the Licence

Introduction

- B1. This Appendix gives notice under section 22(2) of the Civil Aviation Act 2012 (“CAA12”) that the CAA proposes to modify the licence granted to HAL by the CAA under section 15 CAA12 on 13 February 2014 (“the Licence”) to implement the proposals set out in chapters 1 and 2 of this consultation. These proposed modifications will:
- implement the Final Proposals of the OBR mid-term review as set out in chapter 1; and
 - implement clarifications to the Licence set out in chapter 2.
- B2. The proposed modifications are set out in full in “tracked change” format, marked in redline and strikeout where appropriate, compared to the current version of the Licence, which took effect on 1 September 2024.
- B3. Where the reasons for, and effects of, the modifications set out in this Notice are set out in other chapters of this consultation, those reasons and effects are deemed to be incorporated in this Notice. This notice sets out where those reasons and effects are to be found.

What the modifications cover

- B4. The changes resulting from the OBR mid-term review that are addressed by the modifications set out below are:
- introducing a new carbon measure with a reputational incentive to be reported on an annual basis using HAL’s existing carbon reporting definition (see chapter 1 at paragraphs 1.2 and 1.18 to 1.20);
 - setting a target of 30 minutes for the Airport Departures Management measure which has a reputational incentive (see chapter 1 at paragraphs 1.2 and 1.21 to 1.22);
 - setting a target of 8 minutes for the Airport Arrivals Management measure, which has a reputational incentive (see chapter 1 at paragraphs 1.2 and 1.21 to 1.22);
 - setting a target of 94 per cent for the “An Airport that Meets My Needs” QSM percentage score measure that has a reputational incentive (see chapter 1 at paragraph 1.2 and 1.23);

- increasing the wi-fi passenger satisfaction target from a QSM score of 4.05 to a QSM score of 4.10 for this measure with a financial incentive (see chapter 1 at paragraph 1.2 and 1.24); and
- increasing the pre-conditioned air availability target from 98 per cent to 99 per cent for this measure with a financial incentive (see chapter 1 at paragraph 1.2 and 1.25).

B5. We propose a number of minor clarifications to the Licence. These are:

- to update three paragraph references in Condition C1 Price Control (see chapter 2 at paragraphs 2.14 to 2.17); and
- in the MTI scheme in Schedule 1 of the Licence:
 - to improve the presentation of ten QSM metrics – measures F1 to F4, R1 to R5, and R7 (see chapter 2 at paragraphs 2.18 to 2.22);
 - to clarify the definition of the Surface Access Customer Satisfaction Survey (SACS) metric – measure R6 (see chapter 2 at paragraphs 2.23 to 2.25);
 - to clarify the definition of the Special Assistance Quality of Service Monitor (SpA QSM) metric – measure R8 (see chapter 2 at paragraphs 2.26 to 2.28);
 - to improve the presentation of pier-served stand usage – measure F18 – and passenger injuries - measure R15 (see chapter 2 at paragraphs 2.29 to 2.30);
 - to update two paragraph references (see chapter 2 at paragraphs 2.31 to 2.32); and
 - to update the list of performance measures to be published in terminals – “Publication Requirements” for measures R12 to R15 (see chapter 2 at paragraphs 2.9 to 2.10 and 2.33 to 2.34).

Proposed licence modifications

1. To update three paragraph references in the Price Control condition

B6. We propose that we modify Conditions C1.4(j), C1.5(l) and C1.13 in the manner set out below:

C1.4(j) AK_{2024} is the additional correction factor for Regulatory Year 2024, as defined in Condition C1.22 ~~to C1.23~~; and

C1.5(l) $H7_t$ is the H7 factor for Regulatory Year t, as defined in Condition **C1.23**; and

C1.13 Except where the CAA has given consent in writing, the Licensee may make an application under Condition ~~C1.12~~~~C1.9~~ only during the following periods:

2. To improve presentation of 10 QSM metrics (measures F1 to F4, R1 to R5, R7)

- B7. We propose that we modify paragraphs 3.3 to 3.6, Table 1 and Table 4 of Schedule 1 to clarify that:
- measures F1 to F4 and R1 and R7 are calculated as a QSM survey moving annual average scores (as previously detailed in the existing licence drafting and the proposed amendments – see paragraph 3.3 and new paragraph 3.4 below); and
 - measures R2 to R5 are calculated as a QSM survey moving annual average percentage of favourable responses (as now detailed in the new licence drafting – see new paragraphs 3.5 and 3.6 below).
- B8. These modifications and the updates to Table 1 and Table 4 are discussed in paragraph 2.13 of this document and are made in the manner set out below:

Quality of Service Monitor (QSM) survey – moving annual average score

3.3 The Licensee shall use ~~the results of the Quality of Service Monitor (QSM) survey – moving annual average score survey-based metrics specified in Annex 2 to this Schedule to provide the basis for measure its performance against targets~~ for the following measures ~~that are subject to financial incentives~~:

~~Quality of Service Monitor (QSM)~~

F1	Cleanliness	F3	Helpfulness/attitude of security staff
F2	Wayfinding	F4	Wi-Fi performance
R1	Overall satisfaction	R7	Helpfulness/attitude of airport staff

~~3.4 The Licensee shall use the survey-based metrics specified in Annex 2 to this Schedule to measure performance for the measures in List 1 and List 2 below that are subject to reputational incentives:~~

~~List 1~~

Quality of Service Monitor (QSM)			
R1	Overall satisfaction	R4	Airport that meets my needs
R2	Customer effort (ease)	R5	Feel safe and secure
R3	Enjoy my time at the airport	R7	Helpfulness/attitude of airport staff

~~List 2~~

Surface Access Customer Satisfaction Survey (SACS)		Special Assistance Quality of Service Monitor (SpA QSM)	
R6	Ease of access to the airport	R8	Passengers with Reduced Mobility (PRM) — overall satisfaction

~~Quality of Service Monitor (QSM)~~

~~3.5 — The Licensee shall use the results of the QSM survey as specified in Annex 2 to this Schedule to provide the basis for the measures specified in paragraph 3.3 and in List 1 of paragraph 3.4 of this Schedule.~~

~~3.63.4~~ The Licensee shall measure performance using, ~~for the latest available month, monthly~~ moving annual averages ~~score~~ weighted by the ~~moving annual average monthly~~ number of passengers in the relevant terminal, using the following formulae:

- (a) For a passenger terminal that has been offering air transport services for the carriage of passengers for a period of more than 12 months, or for a passenger terminal where the Licensee has conducted the QSM surveys for a period of more than 12 months, the Licensee shall calculate performance for measure i in month j in terminal a as follows:

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

- (b) For a newly opened or reopened passenger terminal, for the first 12 months after air transport services for the carriage of passengers commence (or recommence) at that terminal, or for a passenger terminal where the Licensee has conducted the QSM surveys for a period of 12 months or less, the Licensee shall calculate performance for measure i in month j in terminal a as follows:

$$\text{Performance}_{i,j,a} = \frac{\sum_{m=1}^{m=\mu} [\pi_{j-m+1,a} \times \text{Monthly survey results}_{i,j-m+1,a}]}{\sum_{m=1}^{m=\mu} \pi_{j-m+1,a}}$$

where:

- (i) $\pi_{j,a}$ is the number of passengers in month j in terminal a;
- (ii) $\text{Monthly survey results}_{i,j,a}$ is the performance of measure i in month j in terminal a;
- (iii) m is a counter of the 12 months ending in month j;
- (iv) μ is a counter of months so that:
 1. the first full month in which air transport services for the carriage of passengers are provided at terminal a or the first full month in which QSM surveys are carried out = 1;
 2. the second full month in which air transport services for the carriage of passengers are provided at terminal a or the second full month in which QSM surveys are carried out = 2, and each subsequent month shall be identified accordingly; ~~and so that~~

3. the twelfth full month in which air transport services for the carriage of passengers are provided at terminal a or the twelfth full month in which QSM surveys are carried out = 12.

Quality of Service Monitor (QSM) survey – moving annual average percentage of favourable responses

- 3.5 The Licensee shall use the results of the Quality of Service Monitor (QSM) survey – moving annual average percentage of favourable responses to provide the basis for its performance for the following measures:

R2	Customer effort (ease)	R4	Airport that meets my needs
R3	Enjoy my time at the airport	R5	Feel safe and secure

- 3.6 The Licensee shall measure performance using, for the latest available month, moving annual average of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) in the relevant terminal, using the following formulae:

- (a) For a passenger terminal that has been offering air transport services for the carriage of passengers for a period of more than 12 months, or for a passenger terminal where the Licensee has conducted the QSM surveys for a period of more than 12 months, the Licensee shall calculate performance for measure i in month j in terminal a as follows:

$$\text{Performance}_{i,j,a} = \frac{\sum_{m=1}^{m=12} \text{FavourableResponses}_{i,j-m+1,a}}{\sum_{m=1}^{m=12} \text{TotalResponses}_{i,j-m+1,a}}$$

- (b) For a newly opened or reopened passenger terminal, for the first 12 months after air transport services for the carriage of passengers commence (or recommence) at that terminal, or for a passenger terminal where the Licensee has conducted the QSM surveys for a period of 12 months or less, the Licensee shall calculate performance for measure i in month j in terminal a as follows:

$$\text{Performance}_{i,j,a} = \frac{\sum_{m=1}^{m=\mu} \text{FavourableResponses}_{i,j-m+1,a}}{\sum_{m=1}^{m=\mu} \text{TotalResponses}_{i,j-m+1,a}}$$

where:

- (i) $\text{FavourableResponses}_{i,j,a}$ is the number of favourable answers (that is, a score of 4 or 5 on a scale of 1-5) for measure i in month j in terminal a;
- (ii) $\text{TotalResponses}_{i,j,a}$ is the number of answers for measure i in month j in terminal a;
- (iii) m is a counter of the 12 months ending in month j;

- (iv) μ is a counter of months so that:
1. the first full month in which air transport services for the carriage of passengers are provided at terminal a or the first full month in which QSM surveys are carried out = 1;
 2. the second full month in which air transport services for the carriage of passengers are provided at terminal a or the second full month in which QSM surveys are carried out = 2, and each subsequent month shall be identified accordingly; and
 3. the twelfth full month in which air transport services for the carriage of passengers are provided at terminal a or the twelfth full month in which QSM surveys are carried out = 12.

Table 1: Financial measures (Terminal) – metrics, targets, annual rebates and monthly rebates

i	Financial measures	Metrics
F1	Cleanliness	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month
F2	Wayfinding	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month
F3	Helpfulness / attitude of security staff	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month
F4	Wi-Fi performance	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month

Table 4: Reputational measures (Terminal) – metrics and targets

i	Reputational measures	Metric
R1	Overall satisfaction	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month
R2	Customer effort (ease)	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) passengers rating the journey was easy or very easy, for the latest available month-weighted by monthly passenger numbers
R3	Enjoy my time at the airport	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) passengers

i	Reputational measures	Metric
		rating the journey was enjoyable or very enjoyable, for the latest available month-weighted by monthly passenger numbers
R4	Airport that meets my needs	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) passengers agreeing with the statement, for the latest available month-weighted by monthly passenger numbers
R5	Feel safe and secure	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) passengers agreeing with the statement, for the latest available month-weighted by monthly passenger numbers
R7	Helpfulness / attitude of airport staff	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month

3. To clarify the definition of the Surface Access Customer Satisfaction Survey (SACS) metric (Measure R6)

B9. We propose that we modify paragraphs 3.7, 3.8 and Table 5 of Schedule 1 in the manner set out below:

Surface Access Customer Satisfaction Survey (SACS) – moving annual average score

3.7 The Licensee shall use the results of the SACS survey as specified in Annex 2 to this Schedule to provide the basis for its performance reporting against the target for Measure measure R6 Ease (ease of access to the airport).

3.8 The Licensee shall measure performance using, for the latest available quarter, quarterly moving annual averages score weighted by the moving annual average number of direct departing passengers arriving at the Airport by surface transport in the respective quarter, using the following formulae:

- (a) where the Licensee has conducted the SACS survey for a period of four quarters or more, the Licensee shall calculate performance in quarter q as follows:

$$\text{Performance}_r = \frac{\sum_{q=1}^{q=4} [\pi_{r-q+1} \times \text{Quarterly survey results}_{r-q+1}]}{\sum_{q=1}^{q=4} \pi_{r-q+1}}$$

- (b) where the Licensee has conducted the SACS survey for a period of less than four quarters, the Licensee shall calculate performance in quarter q as follows:

$$\text{Performance}_r = \frac{\sum_{q=1}^{q=\alpha} [\pi_{r-q+1} \times \text{Quarterly survey results}_{r-q+1}]}{\sum_{q=1}^{q=\alpha} \pi_{r-q+1}}$$

where:

- (i) π_r is the number of passengers in quarter r ;
- (ii) Quarterly survey results $_r$ is the performance of in quarter r ;
- (iii) q is a counter of the four quarters ending in quarter r ; and
- (iv) α is a counter of quarters so that:
 - 1. the quarter in which SACS surveys start = 1;
 - 2. the quarter after SACS surveys start = 2;
 - 3. the second quarter after SACS surveys start = 3; and
 - 4. the third quarter after SACS surveys start = 4.

Table 5: Reputational measures (Airport-wide) – metrics and targets

i	Reputational measures	Metric
R6	Ease of access to the airport	Moving annual average of Surface Access Customer Satisfaction Survey (SACS) scores weighted by the moving annual average number of among passengers arriving at the Airport by surface transport, for the latest available access each quarter

4. To clarify the definition of the Special Assistance Quality of Service Monitor (SpA QSM) metric (Measure R8)

B10. We propose that we modify paragraphs 3.9, 3.10 and Table 5 of Schedule 1 in the manner set out below:

Special Assistance Quality of Service Monitor (SpA QSM) ~~survey – moving annual average score~~

3.9 The Licensee shall use the results of the SpA QSM survey as specified in Annex 2 to this Schedule to provide the basis for its ~~performance reporting against the target for Measure measure R8 Passengers (passengers with reduced mobility (PRM) – overall satisfaction)~~.

3.10 The Licensee shall measure performance using, ~~for the latest available month, monthly~~ moving annual averages ~~score~~ weighted by the moving annual average number of passengers using the ~~Special Assistance Service service for passengers with reduced mobility n each terminal by month~~, using the following formulae:

- (a) where the Licensee has conducted the SpA QSM survey for a period of 12 months or more, the Licensee shall calculate performance in month j as follows:

$$\text{Performance}_j = \frac{\sum_{m=1}^{m=12} [\pi_{j-m+1} \times \text{Monthly survey results}_{j-m+1}]}{\sum_{m=1}^{m=12} \pi_{j-m+1}}$$

- (b) where the Licensee has conducted the SpA QSM survey for a period of less than 12 months, the Licensee shall calculate performance in month j as follows:

$$\text{Performance}_j = \frac{\sum_{m=1}^{m=\mu} [\pi_{j-m+1} \times \text{Monthly survey results}_{j-m+1}]}{\sum_{m=1}^{m=\mu} \pi_{j-m+1}}$$

where:

- (i) π_j is the number of passengers using the service for passengers with reduced mobility per terminal in month j ;
- (ii) Monthly survey results $_{i,j}$ is the performance of measure R8 in month j ;
- (iii) m is a counter of the 12 months ending in month j ; and
- (iv) μ is a counter of months so that:
 1. the first full month in which SpA QSM surveys are carried out = 1;
 2. the second full month in which SpA QSM surveys are carried out = 2, and each subsequent month shall be identified accordingly; ~~and so that~~
 3. the twelfth month in which SpA QSM surveys are carried out = 12.

Table 5: Reputational measures (Airport-wide) – metrics and targets

i	Reputational measures	Metric
R8	Passengers with reduced mobility (PRM) – overall satisfaction	Moving annual average of Special Assistance Quality of Service Monitor (SpA QSM) scores weighted by the moving annual average number of passengers using collected amongst users of the Special Assistance Service at the Airport, for the latest available month

5. To update two paragraph references in Schedule 1

B11. We propose that we modify paragraph 6.5(d) and 6.13(d)(i) of Schedule 1 in the manner set out below:

6.5(d) $MP(T2)_{k,j}$, $MP(T3)_{k,j}$, $MP(T4)_{k,j}$ and $MP(T5)_{k,j}$ are the moving annual average monthly performance for specified element k in month j weighted by monthly passenger numbers in Terminal 2, Terminal 3, Terminal 4 and Terminal 5, respectively. It is calculated using the formulae set out in paragraph ~~3.43.6~~.

6.13(d)(i) for bonus measure $bm = F1$ Cleanliness or $F2$ Wayfinding, the Licensee shall measure its performance using the formulae set out in paragraph ~~3.43.6~~ of this Schedule; and

6. To improve presentation of Pier-served stand usage (Measure F18) and Passenger injuries (Measure R15)

B12. We propose that we modify paragraphs 3.31 and 3.40 of Schedule 1 in the manner set out below:

F18 Pier-served stand usage

3.31 The Licensee shall collect data for pier-served stand usage from its operational systems ~~for Measure F18 in Table 1~~. The Licensee shall calculate ~~its performance for this measure~~ in month j in terminal a in accordance with the following formula:

$$\text{Performance}_{j,a} = \frac{\sum_{m=1}^{m=12} [\text{PierPax}_{j-m+1,a}] \text{PierPax}_{j-m+1,a}}{\sum_{m=1}^{m=12} \text{TotalPax}_{j-m+1,a}}$$

where:

- (a) PierPax_{j,a} is the number of arriving and departing passengers accessing a pier served stand in month j in terminal a;
- (b) TotalPax_{j,a} is the number of arriving and departing passengers in month j in terminal a; and
- (c) m is a counter of the 12 months ending in month j.

R15 Passenger injuries

3.40 The Licensee shall collect data for passenger injuries ~~from its operational systems to calculate performance~~ for Measure R15 in Table 5. The Licensee shall calculate ~~the performance of this measure~~ in month j ~~in accordance with the following formula by~~:

$$\text{Performance}_j = \frac{\sum_{m=1}^{m=12} [\text{InjuredPax}_j] \text{InjuredPax}_{j-m+1}}{\sum_{m=1}^{m=12} \pi_{j-m+1} \times \frac{1}{1,000,000}}$$

where:

- (a) InjuredPax_j is the number of passenger injuries reported to HAL's operational systems (excluding ill health) in month j;
- (b) π_{j,a} is the number of passengers in the Airport in month j; and
- (c) m is a counter of the 12 months ending in month j.

7. To specify a target for Airport departures management (Measure R12)

B13. We propose that we modify paragraphs 3.37, Table 5 and Table 8 of Schedule 1 in the manner set out below:

R12 Airport departures management

3.37 The Licensee shall collect data for airport departures management from its operational systems ~~to calculate performance~~ for measure R12 in Table 5. ~~For each month, the The~~ Licensee shall ~~calculate performance for this measure for each month by~~ recording the average time taken (across all departing passenger flights) between the Actual Start Request Time and

the Actual Take-Off Time of an aircraft, and calculate performance in accordance with the following formula:

$$\text{Performance}_j = \frac{\text{ActualStartRequestTime}_j - \text{ActualTakeOffTime}_j}{\text{DepartingPaxFlights}_j}$$

where:

- (a) ActualStartRequestTime_j is the Actual Start Request Time in month j;
- (b) ActualTakeOffTime_j is the Actual Take-Off Time in month j; and
- (c) DepartingPaxFlights_j is the total number of passenger flights departing Heathrow Airport in month j.

Table 5: Reputational measures (Airport-wide) – metrics and targets

i	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
R12	Airport departures management	Average time taken (across all departing passenger flights) between the Actual Start Request Time and the Actual Take-Off Time of an aircraft	Unrestricted	30.0 minutes No target

Table 8: Publication requirements

i	Reputational measures	Frequency	Terminal	Website
R12	Airport departures management	Monthly		Performance Target

8. To specify a target for Airport arrivals management (Measure R13)

B14. We propose that we modify paragraphs 3.38, Table 5 and Table 8 of Schedule 1 in the manner set out below:

R13 Airport arrivals management

3.38 The Licensee shall collect data for airport arrivals management from its operational systems ~~to calculate performance~~ for Measure R13 in Table 5. ~~For each month, the The~~ Licensee shall ~~calculate performance for this measure for each month by~~ recording the average time taken (across all arriving passenger flights) between the wheels of an aircraft touching down on a runway and roll-retarding chocks being placed against the aircraft wheels, after the aircraft's brakes have been applied on stands, and calculate performance in accordance with the following formula:

$$\text{Performance}_j = \frac{\text{TouchingDownTime}_j - \text{ChocksToWheelsTime}_j}{\text{ArrivingPaxFlights}_j}$$

where:

- (a) $ToucingDownTime_j$ is the time when the wheels of an aircraft touching down on a runway in month j ;
- (b) $ChocksToWheelsTime_j$ is the time when roll-retarding chocks being placed against the aircraft wheels after the aircraft's brakes have been applied on stands in month j ; and
- (c) $ArrivingPaxFlights_j$ is the total number of passenger flights arriving at Heathrow Airport in month j .

Table 5: Reputational measures (Airport-wide) – metrics and targets

i	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
R13	Airport arrivals management	Average time taken (across all arriving passenger flights) between the wheels of aircraft touching down on a runway and roll-retarding chocks being placed against the aircraft wheels, after the aircraft's brakes have been applied on stands	Unrestricted	10.0 minutes No target

Table 8: Publication requirements

i	Reputational measures	Frequency	Terminal	Website
R13	Airport arrivals management	Monthly		Performance Target

9. To introduce a carbon measure (Measure R17)

B15. We propose that we modify paragraphs 3.30, 3.41, Table 5 and Table 8 of Schedule 1 in the manner set out below:

3.30 The Licensee shall use the metrics set out in paragraphs 3.34 to ~~3.413.40~~ to measure performance for the following measures subject to reputational incentives:

Reputationally incentivised measures in the other metrics group	
R9	Timely delivery from departures baggage system
R10	Baggage misconnect rate
R11	Departures flight punctuality
R12	Airport departures management
R13	Airport arrivals management

Reputationally incentivised measures in the other metrics group	
R14	% of UK population within 3 hours (and one interchange) of Heathrow by public transport
R15	Passenger injuries
R17	Carbon emissions

R17 Carbon emissions

3.41 The Licensee shall collect data on for R17 Carbon emissions^{footnote} in Table 5 and calculate performance in accordance with the following formula:

$$\text{Performance}_t = \text{TotalCarbonEmissions1}_t + \text{TotalCarbonEmissions2}_t + \text{TotalCarbonEmissions3}_t$$

where:

- (a) TotalCarbonEmissions1_t is the Total Carbon Emissions (Scope 1) in Regulatory Year t as Tonnes CO₂ equivalent per year;
- (b) TotalCarbonEmissions2_t is the Total Carbon Emissions (Scope 2) in Regulatory Year t as Tonnes CO₂ equivalent per year; and
- (c) TotalCarbonEmissions3_t is the Total Carbon Emissions (Scope 3) in Regulatory Year t as Tonnes CO₂ equivalent per year.

Table 5: Reputational measures (Airport-wide) – metrics and targets

i	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
R17	Carbon emissions	Total carbon emissions (sum of Scope 1, Scope 2 and Scope 3 ^{footnote}) in Regulatory Year t as Tonnes CO ₂ equivalent per year	Unrestricted	No target

^{footnote} See the Greenhouse Gas (GHG) Scope reporting categories specified in Chapter 4 of The Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard for Scope 1 Direct GHG emissions, Scope 2 Indirect GHG emissions from purchased and consumers electricity, and Scope 3 All other Indirect GHG emissions (<https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf> and <https://ghgprotocol.org/corporate-standard-frequently-asked-questions#question%20one>).

Table 8: Publication requirements

i	Reputational measures	Frequency	Terminal	Website
R17	Carbon emissions	Annually		Performance

10. To update the list of performance measures to be published in terminals (Measures R12 to R15).

B16. We propose that we modify paragraph 7.2(b) of Schedule 1 to align the list of reputational metrics to be reported in terminals with the Table 8 of Schedule 1 in the manner set out below:

- 7.2 The Licensee shall publish in each terminal at the Airport:
- (b) on a monthly basis within four weeks of the end of the relevant month (where applicable), performance for each terminal (for “terminal measures”) and for the Airport (for “airport-wide measures”) with respect to the following measures and as specified in Table 8.
- (i) R4 Airport that meets my needs; and
 - (ii) R10 Baggage misconnect rate.;
 - ~~(iii) R12 Airport Departures Management;~~
 - ~~(iv) R13 Airport Arrivals Management;~~
 - ~~(v) R14 Percentage of UK population within 3 hours (and one interchange) of Heathrow by public transport; and~~
 - ~~(vi) R15 Passenger injuries.~~

11. To raise the target for wi-fi performance (Measure F4)

B17. We propose that we modify Table 1 of Schedule 1 in the manner set out below:

Table 1: Financial measures (Terminal) – metrics, targets, annual rebates and monthly rebates

i	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
F4	Wi-Fi performance	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month	Unrestricted	4.10 4.05

12. To raise the target for PCA availability (Measure F17)

B18. We propose that we modify Table 1 of Schedule 1 in the manner set out below:

Table 1: Financial measures (Terminal) – metrics, targets, annual rebates and monthly rebates

i	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
F17	Availability of pre-conditioned air	Percentage of time serviceable and available for use (Terminals 2, 3 and 5 only)	Agreed locally between the Licensee and AOC	99% 98%

13. To specify a target for An Airport that Meets My Needs (Measure R4)

B19. We propose that we modify Table 4 and Table 8 of Schedule 1 in the manner set out below:

Table 4: Reputational measures (Terminal) – metrics and targets

i	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
R4	Airport that meets my needs	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) passengers agreeing with the statement, for the latest available month-weighted by monthly passenger numbers	Unrestricted	94% No target

Table 8: Publication requirements

i	Reputational measures	Frequency	Terminal	Website
R4	Airport that meets my needs	Monthly	Performance Target	Performance Target