Heathrow Airport Limited

2010-11 Actuals to Table 6-3 Variance Analysis

Year ended 31 March 2011

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Introduction

This report provides users with explanations of variances between actual results in the Trading Statement to those included within the CAA forecast for activities identified as 'Specified Activities' within Table 6-3 of the 'Economic Regulation of Heathrow and Gatwick Airports 2008-2013', CAA decision dated 11th March 2008 for the year ending 31st March 2011.

The CAA forecast for Specified Activities lists the revenue that is forecast to be generated by Heathrow Airport (ie. third party revenue) for the fifth quinquennium (Q5). This forecast is based on certain assumptions and any derivation from this forecast is required to be explained and justified to users and the CAA.

The specified activities are:

- Baggage, Check-in desks and Common Use Self Service Machines (CUSS)
- Other Desk Licences
- Staff Car Parking
- Airside Licences
- Electricity
- Fixed Electrical Ground Power (FEGP)
- Heating and Ventilation
- Water and Sewerage
- Security Documentation
- Bus and Coach Services

The variance analysis has been made against third party elements of the actuals for the period 1st April 2010 to 31st March 2011.

This paper includes Table 6-3 for Q5 and an update showing this table uplifted to nominal prices using RPI for 2010/11 from The Office for National Statistics (ONS), and Oxford Economic Forecast (OEF) for future years. The RPI uplift is applied to provide a consistent comparison between CAA forecast and actuals in nominal prices (ie. current year prices). These variances are explained on the following sheets.

As charges for Passengers with Reduced Mobility (PRMs) were not included in the Q5 Settlement they have not been analysed in this report.

RPI						2.97%	0.46%	4.96%	4.70%	3.20%	**Trading Statement**	**Variance to Table 6-3**
Index						1.030	1.034	1.086	1.137	1.173		
											2010-11	
£m	**Breakdown Table 6.3 in 07/08p**					**Breakdown Table 6.3 in Outturn**						
Baggage, Check-in & CUSS	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**		
Income	**89.081**	**86.720**	**87.721**	**87.361**	**89.472**	**91.727**	**89.703**	**95.242**	**99.309**	**104.963**	**108.948**	**13.706**
Direct Cost	82.3	79.1	79.4	78.3	79.8	84.703	81.852	86.196	89.043	93.593	98.285	(12.089)
Annuity	0	0	0	0	0	-	-	-	-	-	0.000	0.000
Allocated Costs	6.8	7.6	8.3	9.0	9.7	7.024	7.851	9.045	10.266	11.370	9.045	0.000
Total costs	**89.081**	**86.720**	**87.721**	**87.361**	**89.472**	**91.727**	**89.703**	**95.242**	**99.309**	**104.963**	**107.330**	**(12.088)**
											1.618	
Staff Car Parking	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**		
Income	**19.510**	**19.570**	**19.550**	**19.530**	**19.500**	**20.089**	**20.243**	**21.226**	**22.201**	**22.876**	**22.764**	**1.538**
Direct Costs	7.853	7.871	7.857	7.843	7.826	8.086	8.142	8.531	8.916	9.181	9.343	(0.812)
Annuity	7.453	7.480	7.476	7.472	7.464	7.674	7.737	8.117	8.494	8.756	6.251	1.865
Allocated Costs	4.204	4.219	4.217	4.215	4.210	4.329	4.364	4.579	4.791	4.939	4.579	0.000
Total costs	**19.510**	**19.570**	**19.550**	**19.530**	**19.500**	**20.089**	**20.243**	**21.226**	**22.201**	**22.876**	**20.173**	**1.053**
											2.591	
Airside Licences	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**		
Income	**0.780**	**0.780**	**0.780**	**0.780**	**0.780**	**0.803**	**0.807**	**0.847**	**0.887**	**0.915**	**0.755**	**(0.092)**
Direct Costs	0.378	0.378	0.378	0.378	0.378	0.390	0.391	0.411	0.430	0.444	0.889	(0.478)
Annuity	0.041	0.041	0.041	0.041	0.041	0.042	0.042	0.044	0.046	0.048	0.044	0.000
Allocated Costs	0.361	0.361	0.361	0.361	0.361	0.371	0.373	0.392	0.410	0.423	0.392	(0.000)
Total costs	**0.780**	**0.780**	**0.780**	**0.780**	**0.780**	**0.803**	**0.807**	**0.847**	**0.887**	**0.915**	**1.325**	**(0.478)**
											(0.570)	
Electricity	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**		
Income	**29.490**	**28.750**	**28.420**	**27.920**	**28.970**	**30.366**	**29.739**	**30.859**	**31.738**	**33.986**	**21.758**	**(9.101)**
Direct Costs	22.212	21.478	21.375	20.957	21.754	22.871	22.217	23.208	23.823	25.521	16.052	7.156
Annuity	4.771	4.764	4.618	4.565	4.727	4.913	4.928	5.014	5.190	5.545	5.014	(0.000)
Allocated Costs	2.510	2.507	2.430	2.402	2.487	2.585	2.593	2.638	2.731	2.918	2.638	(0.000)
Total costs	**29.493**	**28.749**	**28.422**	**27.925**	**28.968**	**30.369**	**29.737**	**30.859**	**31.744**	**33.984**	**23.704**	**7.155**
											(1.946)	
Fixed Electrical Ground Power	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**		
Income	**7.180**	**7.160**	**7.120**	**7.090**	**7.060**	**7.393**	**7.406**	**7.730**	**8.060**	**8.282**	**6.625**	**(1.105)**
Direct Costs	3.094	3.085	3.055	3.042	3.038	3.186	3.191	3.317	3.458	3.564	3.270	0.047
Annuity	2.078	2.072	2.089	2.079	2.054	2.140	2.143	2.268	2.363	2.409	2.268	(0.000)
Allocated Costs	2.008	2.003	1.977	1.969	1.968	2.067	2.072	2.146	2.239	2.309	2.146	(0.000)
Total costs	**7.180**	**7.160**	**7.120**	**7.090**	**7.060**	**7.393**	**7.406**	**7.730**	**8.060**	**8.282**	**7.684**	**0.046**
											(1.059)	
Heating and Ventilation	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**		
Income	**0.980**	**0.950**	**0.930**	**0.910**	**0.890**	**1.009**	**0.983**	**1.010**	**1.034**	**1.044**	**1.412**	**0.402**
Direct Costs	0.702	0.681	0.666	0.652	0.638	0.723	0.704	0.724	0.741	0.748	0.932	(0.209)
Annuity	0.565	0.548	0.536	0.525	0.513	0.582	0.567	0.582	0.597	0.602	0.582	0.000
Allocated Costs	0.299	0.290	0.284	0.278	0.272	0.308	0.300	0.308	0.316	0.319	0.308	0.000
Total costs	**1.567**	**1.519**	**1.487**	**1.455**	**1.423**	**1.613**	**1.571**	**1.614**	**1.654**	**1.669**	**1.822**	**(0.208)**
											(0.410)	
Water & Sewerage	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**		
Income	**0.950**	**0.930**	**0.930**	**0.930**	**0.930**	**0.978**	**0.962**	**1.010**	**1.057**	**1.091**	**0.578**	**(0.432)**
Direct Costs	0.598	0.597	0.600	0.605	0.610	0.616	0.617	0.651	0.687	0.715	0.716	(0.065)
Annuity	0.163	0.156	0.152	0.149	0.146	0.167	0.161	0.165	0.169	0.171	0.165	(0.000)
Allocated Costs	0.189	0.181	0.176	0.173	0.170	0.195	0.187	0.192	0.197	0.199	0.192	(0.000)
Total costs	**0.950**	**0.934**	**0.928**	**0.927**	**0.926**	**0.978**	**0.966**	**1.008**	**1.054**	**1.086**	**1.073**	**(0.065)**
											(0.495)	
Security ID	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**		
Income	**2.730**	**2.750**	**2.780**	**2.800**	**2.730**	**2.811**	**2.845**	**3.018**	**3.183**	**3.203**	**2.964**	**(0.054)**
Direct Costs	1.327	1.337	1.351	1.361	1.327	1.366	1.383	1.467	1.547	1.556	1.287	0.180
Annuity	0.079	0.080	0.081	0.081	0.079	0.081	0.082	0.088	0.092	0.093	0.088	(0.000)
Allocated Costs	1.324	1.334	1.348	1.358	1.324	1.363	1.379	1.464	1.544	1.553	1.464	(0.000)
Total costs	**2.730**	**2.750**	**2.780**	**2.800**	**2.730**	**2.811**	**2.845**	**3.018**	**3.183**	**3.203**	**2.839**	**0.179**
											0.125	
Bus and Coach	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**		
Income	**1.390**	**1.390**	**1.390**	**1.390**	**1.390**	**1.431**	**1.438**	**1.509**	**1.580**	**1.631**	**1.560**	**0.051**
Direct Costs	0.109	0.109	0.109	0.109	0.109	0.113	0.113	0.119	0.124	0.128	1.578	(1.459)
Annuity	0.783	0.783	0.783	0.783	0.783	0.806	0.810	0.850	0.890	0.919	0.850	0.000
Allocated Costs	2.523	2.523	2.523	2.523	2.523	2.598	2.610	2.739	2.868	2.960	2.739	0.000
Total costs	**3.415**	**3.415**	**3.415**	**3.415**	**3.415**	**3.517**	**3.533**	**3.708**	**3.882**	**4.007**	**5.167**	**(1.459)**
											(3.607)	

Baggage, Check-In & CUSS
2010-11

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 10/11 Trading Statement	111,457				
09/10 bfwd (under) / over recovery	(1,315)				
NRCG dispute settlement	(1,194)				
Total Revenue	**108,948**	**95,242**	**13,706**	Actuals reflect pricing increase to cover cost changes below	
				Additional scope - ITO operation (5T)	(900)
				Additional scope - T1 - T4 Tunnel operating at fuller capacity than previously assumed	(400)
				Additional scope - T1 OOG assumed closed	(105)
				Additional scope - T1 prolongation	(50)
				Additional scope - Terminal 4 Ancilliary Baggage Facility	(218)
				Additional scope- T4 following transfer of responsibilities from BA	(900)
				Additional scope - T4IB	(300)
				Additional scope - T4 OOG	(67)
				Under estimated T5 O&M costs, now based on actuals and reflecting extended scope.	(4,500)
				Additional scope- Building 560/Baggage Recovery Facility	(1,522)
				Check-in & CUSS - check-in under estimated and CUSS fully recovered	(3,000)
				Other minor items and cost savings	(127)
Direct Expenditure	**98,285**	**86,196**	**(12,089)**		**(12,089)**
Allocated costs	**9,045**	**9,045**	**(0)**		
Net (under) / over recovery at 31 March 2011	**1,618**	**0**	**1,618**		

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

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Staff Car Parking
2010-11

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 10/11 Trading Statement	21,936				
09/10 bfwd (under) / over recovery	828			Pricing adjusted to reflect cost increases	3,110
				Decrease in 3rd party share from 81% per Table 6-3 to 75% per Actuals	(1,572)
Total Revenue	**22,764**	**21,226**	**1,538**		**1,538**
				Additional staffing and maintenance costs	(91)
				Coaching & Fuel - additional schedules and increased fuel costs.	(1,260)
				Rent & Rates	(115)
				Passenger Transport Levy	21
				Decrease in 3rd party share from 81% per Table 6-3 to 75% per Actuals	632
Direct Expenditure	**9,343**	**8,531**	**(812)**		**(812)**
Allocated costs and Annuity	**10,830**	**12,695**	**(1,865)**	The annuity for terminal adjacent car parks has been adjusted in accordance with the release of spaces	
Net (under) / over recovery at 31 March 2011	**2,591**	**0**	**726**		

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

Airside Licences
2010-11

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 10/11 Trading Statement	871				
09/10 bfwd (under) / over recovery	(116)				(33)
				Decrease in 3rd party share from 100% per Table 6-3 to 93% per Actuals	(59)
Total Revenue	**755**	**847**	**(92)**		**(92)**
				Increased direct staff costs to reflect agreed focus on airside activities.	(318)
				Property Related	8
				Maintenance & Equipment	(65)
				General Costs	(132)
				Decrease in 3rd party share from 100% per Table 6-3 to 93% per Actuals	29
Direct Expenditure	**889**	**411**	**(478)**		**(478)**
Allocated costs and Annuity	**436**	**436**	**0**		
Net (under) / over recovery at 31 March 2011	**(570)**	**0**	**(570)**		

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

Electricity
2010-11

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 10/11 Trading Statement	20,804				
09/10 bfwd (under) / over recovery	954				
				Pricing adjusted to reflect cost decreases	(2,460)
				Decrease in 3rd party share from 39.5% per Table 6-3 to 31% per Actuals	(8,895)
Total Revenue	**21,758**	**30,859**	**(9,101)**		**(9,101)**
				Reduced consumption and costs	2,162
				Decrease in 3rd party share from 39.5% per Table 6-3 to 31% per Actuals	7,156
Direct Expenditure	**16,052**	**23,208**	**7,156**		**7,156**
Allocated costs and Annuity	**7,651**	**7,651**	**0**		
Net (under) / over recovery at 31 March 2011	**(1,945)**	**0**	**(1,945)**		

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

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Fixed Electrical Ground Power (FEGP)
2010-11

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 10/11 Trading Statement	5,586				
09/10 bfwd (under) / over recovery	1,039				
Total Revenue	**6,625**	**7,730**	**(1,105)**	Pricing adjusted to reflect prior year over-recovery	**(1,105)**
				Higher electricity usage	(60)
				Reduced maintenance costs	107
Direct Expenditure	**3,270**	**3,317**	**47**		**47**
Allocated costs and Annuity	**4,414**	**4,414**	**0**		
Net (under) / over recovery at 31 March 2011	**(1,059)**	**0**	**(1,059)**		

Income is charged per qtr hour periods, whereas Electricity costs represents the actual cost of the electricity supplied.

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

Heating & Ventilation
2010-11

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance
Revenue per 10/11 Trading Statement	1,412			
Total Revenue	**1,412**	**1,010**	**402**	T5 Energy Centre costs were not included in the Table 6-3 submission, neither was the reduction in the other boiler houses caused by the relocated usage. The additional costs and revenue reflect the net increase in the provision of H&V facilities.
Direct Expenditure	**931**	**724**	**(207)**	T5 Energy Centre costs were not included in the Table 6-3 submission, neither was the reduction in the other boiler houses caused by the relocated usage. The additional costs and revenue reflect the net increase in the provision of H&V facilities.
Allocated costs and Annuity	**891**	**891**	**0**	
Net (under) / over recovery at 31 March 2011	**(410)**	**(604)**	**195**	

Note: Heating & Ventilation income is based upon rents agreed by the AOC rents group, therefore any (under)/over recoveries are not rolled forward into the following year's price setting.

Water & Sewerage
2010-11

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 10/11 Trading Statement	435				
09/10 bfwd (under) / over recovery	143			Pricing adjusted to reflect cost decreases and prior year over-recovery	(556)
				Increase in 3rd party share from 16% per Table 6-3 to 18% per Actuals	126
Total Revenue	**578**	**1,008**	**(430)**		**(430)**
				Small cost savings	17
				Increase in 3rd party share from 16% per Table 6-3 to 18% per Actuals	(81)
Direct Expenditure	**716**	**651**	**(65)**		**(65)**
Allocated costs and Annuity	**356**	**356**	**0**		
Net (under) / over recovery at 31 March 2011	**(494)**	**(0)**	**(494)**		

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

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Security Documentation
2010-11

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 10/11 Trading Statement	3,346				
09/10 bfwd (under) / over recovery	(382)			Pricing adjusted to reflect prior year under-recovery	52
				Decrease in 3rd party share from 85% per Table 6-3 to 82% per Actuals	(107)
Total Revenue	**2,964**	**3,018**	**(54)**		**(54)**
				Staff savings	238
				Property	116
				Purchase of cards, card holders, lanyards etc	(226)
				Decrease in 3rd party share from 85% per Table 6-3 to 82% per Actuals	52
Direct Expenditure	**1,287**	**1,467**	**180**		**180**
Allocated costs and Annuity	**1,551**	**1,551**	**(0)**		
Net (under) over / recovery at 31 March 2011	**125**	**0**	**125**		

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

Bus & Coach
2010-11

3rd Party Element only

	Trading Statement £'000	**Table 6-3 £'000**	**Variance Table 6-3 £'000**	**Commentary on variance**	**£'000**
Revenue per 10/11 Trading Statement	1,560			Underlying decrease in income	(259)
				Increase in 3rd party share from 73% per Table 6-3 to 88% per Actuals	**310**
Total Revenue	**1,560**	**1,509**	**51**		**51**
				Staff	(26)
				Property Related	(40)
				Maintenance & Equipment	(345)
				Management fees	(1,023)
				Increase in 3rd party share from 73% per Table 6-3 to 88% per Actuals	(25)
Direct Expenditure	**1,578**	**119**	**(1,459)**		**(1,459)**
Allocated costs and Annuity	**3,589**	**3,589**	**(0)**		
Net (under) / over recovery at 31 March 2011	**(3,607)**	**(2,199)**	**(1,409)**		

Note: Bus and Coach income is based upon commercial agreements with suppliers, therefore any (under)/over recoveries are not rolled forward into the following year's price setting.

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