

Economic regulation of Heathrow airport: Outcome Based Regulation Mid-Term Review – Decision

CAP3187

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Civil Aviation Authority
Aviation House
Beehive Ring Road
Crawley
West Sussex
RH6 0YR

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Enquiries regarding the content of this publication should be addressed to: david.milford@caa.co.uk

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Contents

Contents	3
About this document	5
Introduction and Summary	6
Background	6
The Review and Final Proposals	7
Our Decision	9
Structure of this document	11
Next Steps & Implementation	11
CHAPTER 1	12
Changes to OBR measures and targets and other issues	12
Introduction	12
Final Proposals	12
Summary of stakeholders' views	14
Our views	16
Our Decision	20
CHAPTER 2	22
Clarifications to the Licence and other matters	22
Introduction	22
Final Proposals	22
Summary of stakeholders' views	23
Our views	23
Our Decision	23
APPENDIX A	24
Our Duties	24
APPENDIX B	26
Notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision to modify the Licence	26
Introduction	26
What the modifications cover	26

Licence modifications	28
APPENDIX C	41
Notice under section 22(5) of the Civil Aviation Act 2012 (“CAA12”) of the CAA’s decision not to modify the Licence	41
Introduction	41
Proposal and Reasons for not modifying the Licence	41
Our Decision	41

About this document

This document sets out our decisions following the Mid-Term Review of Heathrow Airport Limited's ("HAL's") Outcome Based Regulation framework. It sets out:

- the background to the review;
- a summary of our Final Proposals and stakeholders' views on them;
- our assessment and views on the issues raised by stakeholders, our decisions on them and, where needed, updates to the modifications to HAL's economic licence required to implement them;
- the statutory notice of the licence modifications we have decided to make to implement our proposals under section 22(6) of the Civil Aviation Act 2012; and
- the statutory notice of the licence modification we have decided not to make for the Pre-Conditioned Air measure under section 22(5) of the Civil Aviation Act 2012.

Introduction and Summary

Background

1. The final decision for the price control for the H7 period (“H7 Final Decision”) applicable to 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 was to:
 - address certain issues that could not be resolved in time for the H7 Final Decision;¹
 - 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. This decision sets out the changes that the CAA has decided to make to the OBR framework as a result of the Review. It is accompanied by statutory notices under the Civil Aviation Act 2012 (“CAA12”) that address:
 - the modifications to be made to the Licence to implement this decision, as set out in Appendix B; and
 - the reasons for not modifying the Pre-Conditioned Air measure, as set out in Appendix C.

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>

The Review and Final 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:
 - 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;

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

- 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.
9. Our Initial Proposals in January 2025 explained our views and decision not to take forward the following elements of the Review scope:
- granularity of security queue targets and control post groupings: we said that benefits were unclear and noted generally good performance and satisfaction levels;⁴
 - new investment projects: we noted that changes could be agreed between the parties using the Licence self-modification process if needed;⁵
 - security programme changes: as the Security Transformation Programme was in progress, changes would be better considered in the H8 price review;⁶ and
 - the asset availability target methodology: neither HAL nor airlines expressed support for any changes.⁷
10. Following stakeholder responses to the Initial Proposals we set out our further assessment and views on the proposed changes in our final proposals (the “Final Proposals”).⁸ These were to set reputational incentives for:
- carbon emissions, adopting HAL’s existing carbon measure definition from its Annual Accounts, to be reported annually;
 - Airport Departures Management (30 minutes of taxi-time from the terminal parking stand to the runway entrance point) and Airport Arrivals Management (10 minutes of taxi-time from the runway exit point to the terminal parking stand); and
 - “An Airport that meets My Needs” Quality of Service Monitor (QSM)⁹ survey results target of 94 per cent for customers rating their experience either “good” or “excellent”.

⁴ See CAP3073 para 4.30, www.caa.co.uk/cap3073

⁵ See CAP3073 paras 3.4 and 3.5, www.caa.co.uk/cap3073

⁶ See CAP3073 paras 5.4 to 5.7, www.caa.co.uk/cap3073

⁷ See CAP3073 paras 6.5 and 6.6, www.caa.co.uk/cap3073

⁸ See CAP3108 OBR Mid-Term Review Final Proposals, www.caa.co.uk/cap3108

⁹ 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

11. We also proposed the following changes to the financial incentives:
 - to increase the wi-fi performance target from a QSM survey score of 4.05 to 4.10; and
 - to increase the Pre-Conditioned Air availability target from 98 per cent to 99 per cent.
12. The Final Proposals also set out some proposed clarifications to the Licence to increase the clarity of the regulatory framework, consistent with the interests of consumers. These proposed 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 responses to the Final Proposals, from:
 - HAL; and
 - the Heathrow Airport Operators Committee and IATA London (Heathrow) Airport Consultative Committee (“AOC/LACC”) - joint response on behalf of the airline community.
14. These responses have been published on the CAA website.¹⁰

Our Decision

15. Throughout the Review we have developed the decision changes in line with our duties under the 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;
 - it should not expose stakeholders to additional risk;
 - where a target appears to be possibly too low, we would not generally expect to make any adjustment until the next price control review; and

(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>.

¹⁰ 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/>

- 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 the decision against our duty under the Equality Act. As noted in our Final Proposals, the matters under consideration within the Review relate to over-arching airport performance metrics, for example, carbon performance, aircraft taxi times, consumer satisfaction measures and equipment availability. As such, our decision should benefit different consumer groups in the same or similar ways. In this light, we do not consider that our decision will have any adverse impact on equality of opportunity but will better hold HAL to account in the quality and consistency of the services it provides for the benefit of consumers overall.
- 17. This decision covers:
 - the changes to update the OBR framework and the MTI scheme as a result of the Review; and
 - the other licence modifications that were proposed in the Final Proposals.
- 18. As summarised in the following chapters, we have taken into account the responses to the Final Proposals in formulating this Decision.
- 19. In summary, our decision on changes for the Review are consistent with those set out in the Final Proposals, with the exception of the Pre-Conditioned Air measure. For the following measures this document constitutes a Notice of licence modifications under section 22(6) of CAA12 as set out in Appendix B. These 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; and
 - to increase the wi-fi performance target from a QSM survey score of 4.05 to 4.10.
- 20. We have decided to not make the change to increase the Pre-Conditioned Air availability target, maintaining it at 98 per cent for the remainder of H7, rather than increasing it to 99 per cent. This document constitutes a Notice of this decision under section 22(5) of CAA12 as set out in Appendix C.

21. Our decision will update the OBR framework for the remainder of the H7 period effective from 1 January 2026. As previously noted, in certain instances where 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.
22. In addition to the changes defined above and considered by the Review, the Final Proposals also set out a number of 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. We have decided to implement these modifications to the Licence. The changes are:
 - updates to the Price Control and Charges for Other Services in Part C; and
 - improvements to MTI scheme references in Schedule 1.

Structure of this document

23. In this document:
 - chapter 1: sets out our decision on proposed changes to OBR measures and targets and other issues;
 - chapter 2: sets out our decision on other proposed modifications to the Licence and clarifications;
 - Appendix A sets out a summary of our duties under CAA12;
 - Appendix B sets out the modifications we have decided to make to the Licence in accordance with section 22(6) CAA12: and
 - Appendix C sets out the reasons why we have decided not to modify the Licence for the Pre-Conditioned Air target in accordance with section 22(5) CAA12.

Next Steps & Implementation

24. As stated above, the licence modifications set out in Appendix B will take effect for the remainder of the H7 period with effect from 1 January 2026.
25. HAL, as the licence holder, and any provider of air transport services whose interests are materially affected by the final decision (typically airlines operating from Heathrow), may apply to the CMA within six weeks of the publication of this Final Decision for permission to appeal our decision to modify HAL's licence under section 25 of CAA12.

CHAPTER 1

Changes to OBR measures and targets and other issues

Introduction

- 1.1 This chapter sets out our decision on changes to OBR measures and targets that were outlined in the Final Proposals as a result of the Review. It sets out a summary of the Final Proposals, a summary of stakeholder views, our assessment on the issues raised by stakeholders and our decisions on these matters.

Final Proposals

- 1.2 The Final Proposals are summarised below.
- Introduction of a Carbon measure: we stated in the H7 Decision and in this Review 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 publishing information on the airport's carbon performance was consistent with our approach to other reputational incentives where stakeholders other than HAL provide significant elements of the overall performance level. By reporting the measure at both a total level and sub-total for each scope area this will 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).¹¹

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) on a Tonnes CO₂ equivalent per year, or a split of these Scope areas on the same reporting basis.

¹¹ 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: we said that these new H7 measures, covering the time it takes aircraft to move from the terminal to the runway on departure and from the runway to the terminal on arrival, are important measures of punctuality for consumers. We said we maintained our view that the proposed targets of 30 minutes for departures and 10 minutes for arrivals based on the average H7 performance to date and contingency were appropriate. We also noted our approach was consistent with how we established OBR targets during the H7 price control review, strengthening the backstop protection for consumers, and that we had considered comparator airport performance levels. We said that the design of these measures as reputational incentives was sufficient to take account of performance being affected by factors outside of HAL's control.
- "An Airport that Meets My Needs" target: we confirmed our proposal 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. We said that as performance 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.
- Wi-fi performance score target: we noted that ensuring the airport provides a good wi-fi service is important so consumers have access to information as part of their journey and to provide wider connectivity to allow consumers to enjoy and make best use of their time at the airport. We said that as performance has remained strong, with all terminals continuing to perform significantly above the proposed 4.10 target level at around the 4.20 score level, that we considered it reasonable to increase the cautious 4.05 QSM score target level to a 4.10 QSM score target level.
- Pre-Conditioned Air ("PCA") availability target: this existing measure with a financial incentive covers the availability of PCA equipment on stand for aircraft which 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 auxiliary power unit.

We said that, as performance had remained at or near 100 per cent availability levels across H7 to date, we maintained our proposal to increase the availability target from 98 per cent to 99 per cent. We did not agree that issues raised by HAL about ageing PCA equipment and increased demand and maintenance precluded increasing the target. We said that strong performance levels, and the rollout of new PCA equipment, should allow availability performance to be maintained in line with other stand assets.

- 1.3 We also explained that Check-in infrastructure availability performance has largely remained within the 98 per cent to 99 per cent range that 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 said we supported further discussion to understand and agree an appropriate target level for the H8 period.
- 1.4 Overall, we said that, as performance across measures remained consistent, we considered our overall approach remains appropriate and we did not propose any subsequent changes to our Final Proposals. We also noted that proposals for an independent audit of the MTI scheme and for HAL to provide daily security queue performance data were now being taken forward separately from this Review.
- 1.5 We also acknowledged other issues raised by stakeholders which were:
- HAL's concerns on the number of OBR framework input measures and other MTI scheme design issues as part of the H8 price control review;
 - AOC/LACC's view that a baggage performance measure with a financial incentive was needed which we said would be best considered as part of the H8 price control review;
 - AOC/LACC's proposal for an audit of capital projects to inform OBR target adjustment which we did not agree with as this would likely not be proportionate to the consumer benefit that any OBR adjustment would deliver; and
 - Virgin's concerns on delay incidents, where we said they should engage with HAL as to how these are reflected in MTI performance reporting.

Summary of stakeholders' views

- 1.6 HAL focused its response on the proposed increase in the PCA target and the proposed targets to be set for the Airport Departures and Arrivals Management measures. It:
- re-iterated concerns on the proposed Pre-Conditioned Air target increase previously submitted during the Review and provided more detail noting a number of factors impacting performance including delays to the refresh programme, older assets suffering more outages and a two-fold increase in usage all impacting HAL's ability to maintain performance standards. It explained that:
 - the PCA refresh capital programme is nine months behind schedule due to extended governance and significant change management engagement across the ground handler community;

- new PCA units exhibit high levels of early failure while issues are ironed out before becoming operationally stable noting that newly installed units in Terminal 5 have experienced more faults than older units;
- there are regular issues with the incorrect usage of new units as airlines and ground handlers adapt to new equipment and an increase in faults in line with the overall increase in usage of these new units; and
- increasing the PCA target now would expose HAL to additional regulatory risk through the remainder of the H7 period.

For the above reasons, HAL said we should hold the target at 98 per cent for H7 and work towards the implementation of a 99 per cent target during the H8 price control period; and

- 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 a range of factors outside of its control, the targets should be set to recognise this complexity.

It said that it had proposed targets set at the 90th percentile of current performance (38 minutes for departures and 15 minutes for arrivals) as part of its H8 Business Plan and this issue should be considered as part of the H8 price control review rather than this Review.

- 1.7 HAL did not comment on the introduction of the carbon measure, the “An Airport that Meets My Needs” QSM target, or the wifi performance score target increase.
- 1.8 HAL noted that it has separately submitted its H8 Business Plan which has been developed with insights and stakeholders through Constructive Engagement and said it will continue to develop and evolve its MTI proposal to strike the right balance for passengers and its customers and deliver arrangements consistent with a “fair bet”.
- 1.9 The AOC/LACC re-stated its challenge on what the benefit would be of replicating HAL’s existing Annual Accounts carbon reporting measure within the OBR framework and noted that as the majority of carbon comes from aircraft operations the measure should have a reputational incentive.
- 1.10 The AOC/LACC repeated its position on setting and increasing targets. It:
 - did not support the proposed targets for Airport Departures Management and Airport Arrivals Management, as these were already being achieved, and it suggested alternative targets of 24-minutes for departures and 7 minutes for arrivals, with a financial incentive to be considered for the H8 price control period;

- supported for the “An Airport that meets my Needs” passenger survey measure the 94 per cent target, but argued it should be measured on a Net Promoter Score basis;
- supported the Wi-fi satisfaction target increase to a 4.10 QSM score with a further increase to be considered for the H8 price control period;
- supported the Pre-Conditioned Air availability target increase to 99 per cent which would ensure a significant reduction in carbon emissions at the airport; and
- did not support our proposal to maintain the Check-in infrastructure availability target at 98 per cent, repeating its support for a 99.5 per cent target, including check-in baggage input feeds, as this is more appropriate for this area that is critical to the consumer experience.

1.11 It said that HAL has significant baggage system reliability issues that regularly impact consumers and provided information on significant baggage system issues since December 2024 in support of its call for “Timely Delivery from the Baggage System” measure to move from a reputational to a financial incentive within the H7 period.

1.12 It also said that control post vehicle queues should move from monthly to daily measurement, repeated its concern that HAL is significantly insulated against increased regulatory risk through a layering of measures, and that the CAA should consider the appropriateness and balance of these as part of the H8 price control review.

Our views

1.13 Our approach is to further consumers’ interests by seeking to ensure 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. We have said that we will adopt a proportionate approach including in relation to where limited new information is available and that any Review changes would be consistent with the broader H7 price control decision.

1.14 We note that stakeholder responses broadly maintained the positions that we considered in our Final Proposals. We consider that, while HAL has provided a greater level of detail in its response on PCA availability, on the other proposals stakeholders have not raised any substantive new issues that it is reasonable to address within the limited scope of the Review. We have considered operational performance data for the measures within the Review’s scope since the Final Proposals were published. We do not consider that subsequent performance indicates that our broad approach is inappropriate although we do note that there has been deterioration in wi-fi satisfaction and PCA availability in Terminal 5 specifically, which we address below.

Carbon performance measure and metric

1.15 We have consistently said that improving the sustainability of aviation is an important priority for consumers and the introduction of a measure of HAL and Heathrow airport's carbon performance, and setting a definition for that, was a priority for the Review. Noting HAL's support for the proposal to adopt its existing annual reporting measure, we agree with the AOC/LACC that this measure should have a reputational incentive. This will appropriately reflect the responsibilities of different stakeholders and 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).

We remain of the view that it is useful to include this measure within the scope of the OBR as this will act to remind HAL and wider stakeholders of its importance.

Airport Departures Management and Airport Arrivals Management targets

1.16 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 the Final Proposals, departures performance has been below the 30-minute target with one exception in July 2025 and arrivals performance has remained between 8-9 minutes which is consistent with the performance levels observed over the H7 period to date.

Table 1.1: Airport Departures and Arrivals Management performance

Measure	April 2025	May 2025	June 2025	July 2025	August 2025	September 2025
Departures	25 minutes	27 minutes	28 minutes	31 minutes	28 minutes	29 minutes
Arrivals	8 minutes	8 minutes	8 minutes	9 minutes	8 minutes	8 minutes

Source: HAL MTI performance reporting April 2025 - September 2025.

1.17 We maintain that setting these targets in the context of a reputational incentive is appropriate as it recognises that, while performance is affected by factors beyond HAL's control, HAL does have a key role in mitigating, managing and co-ordinating actions in response to ongoing performance issues. Our view is that these targets represent an appropriate level of backstop protection for consumers based on historical performance levels.

An Airport that meets my Needs target

1.18 We note AOC/LACC support on our proposal for the "An Airport that meets my Needs" measure, 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 of the extent to which consumers in each terminal agree that the airport meets their needs.

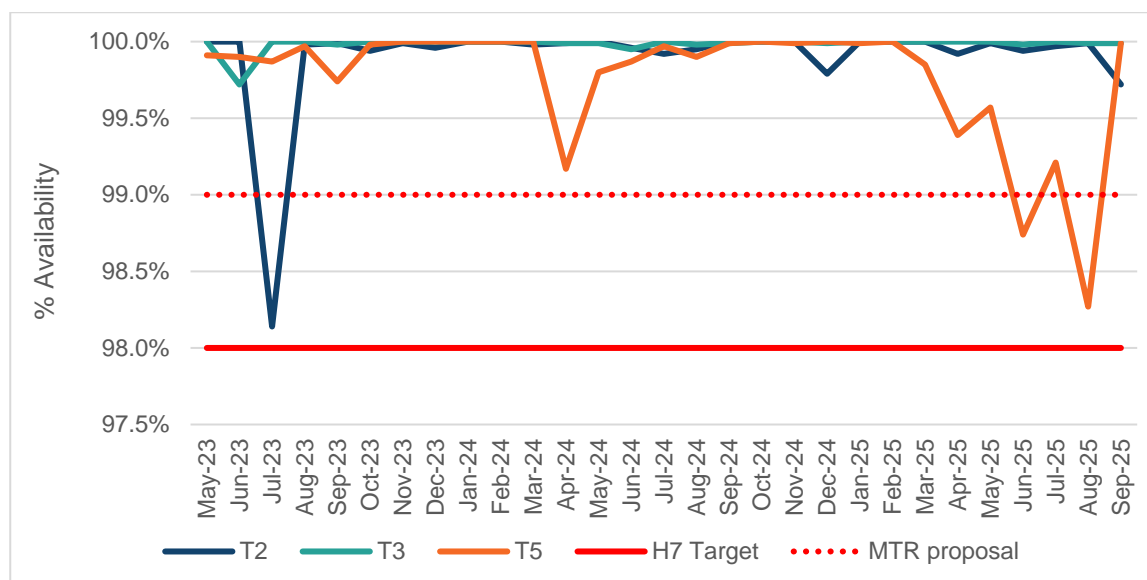
Wi-fi satisfaction target

- 1.19 Wi-fi satisfaction performance remains strong with the recent exception of Terminal 5 where performance has fallen in the last 6 months from a 4.17 score in February 2025 to a 4.06 score in August 2025. This most recent score is the lowest performance in a ten-year period for Terminal 5. Our assessment is that as other terminals are maintaining strong performance levels, and that Terminal 5 performance in the H7 period has generally been in excess of the proposed 4.10 target level, that the increase to the cautious 4.05 score target level adopted at the start of the H7 period remains reasonable. Ensuring provision of a good wi-fi service is important so that consumers have access to information and enjoy their time at the airport as part of their journey. Our expectation is that HAL should be looking to address the decline in Terminal 5 performance.

Pre-Conditioned Air availability target

- 1.20 As part of our consideration of the proposed PCA availability target increase, from 98 percent to 99 per cent, we have engaged further with HAL and the AOC/LACC following the submission of stakeholder responses to the Final Proposals. We have sought to understand in more detail stakeholders' views on PCA availability performance, the delivery into operation of new PCA units, the change management challenge, and the benefits to consumers of PCA investment and improved performance.
- 1.21 It is evident that, since the rollout of new PCA units in Terminal 5 started in March 2025, previously high performance levels close to 100 per cent have declined to between 98 per cent and 99 per cent, as shown in Figure 1.1, for a period before returning to near 100 per cent. Meanwhile other terminals with the older PCA units have maintained availability performance at or close to 100 per cent over the same period.

Figure 1.1: Pre-Conditioned Air availability performance and targets



Source: CAA analysis

- 1.22 Our assessment should be seen in the context of actively encouraging HAL to continue the investment and introduction of new PCA equipment. Over time this investment should maintain and improve the service performance levels and provision of air-conditioning that consumers experience and benefit from on-board the aircraft, and to reduce carbon emissions at the airport (as there should be a reduction in the use of aircraft auxiliary power units).
- 1.23 We consider that the additional information provided by HAL and the recent performance data for Terminal 5 suggest some degree of challenge to maintaining the broader availability performance levels during the period immediately after the introduction of new equipment and over the remainder of the H7 period. In some instances the historical availability performance has reflected low usage of the older PCA units. Meanwhile, the introduction of new PCA units, while impacting short term performance levels, is driving increased usage by airlines and ground handlers with benefits for consumers and reductions in carbon emissions at the airport.
- 1.24 Bearing the above circumstances in mind it is appropriate to defer the proposed target increase in H7. Otherwise, HAL could be required to make substantial rebates without having a reasonable opportunity to address the underlying performance issues associated with the rollout of new PCA units. However, we do not necessarily agree with HAL's position that these challenges should result in a deferral into the H8 period itself. We note that the most recent performance in Terminal 5 for September 2025 has returned to near 100 per cent indicating that performance will vary. Our working assumption is that as HAL and their suppliers should address the initial performance and reliability issues in Terminal 5 that they

should be able to better manage and mitigate the performance challenges when they start the rollout into Terminal 2 and Terminal 3 in the early part of H8.

- 1.25 Our present view is that a 99 per cent target will be appropriate from the start of the H8 period, but we remain open to further representations on these matters as part of the H8 price review and will take a final decision on these matters as part of that process. We also note that HAL and airlines may be able to agree appropriate temporary exclusions for the installation of new PCA units and that this may allow a more agile means of balancing the rollout with overall performance levels during the H8 period.

Check-in infrastructure availability target

- 1.26 Check-in infrastructure availability performance continues to remain broadly within the 98 per cent to 99 per cent range since we published our Final Proposals, except for Terminal 2 performance in June 2025, which fell marginally below the 98 per cent standard.¹² We remain of the view that our assessment of this measure for Common Use Self-Service and Self-Service Bag Drops is reasonably calibrated with the target at 98 per cent. We consider that the target level and scope of the measure can be further reviewed as part of the H8 price control review.

Other issues

- 1.27 As for other issues raised by stakeholders our views are summarised as follows:
- we note HAL's statement about its approach to the MTI framework in its business plan;
 - we note the AOC/LACC's proposal for consideration of daily measurement of vehicle queue times at control posts and its concerns on the perceived layering of regulatory risk protections on HAL. We consider that along with other issues, such as a financial incentive for baggage performance and increased targets and wider scope for check-in infrastructure availability, that these are more most appropriately dealt with as part of the ongoing H8 price control review process.

Our Decision

- 1.28 Based on our assessment and views set out above, consistent with our statutory duties and the scope of the Review, our final decisions are:

¹² June 2025 Terminal 2 Check-in Infrastructure availability was 97.98%, just below the 98.00% target. See [Heathrow Performance Report: Measures, Targets and Incentives – June 2025](#), pages 2-3 and 5-6.

- 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; and
- 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.

1.29 The licence modifications to implement these decisions are set out in Appendix B.

1.30 Our decision on the Pre-Conditioned Air availability target is that it would be reasonable to defer the proposed increase from 98 per cent to 99 per cent for the remainder of the H7 period. We will address the appropriate target level to apply from the start of H8 and stakeholders will be able to make representations on this as part of the price control review process. We have amended our licence modifications and set out our reasons for not taking forward the proposed target increase for PCA availability in Appendix C.

CHAPTER 2

Clarifications to the Licence and other matters

Introduction

- 2.1 The Final Proposals provided further detail on our approach to address 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 focused on more effective reporting of airport MTI performance and facilitating ongoing information sharing between HAL and airlines. We consider that they would be in the interests of consumers by improving the clarity and, therefore, transparency and efficacy of the Licence.
- 2.2 This chapter summarises the Final Proposals on these matters and stakeholders' views on them before setting out our views and final decision.

Final Proposals

- 2.3 The Final Proposals set out proposed clarifications and updates to the Licence including an update to the list of performance measures to be published in terminals and changes to paragraph references. The clarifications and updates were:
- in Condition C1 Price Control: to update three paragraph references (C1.4(j), C1.5(l) and C1.13);
 - in the MTI scheme in Schedule 1, to:
 - (i) improve presentation of 10 QSM metrics (measures F1 to F4, R1 to R5, R7) – to clarify which are based on a:
 - a. moving annual average QSM score weighted by monthly passenger numbers (MAA QSM score); and
 - b. moving annual average percentage of passengers giving favourable responses (MAA QSM percentage), and to outline the calculation method for this;
 - (ii) clarify the definition of the Surface Access Customer Satisfaction Survey (SACS) metric (measure R6) – to state that performance is measured quarterly as a moving annual average QSM score;
 - (iii) clarify the definition of the Special Assistance Quality of Service Monitor (SpA QSM) metric (measure R8) – to state that performance is measured monthly as a moving annual average QSM score;
 - (iv) improve the presentation of Pier-served stand usage (measure F18) and Passenger injuries (measure R15);

- (v) to update references in paragraphs 6.5(d) and 6.13(d)(i); and
- (vi) to update the list of performance measures to be published in terminals ("Publication Requirements" for measures R12 to R15).

2.4 The Final Proposals also explained our approach to the changes within the Licence including that:

- the carbon measure annual performance should be published monthly on HAL's website, aligning this with the existing method for reporting the measure "% of UK population within 3 hours (and one interchange) of the Airport by public transport";¹³ and
- the publication requirements for MTI reporting in Schedule 1 section 7 paragraph 7.2(b) of the Licence should be modified to align with those set out in Schedule 1 Table 8 of the Licence.¹⁴ Modification (vi) in the previous paragraph removes measures R12 Airport Departures Management, R13 Airport Arrivals Management, R14 Percentage of UK population within 3 hours (and one interchange) of Heathrow by public transport, and R15 Passenger injuries from the list at paragraph 7.2(b).

Summary of stakeholders' views

2.5 AOC/LACC stated that the airline community supported the proposed licence clarifications. HAL made no comment on them.

Our views

2.6 As we said in the Final Proposals 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. We consider that these modifications will support these aims and improve the transparency of the regulatory regime, so furthering the interests of consumers. To that end, we have decided to implement these changes using the statutory licence modification procedure. The text of the modifications we have decided to make is set out in Appendix B.

Our Decision

2.7 The modifications we will make to the Licence to effect minor clarifications and updates, are set out in Appendix B alongside the proposed modifications from the Review.

¹³ See CAP3108 para 2.8 and 2.11, www.caa.co.uk/cap3108

¹⁴ See CAP3108 para 2.9-2.10 and 2.33-2.34, www.caa.co.uk/cap3108

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(6) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision to modify the Licence**

Introduction

- B1. This Appendix constitutes a notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") ("Notice") that the CAA has decided to modify the licence granted to HAL by the CAA under section 15 CAA12 on 13 February 2014 ("the Licence") to:
- modify the Licence as required to implement the decisions on the outcome of the Review set out in chapter 1; and
 - implement the clarifications to the Licence we have decided to make as discussed in chapter 2.
- B2. The 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 chapters 1 and 2 of this decision, those reasons and effects are deemed to be incorporated in this Notice. Those chapters also set out how we have taken account of stakeholders' responses to the Final Proposals and the notice under section 22(2) contained in it. The modifications we have decided to make under section 22(6) CAA12 are unchanged from those set out in that earlier notice with the exception of the proposed target increase for the Pre-Conditioned Air measure. The reasons for not modifying the licence are set out separately in Appendix C of this document.
- B4. All the modifications set out in this Appendix will take effect on 1 January 2026 (subject to any appeal to the CMA).

What the modifications cover

- B5. 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 1.15);
 - 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 1.16 to 1.17);

CAP3187 Notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision to modify the Licence

- 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 1.16 to 1.17);
- 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 1.18); and
- 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 1.19).

B6. We have also decided to clarify the Licence in the following ways:

- to update three paragraph references in Condition C1 Price Control (see chapter 2 at paragraph 2.3 first bullet); 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 paragraph 2.3 sub-bullet (i));
 - to clarify the definition of the Surface Access Customer Satisfaction Survey (SACS) metric – measure R6 (see chapter 2 at paragraph 2.3 sub-bullet (ii));
 - to clarify the definition of the Special Assistance Quality of Service Monitor (SpA QSM) metric – measure R8 (see chapter 2 at paragraph 2.3 sub-bullet (iii));
 - to improve the presentation of pier-served stand usage – measure F18 – and passenger injuries - measure R15 (see chapter 2 at paragraph 2.3 sub-bullet (iv));
 - to update two paragraph references (see chapter 2 at paragraph 2.3 sub-bullet (v)); and
 - to update the list of performance measures to be published in terminals – "Publication Requirements" for measures R12 to R15 (see chapter 2 at paragraph 2.3 sub-bullet (vi)).

B7. The modifications we have decided to make are set out below in the order that they appear in the Licence.

Licence modifications

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

B8. The CAA has decided to 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)

B9. The CAA has decided to 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).

B10. 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;

CAP3187 Notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision to modify the Licence

- (ii) Monthly survey results $s_{i,j,a}$ 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

CAP3187 Notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision to modify the Licence

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 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)

B11. The CAA has decided to 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)

B12. The CAA has decided to 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:

CAP3187 Notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision to modify the Licence

- (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

B13. The CAA has decided to 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 $b_m = F1$ 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)

B14. The CAA has decided to 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) $\text{PierPax}_{j,a}$ is the number of arriving and departing passengers accessing a pier served stand in month j in terminal a ;
- (b) $\text{TotalPax}_{j,a}$ 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) $\pi_{j,a}$ 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)

B15. The CAA has decided to 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 ~~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)

B16. The CAA has decided to 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) TouchingDownTime_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)

B17. The CAA has decided to 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

CAP3187 Notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision to modify the Licence

Reputationally incentivised measures in the other metrics group	
R10	Baggage misconnect rate
R11	Departures flight punctuality
R12	Airport departures management
R13	Airport arrivals management
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

CAP3187 Notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision to modify the Licence

^{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).

B18. The CAA has decided to 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)

B19. The CAA has decided to 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	Unrestricted	4.10 4.05

CAP3187 Notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision to modify the Licence

i	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
		of passengers, for the latest available month		

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

B20. The CAA has decided to 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

APPENDIX C

Notice under section 22(5) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision not to modify the Licence

Introduction

- C1. This Appendix constitutes a notice under section 22(5) of the Civil Aviation Act 2012 ("CAA12") ("Notice") that the CAA has decided not to modify the licence granted to HAL by the CAA under section 15 CAA12 on 13 February 2014 ("the Licence") to implement the proposal to increase the target for the Pre-Conditioned Air availability measure which was discussed in the Final Proposals and further in chapter 1 of this decision.
- C2. Where the reasons for not making the modification set out in this Notice are set out in chapter 1 of this decision, those reasons are deemed to be incorporated in this Notice. This notice sets out where those reasons are to be found. The relevant chapter also sets out how we have taken account of stakeholders' responses to the Final Proposals and the notice under section 22(2) contained in it.

Proposal and Reasons for not modifying the Licence

- C3. The proposal to increase the PCA availability target and the reasons for not modifying the licence as proposed in the OBR mid-term review final proposals are set out as follows in this document:
- The rationale and proposal to increase the PCA availability target as set out in the Final Proposals (see chapter 1 at paragraph 1.2);
 - A summary of stakeholder views to the Final Proposals:
 - HAL (see chapter 1 paragraph 1.6); and
 - AOC/LACC (see chapter 1 paragraph 1.10);
 - Our approach to considering responses to Final Proposals and subsequent further engagement with stakeholders (see chapter 1 paragraph 1.20);
 - Our assessment of PCA performance and the issues raised by stakeholders (see chapter 1 paragraphs 1.21 to 1.23); and
 - Our consideration of the reasons and our decision not to modify the licence to increase the PCA availability target (see chapter 1 paragraphs 1.24 to 1.25).

Our Decision

- C4. Based on the reasons set out above, consistent with our statutory duties and the scope of the Review, our final decision is not to modify the Licence to increase the Pre-Conditioned Air availability measure target, but to maintain it at 98 per cent.