Heathrow Airport

Airport Charges for 2015

Consultation Document

Date: 1 August 2014

Prepared by: Heathrow Airport Limited

Heathrow
Making every journey better

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Executive Summary

This document frames Heathrow's consultation on the level of airport charges for 2015. Heathrow is proposing to set 2015 prices to recover the maximum allowable yield permitted by the Regulator. The forecast maximum allowable yield for 2015 is £22.627 per passenger, which is a 2.3% reduction compared to the 2014 maximum allowable yield.

The proposed charges are in line with the four year, nine month price cap (2014 to 2018), which limits the increase in the price cap to RPI plus -1.5%. The Regulatory Year 2015 will be the first year in Q6 that has a full twelve month period that aligns to the 31 December year end, whereas 2014 was a nine month Regulatory Period from 1 April 2014 to 31 December 2014.

The following summary sets out the rationale for Heathrow's proposal to recover the forecast maximum allowable yield.

Heathrow's ambition is to be "Europe's hub of choice and UK's direct connection to the world by making every journey better" by being as good as the world's best airports. The recent opening of Terminal 2 has further improved facilities for passengers and airlines.

Heathrow will maintain its focus on the continuous improvement of passenger experience, punctuality and resilience. Passenger demand continues to outstrip supply at Heathrow and extensive capital expenditure of the past decade needs to be recovered.

Publication of this consultation document initiates the consultation process. Heathrow will be holding a consultation meeting on 19 September 2014. To help inform the consultation, Heathrow requests written responses from the airline community by 2 October 2014. Heathrow will then consider all comments received during the consultation period, with a view to issuing a decision on 31 October 2014, for implementation from 1 January 2015.

Finally, Heathrow will review the future structure of charges, and plan to carry out a consultation on the structure of airport charges in 2015, with any changes implemented on 1 January 2016.

Chapter 1 – Introduction and Consultation Programme

Purpose

1.1 The purpose of this document is to set out Heathrow's proposal for the level of airport charges and invites the airline community to provide views on the proposals.

1.2 Heathrow is proposing to set airport charges for 2015 to recover the forecast maximum allowable yield.

1.3 This consultation document sets out the calculations for the 2015 forecast maximum allowable yield based on the CAA's Q6 price control licence condition.

1.4 This document also includes information on major capital investment projects subject to capital triggers, passenger forecasts/actuals and financial information on revenues and costs.

Economic Regulation

1.5 In December 2012, the Civil Aviation Act 2012 (the Act) came into force. The Act allows the CAA to set the maximum yield per passenger that may be levied by Heathrow through the application of the price control conditions under a new licence.

1.6 2015 is the second year of the sixth *regulatory period* at Heathrow. The basis of the price control regulation is the application of the RPI-X formula under Single Till regulation to determine the maximum airport charge revenue yield. 2015 will be the first year in the sixth regulatory period with a full twelve month year that aligns to year end 31 December.

1.7 Airport charges are levied on operators of aircraft in connection with the landing, parking or take off of aircraft at the airport (including charges that are to any extent determined by reference to the number of passengers on board the aircraft)[1].

1.8 The CAA also imposes service quality conditions and the requirement for consultation on capital investment and other regulated charges.

1.9 The CAA conditions for service quality measures penalise Heathrow if it fails to meet the assigned targets. The service quality measures include; seat availability; cleanliness; way-finding; flight information; passenger-sensitive equipment; arrivals reclaim; stands; jetties; pier service; fixed electrical ground power; pre-conditioned air; central security queuing; transfer security queuing; staff security queuing; control post queuing; stand entry guidance and track transit system. Further details

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[1] The Airport Charges Regulations 2011

on the service quality measures, including targets and penalties, can be found at www.heathrowairport.com[2].

1.10 Details of Heathrow's capital investment plan can be found at www.heathrowairport.com[3], a list of other regulated facilities and services can be found at www.heathrowairport.com/orc and a list of property accommodation can be found at www.heathrowairport.com/property. In addition, the full schedule of airport charges is listed in the Conditions of Use, which can be found at www.heathrowairport.com/cou.

Consultation Programme

1.11 Heathrow will be consulting on the level of charges with the airline community and will then announce its decision on 31 October 2014. The publication of this consultation document is the start of our consultation on the annual setting of 2015 airport charges.

1.12 The consultation programme is as follows:

Table 1

Date	Milestone
1 Aug 2014	Publication of Heathrow consultation document
19 Sep 2014	Consultation meeting
2 Oct 2014	Airline written responses due
31 Oct 2014	Heathrow announces 2015 prices
1 Jan 2015	Prices applicable from

1.13 The consultation meeting will be held on 19 September 2014, which will provide the airline community with the opportunity to comment on the price proposals. The meeting will be open to all airlines and their representative bodies.

Date: Friday 19 September 2014
Time: 10:00 to 12:00
Location: Heathrow Academy
                   Newall Road
                   Hayes
                   Middlesex
                   UB3 5AP

1.14 Please let us know if you would like to attend the consultation meeting using the contact details provided in the "how to respond" section.

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[2]http://www.heathrowairport.com/about-us/company-news-and-information/performance/airport-operations/service-quality-rebate-and-bonus-scheme
[3]http://www.heathrowairport.com/about-us/investor-centre/document-centre/capital-investment-plans

How to Respond

1.15 We invite interested parties to submit written responses to the proposals set out in this document by 2 October 2014. Responses should be sent to: airline_relations@heathrow.com

1.16 Alternatively, comments may be posted to:

Airline Business Development
The Compass Centre
Nelson Road
Hounslow
Middlesex
TW6 2GW
UK

Or, if you have any questions on the consultation document or consultation process, please contact Airline Business Development on the above e-mail address.

Please clearly mark any confidential information in responses to this consultation.

Consultation programme for structure of charges

1.17 The last structural review that Heathrow conducted was in 2010, which was implemented on 1 April 2011. The airline community has since requested that Heathrow conducts a further structural review of airport charges.

1.18 Heathrow has committed to the airline community that it will review its structure of charges through a consultation process that will be held in 2015, and the output of that consultation will be implemented for charges effective on 1 January 2016.

1.19 Ahead of the formal consultation process in 2015, Heathrow will hold two engagement sessions towards the end of this year that will be used to discuss strategic objectives and how these can be best met through the structure of charges.

1.20 Details of the engagement sessions and the structure of charges consultation process will be made available nearer the time.

Chapter 2 – Calculating the Maximum Allowable Yield

Calculating the Maximum Allowable Yield - The "formula"

2.1 Based on the CAA's Q6 price control licence condition the following price formula has been used for calculation of the 2015 yield:

$$M_{2015} = \left(1 + RPI_{t-1} + X + B_{t-2}\right)Y_{t-1} + \frac{D_t}{Q_t} - \frac{T_t}{Q_t} + \frac{BR_t}{Q_t} - K_t$$

Where:

M_{2015}	=	maximum average revenue yield per passenger using Heathrow airport in Regulatory Year ("2015") expressed in pounds.
RPI_{t-1}	=	is the percentage change (positive or negative) in the Office for National Statistics (ONS) CHAW Retail Price Index between April in year t-1 and the immediately preceding April. For 2015 this would be the change from April 2013 to April 2014.
X	=	-1.5%
B_{t-2}	=	bonus factor based on certain service quality performance.
Y_{t-1}	=	specified average revenue yield per passenger for the period t-1 (2014).
D_t	=	cumulative development capex adjustment.
BR_t	=	business rates revaluation factor.
T_t	=	reduction in maximum allowable charges when the airport has not achieved specific capital investment milestones associated with relevant projects (Triggers).
Q_t	=	forecast passengers using Heathrow airport in 2015.
K_t	=	correction factor (K Factor) per passenger (whether positive or negative value) for 2013/14.

2.2 The relevant year "2015", means the period of twelve months from 1 January 2015 to 31 December 2015.

Maximum allowable yield forecast for 2015

2.3   The combined impact of all the elements of the formula results in a forecast 2015 maximum allowable yield of £22.627 (passenger only flights). The full details of the formula are shown below.

Bonus Factor

2.4   The formula includes a bonus factor that allows the airport to recover a bonus when performance on certain service quality measures exceed a specified service standard. The bonus term in any given year is based on actual service quality, based on the two year period preceding the relevant year. The CAA has set out that the bonus for actual Q5 performance will continue to be recovered through the K Factor.

Cumulative development capex adjustment

2.5   The cumulative development capex adjustment, adjusts the maximum allowable yield to account for cumulative difference between the development capex allowance and forecast development capex spend. Heathrow forecast to use all the cumulative development capex allowance to 31 December 2015. Further detail is provided in Chapter 4.

Triggers

2.6   Triggers reduce the maximum allowable charges when the airport has not achieved particular capital investment project milestones on time. As at 1 July 2014, four trigger projects have been agreed with the airline community, and one trigger project, Reconfigure Stand 410, which falls into the 2015 Regulatory Year. Heathrow anticipates that all four agreed trigger projects will meet their completion milestone dates. Therefore in setting airport charges for 2015 there is no assumption for triggers and the value is set at zero.

2.7   Any trigger payment that may arise in 2015 due to new triggered projects will be corrected through the K Factor when setting 2017 airport charges.

Passengers

2.8   Heathrow passenger forecast for 2015 is 74,066k (twelve months – January 2015 to December 2015).

K Factor

2.9   The K Factor in the formula for 2015 has increased the maximum allowable yield to compensate for the unanticipated under-recovery against the maximum allowable yield in 2013/14, together with an allowance for interest.

2.10   The CAA has set out that the K Factor for 2013/14 will be calculated by reference to the conditions as to airport charges imposed in relation to the Airport under the Airports Act 1986 in force at 31 March 2014 (i.e. Q5 decision)[4].

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[4] Economic regulation at Heathrow from April 2014: Notice granting the licence, paragraph C1.6, page 85.

2.11 The Q5 decision sets out that the annual interest average from the beginning of September 2013 to the end of August 2014 shall be applied to the 2013/14 K Factor. However, given that this consultation is commencing on 1 August to meet the consultation timeframes in accordance with the Airport Charges Regulations 2011, Heathrow is unable to use the average of the full twelve months. Therefore Heathrow has applied the interest average from the beginning of September 2013 to the beginning of June 2014.

2.12 The K Factor calculation is shown in Chapter 3.

Application of the Regulatory Pricing Formula

2.13 Based on the regulatory pricing formula, the forecast maximum allowable yield for Heathrow in 2015 is set out below.

$$\text{M}_{2015} = \left(1 + RPI_{t-1} + X + B_{t-2}\right)Y_{t-1} + \frac{D_t}{Q_t} - \frac{T_t}{Q_t} + \frac{BR_t}{Q_t} - K_t$$

Where :

RPI_{t-1}	=	2.5%	
X	=	-1.5%	
B_{t-2}	=	0%	- recovered through the K Factor
Y_{t-1}	=	£22.261	
D_t	=	0	- this figure is a forecast
BR_t	=	0	- only applicable in 2018
T_t	=	0	- this figure is a forecast
Q_t	=	74,066k	- this figure is a forecast
K_t	=	(0.143)	- this negative figure is a forecast

Hence:

$$\text{M}_{2015} = \left(1 + RPI_{t-1} + X + B_{t-2}\right)Y_{t-1} + \frac{D_t}{Q_t} - \frac{T_t}{Q_t} + \frac{BR_t}{Q_t} - K_t$$

$$\text{M}_{2015} = (1 + 2.5\% + -1.5\% + 0\%)22.261 + \frac{0}{74,066} - \frac{0}{74,066} + \frac{0}{74,066} - (-0.143)$$

$$\text{M}_{2015} = (1.010 * 22.261) + 0 - 0 + 0 - (-0.143)$$

$$\text{M}_{2015} = 22.627$$

Charges in 2014

2.14 The forecast maximum allowable yield at Heathrow in 2014 was calculated at £23.155.

Table 2

Specified yield 2014	£22.261
Bonus	0.000
Cumulative development capex adjustment	0.000
Triggers	0.000
K factor from 2012/13 under recovery	0.894
Forecast 2014 maximum allowable yield	**£23.155**

Proposed pricing for 2015

2.15 Heathrow is proposing to set prices for 2015 to recover the forecast maximum allowable yield of £22.627 per passenger (details of the charges are shown in Chapter 6).

2.16 The 2015 maximum allowable yield reduces by 2.3% compared to the 2014 maximum allowable yield (covering the nine month period from April 2014 to December 2014). However the 2015 maximum allowable yield compared to the 2014 headline yield reduces by 6.1%. The headline yield reflects the yield that was used to recover the nine month period of airport charges over six months to take account of the delay in the 2014 increase to take effect from July 2014 rather than April 2014. Therefore the 2015 maximum allowable yield translates into an average reduction in the individual tariffs by 6.1%.

2.17 Furthermore, Heathrow is proposing to target the reduction in landing charges tariff across the noise chapters to further incentivise quieter aircraft at Heathrow. The impact of this is that Chapter 2 and Chapter 3 noise charges are proposed to be held at 2014 charge level and Chapter 4 noise chapters will reduce, whilst ensuring the overall structure of charges is maintained (i.e. landing at 21%, passenger charges at 75% and parking at 4%). The quieter noise chapters within Chapter 4 will benefit more from the reduction, namely Chapter 4 minus.

2.18 This proposal on noise chapters is consistent with the objectives and targets set in Heathrow's Noise Action Plan[5]. Where Heathrow is targeting, no Chapter 3 high by 2015, 97% Chapter 4 by 2015 and 100% Chapter 4 by 2020.

2.19 Full details of the individual tariffs are shown in chapter 6 and 7.

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[5] http://www.heathrowairport.com/noise/what-we-do-about-it/noise-action-plan

Chapter 3 - Correction Factor for 2013/14

The Correction factor

3.1   The K Factor sets out the level of over recovery or under recovery on a per passenger basis. This over recovery is when Heathrow exceeds the maximum allowable yield on a per passenger basis. The under recovery is when Heathrow does not achieve the maximum allowable yield on a per passenger basis. This over/under recovery generally reflects a change in mix of actual passengers and movements compared to the forecasts used to set the airport charges for that relevant year, trigger completion dates and recovery of actual service quality bonus.

3.2   The K Factor formula has a component to calculate the actual allowable yield, the K Factor formula is shown below:

$$K_t = \frac{R_{t-2} - (Q_{t-2}M_{t-2})}{Q_t}\left(1 + \frac{I_{t-2}}{100}\right)^{21/12}$$

Formula for 2013/14 actual maximum allowable yield

3.3   The combined impact of all the elements of the formula results in 2013/14 actual maximum allowable yield of £21.923 (passenger only flights). The section below presents the components of the formula.

3.4 M_{t-2} relates to 2013/14 and its calculation is shown below:

$$M_{2013/14} = \left(1 + \frac{RPI_{t-1} + X + B_t}{100}\right)Y_{t-1} - \frac{TRIGGER_t}{Q_t} - K_t$$

Where:

$M_{2013/14}$	=	actual maximum average revenue yield per passenger using Heathrow airport in relevant year (2013/14) expressed in £
RPI_{t-1}	=	August 2011 to August 2012
X	=	7.5
B_t	=	actual bonus factor in 2013/14
Y_{t-1}	=	£19.806 (specified yield)
$TRIGGER_t$	=	actual reduction in maximum allowable charges when the airport has not achieved particular capital investment project milestones on time
Q_t	=	actual passengers using Heathrow airport in relevant year 2013/14
K_t	=	correction factor per passenger

Application of the Regulatory Pricing Formula

3.5 Based on the regulatory pricing formula, the actual maximum allowable yield in 2013/14 for the K Factor is set out below.

$$M_{2013/14} = \left(1 + \frac{RPI_{t\text{-}1} + X + B_t}{100}\right) Y_{t\text{-}1} - \frac{TRIGGER_t}{Q_t} - K_t$$

Where: -

$RPI_{t\text{-}1}$	=	2.9
X	=	7.5
B_t	=	0.856
$Y_{t\text{-}1}$	=	£19.806
$TRIGGER_t$	=	£47,390k
Q_t	=	72,458k
K_t	=	-0.542

Hence;

$$M_{2013/14} = \left(1 + \frac{2.9 + 7.5 + 0.856}{100}\right) 19.806 - \frac{47,390}{72,458} - (-0.542)$$

$$M_{2013/14} = (1.11256 * 19.806) - 0.654 - (-0.542)$$

$$M_{2013/14} = 21.923$$

3.6 The actual maximum allowable yield for 2013/14 is £21.923.

3.7 The components of the formula are explained in the following sections.

Bonus term

3.8 The regulatory pricing formula includes a bonus component for performance of certain service quality measures, which will be recovered through the K Factor.

3.9 The CAA has decided through its Q6 price control licence condition to formalise the recovery of the bonus on actual performance based on two year lag. The recovery of the actual bonus for 2012/13 and 2013/14 will be recovered through the K Factor when setting charges for 2014 and 2015, respectively. The actual bonus for these two periods, 2012/13 and 2013/14, shall be calculated by reference to the conditions as to airport charges imposed to the Airport under the Airports Act 1986 in force at 31 March 2014[6].

3.10 The actual bonus for the period 2014 to 2018 shall be calculated by reference to the Licence Conditions that came into force 1 April 2014.

3.11 Therefore the 2013/14 actual performance is captured in the K Factor for 2013/14 in setting airport charges for 2015. The pricing formula set by the CAA is as follows:

$$B_t = \sum_{March}^{April} \sum_{\substack{Specified \\ Elements}} MAX\left[0, MIN\left[BNS(T1)_{kj}, BNS(T2)_{kj}, BNS(T3)_{kj}, BNS(T4)_{kj}, BNS(T5)_{kj}, BNS(HET)_{kj}\right]\right]$$

Table 3

"Specified Element"	Performance Metric	Lower performance limit (LPL$_k$)	Upper performance limit (UPL$_k$)	Maximum annual bonus (MAB$_k$)
Departure lounge seat availability	QSM	3.8	4.5	0.36
Cleanliness	QSM	3.9	4.5	0.36
Way-finding	QSM	4.0	4.5	0.36
Flight information	QSM	4.2	4.5	0.36
Passenger sensitive equipment (general)	Availability	99% of time	100% of time	0.40
Arrivals reclaim (Baggage Carousels)	Availability	99% of time	100% of time	0.40

3.12 Full details of the Q5 bonus formula is available in "Heathrow and Gatwick Airports, CAA price control proposals, November 2007, Chapter 5" and "Airport Regulation, Economic Regulation of Heathrow and Gatwick Airports 2008-2013, CAA decision, Annex C". In particular:

3.13 *"The total annual bonus would be built up from the aggregate of any monthly bonuses for each qualifying element over the year. The bonus receivable in respect of any month would be determined as follows:*

- *a bonus in respect of any element will only be payable if the minimum performance being achieved for that element in all terminals at that airport exceeds the standard in the SQR scheme. The scale of the bonus will be determined by the performance achieved in the worst performing terminal,*

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[6] Economic regulation at Heathrow from April 2014: Notice granting the licence, page 131.

thus providing that users would not be paying a bonus for a level of service higher than that achieved at their own terminal; and

- *the quantification of relevant bonuses will be based pro rata on where the monthly performance lies between an upper and lower performance limit and the maximum bonus in any particular month."[7]*

3.14 An example of the calculation is shown below for March 2014.

3.15 In March 2014, arrivals reclaim measure was applicable for the bonus term. The bonus term is determined by the performance of the lowest performing Terminal when all Terminals exceed the lower performance limit. In this month all Terminals exceeded the lower performance limit and Terminal 1 was the lowest performing Terminal. Therefore, Terminal 1 result is used to calculate the bonus term for that month.

T1 Actual performance result	= 99.63%
T2 Actual performance result	= 100.00%[8]
T3 Actual performance result	= 99.83%
T4 Actual performance result	= 99.79%
T5 Actual performance result	= 99.79%

$$BNS(T1)_{kj} = \frac{1}{12}.MAB_k.\frac{MP(T1)_{kj} - LPL_k}{UPL_k - LPL_k}$$

$MP(T1)_{kj}$	= 99.63%
LPL_k	= 99.00%
UPL_k	= 100.00%
MAB_k	= 0.40%

Hence:

$$BNS(T1)_{kj} = \frac{1}{12}.0.40\%.\frac{99.63\% - 99.00\%}{100\% - 99.00\%}$$

$BNS(T1)_{kj}$ = (0.033%)*((0.630%)/(1.000%))

$BNS(T1)_{kj}$ = 0.0210%

$BNS(T1)_{kj}$ = 0.021% (rounded to 3 decimal places)

3.16 An alternative to using percentages to calculate the bonus term as expressed above, is to divide the percentage by a multiple of 100 (i.e. 99.63/100 = 0.9963).

3.17 The formula is performed for all areas to determine the bonus term. The bonus term for 2013/14 is 0.856%. The breakdown of the full calculation is shown in Table 4.

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[7] Heathrow and Gatwick Airports, CAA price control proposals, November 2007, Chapter 5, page 68.
[8] For months including or after "Such Time as T2 is Decommissioned" then: $MP(T2)_{kj}$ = 100%.

Table 4

Departure lounge seating availability (QSM)	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
Terminal 1 (actual)	4.12	4.12	4.13	4.14	4.13	4.14	4.12	4.12	4.12	4.12	4.11	4.13	
Terminal 2 (actual)	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	
Terminal 3 (actual)	3.82	3.83	3.83	3.85	3.87	3.88	3.89	3.88	3.87	3.88	3.88	3.90	
Terminal 4 (actual)	4.19	4.20	4.19	4.18	4.19	4.20	4.18	4.18	4.18	4.19	4.19	4.20	
Terminal 5 (actual)	3.99	4.00	3.99	3.99	3.98	3.98	3.97	3.97	3.97	3.97	3.96	3.97	
BNS(T1)$_{KJ}$	0.0137%	0.0137%	0.0141%	0.0146%	0.0141%	0.0146%	0.0137%	0.0137%	0.0137%	0.0137%	0.0133%	0.0141%	
BNS(T2)$_{KJ}$	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	
BNS(T3)$_{KJ}$	0.0009%	0.0013%	0.0013%	0.0021%	0.0030%	0.0034%	0.0039%	0.0034%	0.0030%	0.0034%	0.0034%	0.0043%	
BNS(T4)$_{KJ}$	0.0167%	0.0167%	0.0167%	0.0163%	0.0167%	0.0171%	0.0167%	0.0163%	0.0163%	0.0167%	0.0167%	0.0171%	
BNS(T5)$_{KJ}$	0.0081%	0.0086%	0.0081%	0.0081%	0.0077%	0.0077%	0.0073%	0.0073%	0.0073%	0.0073%	0.0069%	0.0073%	
Bonus term =	0.0009%	0.0013%	0.0013%	0.0021%	0.0030%	0.0034%	0.0039%	0.0034%	0.0030%	0.0034%	0.0034%	0.0043%	0.033%

Cleanliness (QSM)	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
Terminal 1 (actual)	4.11	4.11	4.12	4.12	4.12	4.12	4.12	4.12	4.12	4.13	4.13	4.14	
Terminal 2 (actual)	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	
Terminal 3 (actual)	4.07	4.07	4.08	4.08	4.09	4.09	4.09	4.09	4.09	4.09	4.10	4.10	
Terminal 4 (actual)	4.13	4.14	4.14	4.14	4.13	4.12	4.11	4.11	4.11	4.12	4.11	4.12	
Terminal 5 (actual)	4.23	4.24	4.23	4.23	4.23	4.22	4.22	4.23	4.23	4.23	4.23	4.23	
BNS(T1)$_{KJ}$	0.0105%	0.0105%	0.0110%	0.0110%	0.0110%	0.0110%	0.0110%	0.0110%	0.0110%	0.0115%	0.0115%	0.0120%	
BNS(T2)$_{KJ}$	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	
BNS(T3)$_{KJ}$	0.0085%	0.0085%	0.0090%	0.0090%	0.0095%	0.0095%	0.0095%	0.0095%	0.0095%	0.0095%	0.0100%	0.0100%	
BNS(T4)$_{KJ}$	0.0115%	0.0120%	0.0120%	0.0120%	0.0115%	0.0110%	0.0105%	0.0105%	0.0105%	0.0110%	0.0105%	0.0110%	
BNS(T5)$_{KJ}$	0.0165%	0.0170%	0.0165%	0.0165%	0.0165%	0.0160%	0.0160%	0.0165%	0.0165%	0.0165%	0.0165%	0.0165%	
Bonus term =	0.0085%	0.0085%	0.0090%	0.0090%	0.0095%	0.0095%	0.0095%	0.0095%	0.0095%	0.0095%	0.0100%	0.0100%	0.112%

Way finding (QSM)	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
Terminal 1 (actual)	4.11	4.12	4.13	4.13	4.12	4.12	4.12	4.12	4.11	4.11	4.12	4.13	
Terminal 2 (actual)	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	
Terminal 3 (actual)	4.16	4.17	4.17	4.17	4.17	4.17	4.17	4.17	4.17	4.18	4.18	4.18	
Terminal 4 (actual)	4.23	4.23	4.21	4.21	4.19	4.20	4.19	4.18	4.18	4.18	4.18	4.18	
Terminal 5 (actual)	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.21	4.21	4.21	4.21	4.21	
BNS(T1)$_{KJ}$	0.0066%	0.0072%	0.0078%	0.0078%	0.0072%	0.0072%	0.0072%	0.0072%	0.0066%	0.0066%	0.0072%	0.0078%	
BNS(T2)$_{KJ}$	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	
BNS(T3)$_{KJ}$	0.0096%	0.0102%	0.0102%	0.0102%	0.0102%	0.0102%	0.0102%	0.0102%	0.0102%	0.0108%	0.0108%	0.0108%	
BNS(T4)$_{KJ}$	0.0138%	0.0138%	0.0126%	0.0126%	0.0114%	0.0120%	0.0114%	0.0108%	0.0108%	0.0108%	0.0108%	0.0108%	
BNS(T5)$_{KJ}$	0.0120%	0.0120%	0.0120%	0.0120%	0.0120%	0.0120%	0.0120%	0.0126%	0.0126%	0.0126%	0.0126%	0.0126%	
Bonus term =	0.0066%	0.0072%	0.0078%	0.0078%	0.0072%	0.0072%	0.0072%	0.0072%	0.0066%	0.0066%	0.0072%	0.0078%	0.086%

Flight information (QSM)	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
Terminal 1 (actual)	4.33	4.32	4.33	4.33	4.33	4.32	4.31	4.31	4.30	4.30	4.29	4.30	
Terminal 2 (actual)	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	
Terminal 3 (actual)	4.42	4.42	4.41	4.41	4.41	4.40	4.40	4.39	4.38	4.38	4.38	4.38	
Terminal 4 (actual)	4.32	4.33	4.33	4.33	4.32	4.31	4.30	4.29	4.28	4.28	4.27	4.27	
Terminal 5 (actual)	4.36	4.36	4.36	4.36	4.35	4.34	4.34	4.34	4.34	4.34	4.33	4.33	
BNS(T1)$_{KJ}$	0.0130%	0.0120%	0.0130%	0.0130%	0.0130%	0.0120%	0.0110%	0.0110%	0.0100%	0.0100%	0.0090%	0.0100%	
BNS(T2)$_{KJ}$	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	0.0300%	
BNS(T3)$_{KJ}$	0.0220%	0.0220%	0.0210%	0.0210%	0.0210%	0.0200%	0.0200%	0.0190%	0.0180%	0.0180%	0.0180%	0.0180%	
BNS(T4)$_{KJ}$	0.0120%	0.0130%	0.0130%	0.0130%	0.0120%	0.0110%	0.0100%	0.0090%	0.0080%	0.0080%	0.0070%	0.0070%	
BNS(T5)$_{KJ}$	0.0160%	0.0160%	0.0160%	0.0160%	0.0150%	0.0140%	0.0140%	0.0140%	0.0140%	0.0140%	0.0130%	0.0130%	
Bonus term =	0.0120%	0.0120%	0.0130%	0.0130%	0.0120%	0.0110%	0.0100%	0.0090%	0.0080%	0.0080%	0.0070%	0.0070%	0.122%

Pax Sensitive Equip. (general)	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
Terminal 1 (actual)	99.80%	99.76%	99.73%	99.77%	99.78%	99.85%	99.82%	99.74%	99.78%	99.82%	99.86%	99.76%	
Terminal 2 (actual)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Terminal 3 (actual)	99.82%	99.88%	99.83%	99.84%	99.86%	99.81%	99.89%	99.81%	99.80%	99.80%	99.89%	99.87%	
Terminal 4 (actual)	99.61%	99.68%	99.71%	99.24%	99.82%	99.74%	99.74%	99.84%	99.73%	99.85%	99.84%	99.78%	
Terminal 5 (actual)	99.69%	99.67%	99.62%	99.70%	99.77%	99.71%	99.73%	99.78%	99.77%	99.79%	99.76%	99.66%	
BNS(T1)$_{KJ}$	0.0267%	0.0253%	0.0243%	0.0257%	0.0260%	0.0283%	0.0273%	0.0247%	0.0260%	0.0273%	0.0287%	0.0253%	
BNS(T2)$_{KJ}$	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	
BNS(T3)$_{KJ}$	0.0273%	0.0293%	0.0277%	0.0280%	0.0287%	0.0270%	0.0297%	0.0270%	0.0267%	0.0267%	0.0297%	0.0290%	
BNS(T4)$_{KJ}$	0.0203%	0.0227%	0.0237%	0.0080%	0.0273%	0.0247%	0.0247%	0.0280%	0.0243%	0.0283%	0.0280%	0.0260%	
BNS(T5)$_{KJ}$	0.0230%	0.0223%	0.0207%	0.0233%	0.0257%	0.0237%	0.0243%	0.0260%	0.0257%	0.0263%	0.0253%	0.0220%	
Bonus term =	0.0203%	0.0223%	0.0207%	0.0080%	0.0257%	0.0237%	0.0243%	0.0247%	0.0243%	0.0263%	0.0253%	0.0220%	0.268%

Arrivals reclaim	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
Terminal 1 (actual)	99.57%	99.69%	99.59%	99.72%	99.62%	99.44%	99.60%	99.59%	99.43%	99.69%	99.75%	99.63%	
Terminal 2 (actual)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Terminal 3 (actual)	99.82%	99.72%	99.76%	99.72%	99.80%	99.70%	99.87%	99.78%	99.63%	99.88%	99.86%	99.83%	
Terminal 4 (actual)	99.77%	99.79%	99.79%	99.72%	99.80%	99.59%	99.32%	99.76%	99.84%	99.91%	99.94%	99.79%	
Terminal 5 (actual)	99.80%	99.81%	99.78%	99.76%	99.67%	99.67%	99.83%	99.88%	99.83%	99.84%	99.81%	99.79%	
BNS(T1)$_{KJ}$	0.0190%	0.0230%	0.0197%	0.0240%	0.0207%	0.0147%	0.0200%	0.0197%	0.0143%	0.0230%	0.0250%	0.0210%	
BNS(T2)$_{KJ}$	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	0.0333%	
BNS(T3)$_{KJ}$	0.0273%	0.0240%	0.0253%	0.0240%	0.0267%	0.0233%	0.0290%	0.0260%	0.0210%	0.0293%	0.0287%	0.0277%	
BNS(T4)$_{KJ}$	0.0257%	0.0263%	0.0263%	0.0240%	0.0267%	0.0197%	0.0107%	0.0253%	0.0280%	0.0303%	0.0313%	0.0263%	
BNS(T5)$_{KJ}$	0.0267%	0.0270%	0.0260%	0.0253%	0.0223%	0.0223%	0.0277%	0.0293%	0.0277%	0.0280%	0.0270%	0.0263%	
Bonus term =	0.0190%	0.0230%	0.0197%	0.0240%	0.0207%	0.0147%	0.0107%	0.0197%	0.0143%	0.0230%	0.0250%	0.0210%	0.235%

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
Bonus term =	**0.0673%**	**0.0743%**	**0.0714%**	**0.0639%**	**0.0780%**	**0.0695%**	**0.0656%**	**0.0735%**	**0.0658%**	**0.0769%**	**0.0780%**	**0.0721%**	**0.8562%**
Rounded to 3 decimal places Bt =	**0.067%**	**0.074%**	**0.071%**	**0.064%**	**0.078%**	**0.069%**	**0.066%**	**0.073%**	**0.066%**	**0.077%**	**0.078%**	**0.072%**	**0.856%**

Triggers

3.18 The K Factor for 2013/14 adjusts the completion dates for trigger projects that have milestone completion dates in 2013/14 and those projects that are completed in this year.

3.19 Table 5 sets out the triggers with milestone dates in 2013/14 and the trigger projects that are completed in this year comparing the forecast completion dates used to set the forecast maximum allowable yield and actual completion dates.

Table 5

	Milestone Month	Forecast Completion Date[9]	Actual Completion Date	Comment
Projects with completion dates in 2013/14				
MSCP T2	Nov-13[10]	Aug-13	Oct-13	Reflects trigger milestone date change
Projects carried forward into 2013/14				
Completion of T3 Integrated Baggage system	Mar-12	Mar-14	Mar-14	No change to forecast
T2A Phase 1 Construction sufficiently progressed for operational trials to commence	Nov-12	Oct-13	Oct-13	No change to forecast
Completion of Midfield Pier Centre	Nov-12	Nov-13	Oct-13	Completed earlier than forecast
Completion of Passenger Connectivity to the Midfield Pier	Nov-12	Nov-13	Oct-13	Completed earlier than forecast
Post T5 Transfer Baggage System Completion of the T3-T1 Tunnel & Baggage System	Jun-12	Mar-14	Mar-14	No change to forecast
Eastern Maintenance Base	Mar-10	Mar-14	Nov-12	Reflects trigger suspension
Completion of Outer Pier North	Jan-12	Mar-14	Oct-13	Completed earlier than forecast
T5TTS Enhancement	May-11	Mar-14	Mar-14	No change to forecast

3.20 In addition, two trigger projects were agreed after the setting of airport charges that fall into 2013/14 (i) NML – Enhanced Lanes T5 rollout and (ii) Restore Southern Runway to CAT3. Both projects have been completed to their milestone dates.

3.21 The completion dates for five projects has adjusted the trigger payment compared to the forecast used when setting the 2013/14 maximum allowable yield. The impact of these projects reduces the trigger payment (in 2013/14 prices) from £53,694k (used to set the forecast 2013/14 maximum allowable yield) to £47,390k. This is adjusted through the K Factor included in the 2015 forecast maximum allowable yield.

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[9] The forecast completion date is consistent to the forecast presented in the "Heathrow Airport Limited, 2013/14 Airport Charges Consultation" document.
[10] MSCP T2 milestone date changed from March 2013 to November 2013.

Summary of trigger payment (2013/14 prices)

Completion of T3 Integrated Baggage system	=£17,250,240
T2A Phase 1 Construction sufficiently progressed for operational trials to commence	=£10,316,320
Completion of Midfield Pier Centre	=£5,665,520
Completion of Passenger Connectivity to the Midfield Pier	=£2,621,360
Post T5 Transfer Baggage System Completion of the T3-T1 Tunnel & Baggage System	=£5,943,360
Completion of Outer Pier North	=£4,143,440
T5TTS Enhancement	=£1,449,600
Total payment	**=£47,389,840**

K factor for 2013/14

Actual passengers 000s	72,458
Actual airport charges £000s	1,577,998
Actual yield £	21.778
Actual maximum allowable yield £	21.923
Under/Over Recovery	Under Recovery

Total revenue from airport charges (passenger only flights) at Heathrow in	2013/14	Actual (£000s)	R_{t-2}	1,577,998
Passengers using Heathrow Airport in	2013/14	Actual (000s)	Q_{t-2}	72,458
Maximum allowable revenue yield at Heathrow in	2013/14	Actual (£)	M_{t-2}	21.923
Interest rate from weekly Treasury Bill Discount rate*	2013/14	Actual %	I_{t-2}	0.318
Forecast Passengers using Heathrow in	2015	Forecast (000s)	Q_t	74,066
Correction amount $\quad Kt=(Rt-2-(Qt-2xMt-2))/Qtx(1+It-2/100)^{(21/12)}$		Forecast (£)	K_t	**-0.143**

*see Table 6

Table 6

Tender	Maturity	Size	Cover	Avg
06-Sep-13	09-Dec-13	500	4.60	0.244
13-Sep-13	16-Dec-13	500	3.83	0.257
20-Sep-13	23-Dec-13	500	3.80	0.305
27-Sep-13	30-Dec-13	500	4.96	0.351
04-Oct-13	06-Jan-14	500	5.51	0.323
11-Oct-13	13-Jan-14	500	5.16	0.306
18-Oct-13	20-Jan-14	500	3.77	0.305
25-Oct-13	27-Jan-14	500	3.21	0.319
01-Nov-13	03-Feb-14	500	4.26	0.318
08-Nov-13	10-Feb-14	500	4.98	0.292
15-Nov-13	17-Feb-14	500	4.11	0.289
22-Nov-13	24-Feb-14	500	3.73	0.277
29-Nov-13	03-Mar-14	500	3.29	0.288
06-Dec-13	10-Mar-14	500	4.73	0.251
13-Dec-13	17-Mar-14	500	2.98	0.256
20-Dec-13	24-Mar-14	500	2.60	0.257
03-Jan-14	07-Apr-14	1,000	2.42	0.287
10-Jan-14	14-Apr-14	1,000	2.56	0.283
17-Jan-14	22-Apr-14	1,000	1.91	0.316
24-Jan-14	28-Apr-14	1,000	2.15	0.360
31-Jan-14	06-May-14	1,000	3.86	0.360
07-Feb-14	12-May-14	1,000	3.47	0.354
14-Feb-14	19-May-14	1,000	3.30	0.357
21-Feb-14	27-May-14	1,000	2.69	0.363
28-Feb-14	02-Jun-14	1,500	2.44	0.377
07-Mar-14	09-Jun-14	1,500	2.64	0.363
14-Mar-14	16-Jun-14	2,000	3.09	0.379
21-Mar-14	23-Jun-14	2,000	1.95	0.390
28-Mar-14	30-Jun-14	2,000	1.51	0.421
04-Apr-14	07-Jul-14	1,000	2.78	0.396
11-Apr-14	14-Jul-14	500	5.86	0.377
17-Apr-14	21-Jul-14	500	7.30	0.359
25-Apr-14	28-Jul-14	500	6.03	0.344
02-May-14	04-Aug-14	500	5.38	0.321
09-May-14	11-Aug-14	500	5.65	0.291
16-May-14	18-Aug-14	500	4.61	0.276
23-May-14	26-Aug-14	500	4.16	0.256
30-May-14	01-Sep-14	500	3.38	0.276
06-Jun-14	08-Sep-14	500	4.78	0.244

Average				0.318

Application of the Regulatory Pricing Formula

3.22 The actual maximum allowable yield for 2013/14 is £21.923 compared to the actual yield recovered £21.778, which results in an under recover of £0.143. This under recovery is recovered through the K Factor for 2013/14 in setting airport charges in 2015.

3.23 The 2013/14 under recovery is primarily driven by the increase in the actual maximum allowable yield reflecting lower trigger payments than forecast and the recovery of actual bonus.

Chapter 4 - Development Capital

4.1 Heathrow, the airlines and the CAA have recognised that agreeing investment plans at the time of the price review for the next five to six years, does not reflect the need for flexibility. Therefore, it was agreed that a two tier approach would be adopted, where capital investment would be classified as either, Development or Core, to ensure flexibility of the capital investment programme throughout Q6.

4.2 Core capital represents firm investment commitments where scope and cost estimates are reasonably certain. Core capital investment is estimated at a P50 level (where the likelihood of the cost being higher than the estimate is equal to the likelihood being lower). Development capital projects have a lower definition of scope and cost estimations than Core projects (and are estimated at P80 level).

4.3 Core and Development capital investment will be subject to the Gateway process with airlines. The Gateway process has a number of Gateway events. The first two Gateways' are where the scope and cost estimates are developed, after which the project is transitioned to Core, at Gateway 3, when the scope and cost estimates are well defined. The project is then progressed through the remaining Gateways' to detailed design and construction.

4.4 This approach to the two tier capital investment is designed so that Heathrow does not earn a return on any Development capital allowance that has not been used. The mechanism to take this into effect is the cumulative development capex adjustment in the maximum allowable yield, which requires Heathrow to make an estimate (on a cumulative basis throughout Q6) of how much Development capital allowance will be spent or transitioned to Core. This adjustment only applies to Development capital investment and the existing incentive mechanisms continue to apply.

4.5 Capital projects are subject to the on-going Gateway process with the airline community and the current trajectory of project approvals, as at 1 July 2014, indicates that fewer projects are transitioning to Core than originally anticipated in 2014. If the current trajectory continues, this could potentially lead to a lower cumulative capex spend than the CAA's Q6 settlement of up to £230m (outturn prices) by the end of 2015. This translates into an average RAB of £160m and therefore, for the purposes of the maximum allowable yield, a lower maximum allowable yield in 2015 of 11 pence per passenger.

4.6 However, Heathrow is of the view, that the current spend trajectory can be improved and that the actual spend up to the end of 2015 will be similar to that envisaged in the Q6 settlement.

4.7 Therefore Heathrow is aiming to proceed on that basis and proposes no deviation in the maximum allowable yield for capex (up to the end of 2015) compared to the Q6 settlement.

4.8 Table 7 sets out the projects that have transitioned to Core, as at 1 July 2014.

Table 7

Business case	2014	2015	2016	2017	2018	Total
			£m Outturn			
B010 Northern Perimeter Parking	3.1					3.1
B008 Crossrail - part	0.3					0.3
B025 Commercial IT & Telecoms - part	0.5					0.5
B041 Commercial BAU - part	0.5					0.5
B156 Surface Access Dev Fund - part	0.5					0.5
B102 Rail asset replacement - Class 332 Second 1M Mile overhaul	2.2	4.9				7.1
B102 Rail asset replacement - Fire detection and Suppression System Replacement	0.4	1.3	0.7			2.4
B028 Energy Demand Management - tranche 1	4.9					4.9
B015 oscar Ultra SIS	0.9					0.9
B031 CTA & Cargo Tunnels	29.9	80.4	7.0			117.3
B043 APOC	10.0					10.0
B150 Terminal 2 Phase 1 Completion	64.9					64.9
B051 T3IB Rollover	47.8	42.3	2.2			92.3
B117 T4 Infrastrucutre - stands	12.3	2.5				14.8
B204 Pax Exp Programme Rollover	21.3	1.9				23.2
B205 Baggage Programme Rollover	11.5	5.8				17.3
B206 Airport Resilience Programme Rollover	26.8	1.3				28.1
B207 Asset management programme Rollover	27.1	3.8	0.5			31.4
B208 Q6 Realisation Programme Rollover	3.4					3.4
B044 Commercial Systems Replacement	2.8					2.8
B117 T4 Infrastrucutre - stillage	2.7					2.7
B117 T4 infrastructure - RAGLAN	0.2					0.2
B020 Commerical IT & telecoms	1.9					1.9
B112 Airfield Effeciency - Workstream 4 - Time Based Seperation	1.5	0.3				1.8
B104 Baggage Asset Replacement - T3 Check In	4.2	30.1	4.5			38.8
B111 Enabling wide body growth - Sierra C	7.9	10.3				18.2
B111Enabling wide body growth - Sierra C. Missing overhead	0.3	0.4				0.7
B111 Enabling wide body growth - Stand 255	0.3					0.3
B026 Security Fixed Post Modernisation - T3 Arrivals	1.4					1.4
B101 Eng Asset replacement - CPS 1528 Fire main pump replacement	0.1					0.1
Total	291.7	185.3	14.9	0.0	0.0	491.9

Chapter 5 – Capital Trigger

5.1 The CAA's maximum allowable yield formula for Q6 includes a trigger element which means that if a trigger project is not complete by a specified project milestone date then the allowable yield is reduced.

5.2 Q6 triggers will be placed around a subset of "key projects". However, unlike Q5, projects that triggers will be attached to have not been defined in the CAA's Q6 price control licence condition. In Q6, triggers will be attached to projects at Gateway 3 of the projects process, as projects transition from Development to Core. This means trigger projects will be developed during the Gateway Process with airlines, where triggers for individual projects will be developed, and then formally attached to applicable key projects at Gateway 3.

5.3 As at 1 July 2014, four capital trigger projects have been agreed with the airline community. Table 8 sets out the agreed trigger projects.

Table 8

Project	Trigger date
Reconfigure Stand 410	Dec-14
Completion of Life Safety System Enhancement of the Main Tunnel	Jun-16
Runway Rehabilitation – Restore Northern Runway to CAT3	Sep-14
T3 Integrated Baggage Cut-Ins Completed and Baggage System Operational	Jan-16

5.4 Heathrow anticipates that all four agreed trigger projects will meet their completion milestone dates.

5.5 Therefore in setting airport charges for 2015 there is no adjustment to the maximum allowable yield for triggers.

5.6 However, any triggers that are attached to projects that have milestone dates for 2015, which are finalised after 1 July 2014, will be accounted through the K Factor when setting 2017 airport charges.

Chapter 6 – Forecast Revenue for 2015

	Traffic Volume Units	Traffic Volume	Proposed Charge	Forecast Revenue
Landing Charge				
Noise Charge				
Peak				
Chapter 2	[Landings]	0	£8,802.15	£0
Chapter 3 High	[Landings]	0	£8,802.15	£0
Chapter 3 Base	[Landings]	1,934	£2,934.05	£5,674,453
Chapter 4 High	[Landings]	52,010	£1,745.76	£90,796,978
Chapter 4 Base	[Landings]	68,437	£1,430.35	£97,888,863
Chapter 4 Minus	[Landings]	112,231	£836.20	£93,847,562
Total	[Landings]	234,612		£288,207,856
Super Night Peak				
Chapter 2	[Landings]	0	£22,005.38	£0
Chapter 3 High	[Landings]	0	£22,005.38	£0
Chapter 3 Base	[Landings]	0	£7,335.13	£0
Chapter 4 High	[Landings]	0	£4,364.40	£0
Chapter 4 Base	[Landings]	0	£3,575.88	£0
Chapter 4 Minus	[Landings]	0	£2,090.50	£0
Total	[Landings]	0		£0
Emissions Charge				
Total kg Nox rating	[kg]	5,935,684	£8.57	£50,868,812
Average kg Nox per landing	[kg]	25.3		£50,868,812
Revenue exc ANS Charges				£339,076,668
ANS Charge				
Per ATM Charge	[Landings]	234,612	£80.53	£18,893,304
Per Metric Tonne		36,247,554	£1.08	£39,147,358
Total				£58,040,662
Average Weight (Tonnes)		154.5		
Total Landing Revenue	**(a)**			**£397,117,330**
Departing Passenger Charge				
Departing OD Passenger Charge				
Europe	[Dep Pax]	12,108,624	£29.59	£358,294,184
Other	[Dep Pax]	14,246,996	£41.54	£591,820,214
Total	[Dep Pax]	26,355,620		£950,114,398
Departing Transfer Passenger Charge				
Europe	[Dep Pax]	4,369,310	22.19	£96,954,989
Other	[Dep Pax]	5,943,414	31.16	£185,196,780
Total	[Dep Pax]	10,312,724		£282,151,769
Departing Transit Passenger Charge				
Europe	[Dep Pax]	305	22.19	£6,768
Other	[Dep Pax]	34,354	31.16	£1,070,471
Total	[Dep Pax]	34,659		£1,077,239
Remote Stand Rebate				
Remote Stand Rebate	[Dep Pax + Arr Pax]	3,983,000	-£5.15	-£20,512,450
Total Departing Passenger Charge Revenue	**(b)**	**36,703,003**		**£1,212,830,956**
Parking Charge				
Narrow bodied				
Chargeable Period	[Units of 15 minutes]	724,248	21.36	15,469,937
Wide bodied				
Chargeable Period	[Units of 15 minutes]	958,041	51.26	49,109,182
Total Parking Charge	**(c)**			**£64,579,119**
Terminal Pax Flights: Total Revenue				**£1,674,527,405**
Non-Terminal Pax Flights (GA, Troops etc)				
Non-Terminal Pax Flights				
Landing Revenue	(d)			£630,947
Departing Passenger Revenue	(e)			£570,071
Parking Revenue	(f)			£151,784
Total Non-Terminal Pax Flights Revenue				**£1,352,802**
Total Regulated Revenue (Pax Only Flights)				
Total Regulated Revenue				
Landing Revenue	(a) + (d)			£397,748,277
Departing Passenger Revenue	(b) + (e)			£1,213,401,027
Parking Revenue	(c) + (f)			£64,730,903
Total Regulated Revenue				**£1,675,880,207**
Total Passengers				**74,065,986**
Total Regulated Yield				**£22.627**

Chapter 7 – Proposed Airport Charges Tariffs effective 1 January 2015

	Final 2014 £ GBP	Proposed 2015 £ GBP
Charges on Landing		
Peak		
Chapter 2	8,802.15	8,802.15
Chapter 3 high	8,802.15	8,802.15
Chapter 3 base	2,934.05	2,934.05
Chapter 4 high	1,760.43	1,745.76
Chapter 4 base (equivalent)	1,467.03	1,430.35
Chapter 4 minus	880.22	836.20
Super Night Peak		
Chapter 2	22,005.38	22,005.38
Chapter 3 high	22,005.38	22,005.38
Chapter 3 base	7,335.13	7,335.13
Chapter 4 high	4,401.08	4,364.40
Chapter 4 base (equivalent)	3,667.58	3,575.88
Chapter 4 minus	2,200.55	2,090.50
Emissions charge (per kg)	8.82	8.57
ANS charge		
per ATM	82.43	80.53
Per Metric tonne	1.11	1.08
Charge on departing passengers		
Europe - Destination	31.63	29.59
Other - Destination	44.41	41.54
Europe - Transfer	23.72	22.19
Other - Transfer	33.31	31.16
Europe - Transit	23.72	22.19
Other - Transit	33.31	31.16
Remote Stand Rebate (All paxs)	-5.15	-5.15
Minimum charge	1,406.00	1,406.00
Charges on aircraft parking		
Narrow bodied	21.86	21.36
Wide bodied	52.49	51.26

*Final 2014 – charges from 1 July 2014 to 31 December 2014.

Chapter 8 - Financial and Traffic Information

Traffic statistics and charging parameters

8.1 The actual traffic statistics for the six year period to 2013/14 are set out to provide more detailed data on those elements of the traffic mix at Heathrow airport which significantly affect the airport charges yield per passenger.

Regulatory accounting information

8.2 Heathrow is a privately owned company and a summary of its regulatory accounts are presented for the 12 month period to 31 March 2014. These accounts compare the airport's financial performance for the year ended 31 March 2014 to year ended 31 March 2013. For the year ended 31 March 2014 there is no CAA forecast for revenues or operating costs underpinning the extended year to the five year Q5 price cap.

8.3 The regulatory accounts include revenue and cost comparisons, and calculations of the Regulated Asset Base.

8.4 The full regulatory accounts and annual reports are available from www.heathrowairport.com.

Passenger only flights - actual and forecast

	Actual						Forecast	Forecast
	2008/09	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014** Apr - Dec	**2014** Jan - Dec
Arriving Passengers	**33,055,283**	**33,167,916**	**33,282,772**	**35,092,421**	**35,305,114**	**36,597,073**	**28,835,774**	**37,004,491**
Departing passengers								
Origin and destination								
Europe	14,688,784	14,661,948	14,743,673	11,716,309	11,661,207	12,079,601	9,639,145	12,273,452
Other	18,185,232	18,302,809	18,084,452	14,213,133	13,699,869	14,069,905	11,173,823	14,258,089
Transfer passengers								
Europe	Transfer passengers not separately			3,856,432	4,028,131	4,081,838	3,238,029	4,150,581
Other	identified			5,172,212	5,579,652	5,585,627	4,455,567	5,691,390
Transit passengers								
Europe	1,859	2,834	1,623	646	1,462	1,293	352	756
Other	160,859	119,384	96,303	47,738	47,004	34,106	25,807	32,937
Departing passengers	**33,036,734**	**33,086,975**	**32,926,051**	**35,006,470**	**35,017,325**	**35,852,370**	**28,532,723**	**36,407,205**
Total terminal passengers	**66,092,017**	**66,254,891**	**66,208,823**	**70,098,891**	**70,322,439**	**72,449,443**	**57,368,497**	**73,411,696**
PATMs	467,130	453,780	453,938	473,761	464,686	467,779	358,270	469,856

Heathrow Airport
2013/14 Regulatory Performance
£m (nominal)

	2013/14 Actual	2012/13 Actual	Var	Var %
Terminal passengers (000's)	**72,449**	**70,322**	**2,127.0**	**3.0%**
Revenue				
Net revenue from airport charges	1,561.6	1,295.9	265.7	20.5%
Other traffic charges	16.1	15.3	0.8	5.2%
Retail	460.4	437.5	22.9	5.2%
Property	133.7	138.6	-4.9	-3.5%
Rail	125.7	116.7	9.0	7.7%
Non regulated charges & other	209.5	221.4	-11.9	-5.4%
Other revenue	945.4	929.5	15.9	1.7%
Total revenue	**2,507.0**	**2,225.4**	**281.6**	**12.7%**
Expenditure				
Staff costs	409.8	328.4	-81.4	-24.8%
Maintenance & equipment costs	160.3	126.9	-33.4	-26.3%
Rent and rates	118.0	128.6	10.6	8.2%
Utility costs	87.0	86.8	-0.2	-0.2%
Police costs	28.9	28.3	-0.6	-2.1%
Rail costs	62.0	59.1	-2.9	-4.9%
Other costs	131.1	142.4	11.3	7.9%
Intragroup costs	11.2	127.1	115.9	91.2%
Operating costs	1,008.3	1,027.7	19.4	1.9%
Depreciation	589.1	572.6	-16.5	-2.9%
Total expenditure	**1,597.4**	**1,600.3**	**2.9**	**0.2%**
Regulatory operating profit (before exceptional operating costs)	**909.6**	**625.1**	**284.5**	**45.5%**
Exceptional operating costs	144.6	62.0	-82.6	
Regulatory operating profit	**765.0**	**563.1**	**201.9**	**35.9%**
Capital expenditure	**1,359.9**	**1,209.6**	**150.3**	**12.4%**
Opening RAB	**13,727.9**	**12,705.3**	**1,022.6**	**8.0%**
Closing RAB	**14,848.6**	**13,727.9**	**1,120.7**	**8.2%**
Weighted average RAB	**14,288.2**	**13,216.6**	**1,071.6**	**8.1%**
Return on weighted average RAB (before exceptional operating costs)	**6.4%**	**4.7%**	**1.6%**	**34.6%**
Return on weighted average RAB (after exceptional operating costs)	**5.4%**	**4.3%**	**1.1%**	**25.7%**

Note: Negative indicates adverse