

Heathrow Airport Limited  
The Compass Centre, Nelson Road,  
Hounslow, Middlesex TW6 2GW  
T: +44 (0)844 335 1801  
W: heathrow.com  
17 December 2021

Dear Colleagues

## **Decision - 2022 Airport Charges**

Thank you for your participation in the 2022 Heathrow Airport Charges Consultation process.

When Heathrow commenced its 2022 Consultation there was no price control condition that would come into force for the period from 1 January 2022. This has presented significant challenges to this year's airport charges consultation process. In particular, the CAA's timetable for agreeing a new regulatory price control has created a gap between the end of the Q6/iH7 period and the beginning of H7 and the publication of the CAA Initial Proposals was delayed significantly beyond the commencement of the consultation period ordinarily required under the Airport Charges Regulations 2011 (ACR2011).

The CAA's Initial Proposals, which were published during Heathrow's consultation period but after the deadline for feedback to be submitted, contained a consultation on a draft licence modification to implement an interim price control that the CAA proposed would apply from 1 January 2022 until the H7 licence modifications take effect; as a result, Heathrow had to delay the publication of the final 2022 airport tariff list and associated Conditions of Use. The inclusion of the CAA's own consultation on the interim price for 2022 in the Initial Proposals meant that it was no longer practicable for Heathrow to publish its final charges two months prior to implementation, as ordinarily required by Regulation 13(2)(A) ACR2011.

In its Initial Proposals, the CAA stated it expected to decide on the 2022 price by the end of November 2021<sup>1</sup>, we expected to publish our decision document shortly afterwards. The CAA subsequently decided it was necessary to delay its decision until after its Board meeting on 15 December 2021. We have therefore not been able to publish our decision document until now.

The CAA decided<sup>2</sup> on 16 December 2021 that the holding price cap for 2022 should be £30.19. We are extremely disappointed in this interim decision from the CAA. It relies on rushed analysis and will undermine passenger experience at the UK's hub airport. Uncorrected, this risks leaving Heathrow without sufficient cashflow to support investment in improving passenger service and resilience. We are making a detailed submission to the CAA, and expect a more considered outcome when it makes its final decision in Spring 2022. Nonetheless, we consider it is appropriate to proceed with the charge which has been set by the CAA for 2022, and so the final holding cap for 2022 is £30.19.

---

<sup>1</sup> "We will carefully consider the evidence and views that are put to us and, as discussed above, intend to publish details of our decision on how best to proceed by the end of November 2021." CAP2265D, pg56, para 15.43.

<sup>2</sup> CAA, CAP2307

Despite the challenges that this process has posed, I thank you for your engagement throughout and the comprehensive feedback on our proposals. We have carefully listened to the range of feedback we have received throughout the consultation and taken into account the outcome of the CAA interim price control consultation.

2021 has not been the year of recovery that the aviation industry had initially hoped for, but despite this we continued to act as the UK's gateway to the world and have ensured that both passengers and trade could fly throughout. We have supported customers where possible, including through on-site aircraft parking alleviations, applying operational flexibility and working together to lobby for the policies which would allow the UK to reopen key markets in a responsible way.

We have focused on passengers feeling 'safe to fly' and are pleased that our COVID-safe programme has been recognised by Airports Council International and the CAA. Also, Heathrow has been awarded to the prestigious 4 Star COVID-19 Airport Safety Ranking by Skytrax.

The tariffs for 2022 have been constructed to support the recovery in a sustainable manner. The introduction of a sustainable aviation fuel (SAF) incentive is a small step towards the goal of decarbonising aviation. Supporting the establishment of a wider industry framework for the introduction of SAF is a focus for 2022 and we would like to work with the airline community to progress this next year.

### **Summary of charges**

I am pleased to publish Heathrow's decision document on 2022 airport charges and Conditions of Use. Effective from 1 January 2022, Heathrow will:

- recover the holding price cap for 2022, as determined by the CAA, of £30.19 per passenger. The CAA intends to publish the statutory notice of modifications before 25 December 2021<sup>34</sup>;
- introduce an incentive which will encourage the use of SAF at Heathrow and contribute towards the decarbonisation objective but with a lower initial incentive amount for 2022 than included in our consultation as a direct response to airline feedback;
- adjust the modulation of passenger charges back to the 2020 ratio of 75/25 between Rest of the World and European destinations, as a result of airline feedback;
- increase the proportion of the yield recovered from movement charges by 5% with a subsequent lowering of the percentage recovered via the passenger charge which continues to support our ongoing objective of incentivising sustainable flying at Heathrow and the most efficient use of airport infrastructure;
- take airline feedback into account and, after careful consideration, not introduce a separate charge for cargo while we consider some of the detail provided around the proposed scheme. Nevertheless, we would like to signal the intent to introduce some form of cargo charge in the future and would like to work with airlines to arrive at a practical solution;

---

<sup>3</sup> CAA, CAP2307

<sup>4</sup> <https://www.caa.co.uk/Commercial-industry/Airports/Economic-regulation/H7/Consultations-and-policy-documents/>

- respond to airline feedback and not introduce the proposed sustainable build back incentive but, as with the cargo charge, we would like to continue to engage with airlines on opportunities to incentivise passenger growth in the future;
- maintain emphasis on environmental charges by introducing a new 'Super Low' noise chapter; following airline feedback we will adjust the way we have structured the new chapter; and
- retain discounts for UK, CTA, European and transfer passengers to support domestic connectivity and increase direct and transfer passenger volumes which support long-haul flights and the UK's trade with the world.

We are confident that the changes outlined above, and further explained in Appendix 1, reflect the right balance of charges to achieve our clear and transparent objectives of passenger growth, environmental targets and sustainable use of the airport whilst also supporting airlines and bringing passengers back to the airport. Thank you for your continued business and I encourage you to engage with our Aviation team to discuss how you can best take advantage of our charges.

The remainder of this decision document is structured as follows:

**Appendix 1** details our final decision and provides responses to airline and airline representative body questions posed during the consultation process.

**Appendix 2** sets out the consultation process we have followed.

**Appendix 3** sets out the final prices effective from 1 January 2022.

**Appendix 4** provides a summary of airline responses to the proposed changes to the 2022 Conditions of Use and details our final decision.



Ross Baker

Chief Commercial Officer – Heathrow Airport Limited

## Appendix 1

### Heathrow Airport Decision

#### Calculation of the 2022 average charge on a per passenger basis

In its H7 Initial Proposals, the CAA set out its intention to introduce an interim arrangement for 2022 until the final H7 decision and associated licence modifications take effect. This is because Heathrow's current price control expires on 31 December 2021 and the final decision and licence modifications for a new five-year control period will not be made and take effect until the summer of 2022.

On 19 October 2021, the CAA proposed and consulted on an interim or "holding" price for 2022. The CAA has now concluded the consultation and decided<sup>5</sup> on 16 December 2021 that the holding price cap for 2022 should be £30.19.

#### Passenger volumes

In our published consultation document, airport charges were calculated based on a forecast of 43.2m passengers, per the H7 Revised Business Plan (RBP) Update 1<sup>6</sup> published earlier this year. This has since been revised to take into account the updated forecast of 45.5m passengers shared in the Heathrow Investor Report<sup>7</sup>. Our passenger forecasting methodology is described in detail in the RBP Chapter 3, Passenger Demand Update, and summarised below.

Airline feedback states that the revised passenger forecast of 45.5m is too low and have provided alternative figures of ~70m. The scenario that this number is based on assumes that in 2022:

- No variants of concern exist;
- There are no countries on the UK's red list;
- All markets served by Heathrow are open for the whole calendar year;
- UK and foreign governments dispense with all COVID-19 restrictions and processes in time for Summer, freeing up needed capacity to service the demand airlines expect to materialise in 2022.

Some Airlines have pointed to their forward booking numbers and full schedules as evidence that their view on 2022 will materialise, but large numbers of forward bookings and full flight schedules have occurred throughout the COVID-19 pandemic and have consistently failed to materialise.

Our forecasting approach continues to be one which combines the advantages of using the full functionality of our proven, existing models, with a scenario-based approach that covers the range of outcomes, whilst giving the flexibility to update as we gain more information.

We welcomed the comments from the CAA in their consultation on the Way Forward document, that we have taken *"a reasonably well-considered and structured approach to passenger*

---

<sup>5</sup> CAA, CAP2307

<sup>6</sup> <https://www.heathrow.com/company/about-heathrow/economic-regulation/h7-update>

<sup>7</sup> <https://www.heathrow.com/company/investor-centre/reports/investor-reports>

*forecasting, consistent with good practice. In particular, HAL's use of specific modelling to take account of the impact of travel restrictions is based on evidence where available and appears to be reasonable".*

Our modelling suite is built up of three distinct parts: travel restrictions model; capacity supply model and econometric model.

The capacity supply and econometric models were built pre-pandemic. In preparation for the Initial Business Plan, we had comprehensively reviewed our forecasting models with independent input to build on the improved accuracy of the Q6 models. This gives us confidence that the models are designed based on a robust forecasting methodology, sound mathematical techniques and industry best practice.

The travel restrictions model was created as a direct response to the challenges of forecasting passengers within the COVID-19 pandemic and is described below. This model was used to create the Steady Build forecast that is our base case for 2021.

The travel restrictions model breaks down Heathrow demand into 40 geographic markets (e.g., UK, Greece, Western US). For each geography it then forecasts a timeline of graduated stages of relaxing or increasing border controls, taking account of restrictions at either end of the route. For each level of restriction, we then assume a level of associated demand, which is specific to each geography. This level of demand is based, for the most part, on observed market behaviour over the last 18 months. The end output is a set of monthly volumes by market based on a set of scenario definitions.

We use this suite of forecasting models to build each forecast scenario individually and create a probabilistic output using Monte Carlo simulation. The output from each scenario is then combined using a weighting, to reflect that each scenario is not equally as likely as the other. This weighting means producing more Monte Carlo runs from those scenarios which are more likely. A full probabilistic range is then created from the weighted combination of the scenarios. The P10 is taken as the low case, the P50 as the mid and the P90 as the high. Our forecast of 45.5m passengers for 2022 is our P50 scenario.

### Proportion of charges

Heathrow has a strong commitment to the promotion of sustainable growth, improved environmental performance and the efficient use of airport capacity. Increasing the movement charges percentage relative to the passenger charge element of the yield incentivises fuller aircraft thereby making more efficient use of the capacity at Heathrow and improving the per passenger environmental impact of each flight. Data illustrates that this has been successful prior to the COVID-19 pandemic, without causing a reduction in the size of aircraft.

Year	Share of passenger	Share of movement	Share of parking	Pax per ATM	Load factor	Seats per ATM
2021	62	34	4			
2020	67	29	4	110	67%	218
2019	67	29	4	170	80%	214
2018	67	29	4	168	80%	213
2017	67	29	4	165	78%	212
2016	68	28	4	160	76%	212
2015	75	21	4	159	77%	209

In addition, reductions in passenger charges directly flow through to the end ticket price, helping to stimulate demand. For 2022 and the recovery of passenger volumes, we see competitive ticket prices, particularly at price sensitive lead-in fares, as having an important role.

Airline feedback is not supportive of this proposal as, in their opinion, this de-risks any volume variance for Heathrow. Whilst we disagree with the airline characterisation of the modulation, and maintain that amending the balance would further incentivise airlines to use all available capacity, we have taken the airline feedback on board in making our final decision. In combination with W21 and consulted S22 slot alleviation policy, which is reduced from the 80/20 pre COVID-19 rules, reducing the proportion attributed to the passenger charge further incentivises the efficient usage of scarce slot capacity and resources by encouraging higher load factors.

As a result, we have decided to amend the proportions of charges for 2022 to include a 5% rebalance from the passenger charge onto the movement charge. The final apportionment is as follows:

Movement	39%
Departing passenger	57%
Parking	4%

### Environmental charges

Within the environmental charge category, the proportions of revenue to be recovered through Noise and Emissions charges remain unchanged at 80% and 20% respectively.

We have continued to see an increase in the proportion of Chapter 14 aircraft since its introduction. This move has been amplified throughout 2020 and 2021 with airlines having more flexibility in existing fleet choice due to a reduced overall operation and with the replacement of older aircraft with the latest generation. To further incentivise sustainable choices, Heathrow consulted on the introduction of a new noise tariff – Chapter 14 super – low which supports our objective of encouraging the quietest fleet to operate at Heathrow.

We recognise the long-term nature of fleet investment decisions, however, introducing a new super low noise chapter is part of a wider strategy to reduce the environmental impact of airport and airline operations.

Our noise charges are aimed at promoting best in class performance rather than actual operational noise level and the use of ICAO certification values mean that they are grounded in internationally agreed noise measurement methods.

The rationale behind the noise bandings is aligned with the CAA guidance set out in CAP 1576<sup>8</sup> which states *“providing appropriate incentives for airlines to use ‘best in class’ aircraft, we continue to recommend that airports should disaggregate their ICAO noise categories fully into all subcategories available using cumulative margin for category allocation, consistent with ICAO guidance and with the recommendations given in CAP 1119. Noise categories should be no greater than 5 EPNdB wide and should be of equal width. Further sub-categorisation is not*

<sup>8</sup> <https://publicapps.caa.co.uk/modalapplication.aspx?appid=11&mode=detail&id=7995>

*discouraged as long as the criteria for differentiation follow ICAO guidance in that it is based on noise certification data, i.e. cumulative margin"*

Various respondents stated that the new Chapter 14 super-low banding width should be reduced from 5 to 3 EPNdB to maintain equal divisions within Chapter 14. Other respondents said the banding should change so as to capture various "best in class" aircraft. Whilst it is not possible to subdivide chapter 4 evenly as it sits at 17 EPNdB, we have listened to airline feedback regarding standardisation and propose to amend the EPNdB bandings for chapter 14 to a standard 3 EPNdB per the below table:

<b>CURRENT</b>	Cumulative EPNdB reduction from ICAO chapter 3 standard of at least:	<b>Chapter 3</b>	<b>Chapter 4 High</b>	<b>Chapter 4 Base</b>	<b>Chapter 14 High</b>	<b>Chapter 14 Base</b>	<b>Chapter 14 Low</b>	
		<b>Less than 10 dB</b>	<b>Less than 15 dB</b>	<b>Less than 17 dB</b>	<b>Less than 20 dB</b>	<b>Less than 23 dB</b>	<b>23 dB or more</b>	
<b>PROPOSED</b>	Cumulative EPNdB reduction from ICAO chapter 3 standard of at least:	<b>Chapter 3</b>	<b>Chapter 4 High</b>	<b>Chapter 4 Base</b>	<b>Chapter 14 High</b>	<b>Chapter 14 Base</b>	<b>Chapter 14 Low</b>	<b>Chapter 14 "Super Low"</b>
		<b>Less than 10 dB</b>	<b>Less than 15 dB</b>	<b>Less than 17 dB</b>	<b>Less than 20 dB</b>	<b>Less than 23 dB</b>	<b>Less than 28 dB</b>	<b>28 dB or more</b>
<b>REVISED</b>	Cumulative EPNdB reduction from ICAO chapter 3 standard of at least:	<b>Chapter 3</b>	<b>Chapter 4 High</b>	<b>Chapter 4 Base</b>	<b>Chapter 14 High</b>	<b>Chapter 14 Base</b>	<b>Chapter 14 Low</b>	<b>Chapter 14 "Super Low"</b>
		<b>Less than 10 dB</b>	<b>Less than 15 dB</b>	<b>Less than 17 dB</b>	<b>Less than 20 dB</b>	<b>Less than 23 dB</b>	<b>Less than 26 dB</b>	<b>26 dB or more</b>

As a result of the changes to the fleet profile operating at Heathrow and the introduction of the new super low noise chapter, we have updated the mix of movements used to calculate Noise prices as follows:

Noise chapter	2019	2020	2021 (YTD)	2022
Chapter 3	0.0%	0.1%	0.0%	0.0%
Chapter 4 high	8.9%	6.6%	4.9%	6.5%
Chapter 4 base	25.7%	22.4%	21.3%	14.1%
Chapter 14 high	8.4%	8.6%	10.9%	4.3%
Chapter 14 base	30.5%	25.2%	14.6%	19.4%
Chapter 14 low	26.6%	37.1%	48.2%	6.6%
Chapter 14 super low	-	-	-	49.1%

A respondent said that the differentiation between categories could amount to an operating restriction. This is not the case. Airlines can operate the types of aircraft listed, however will be charged more for operating aircraft which are noisier or more polluting. This encourages airlines to operate best in class and incentivises sustainable choices.

## Sustainable aviation fuel incentive

We have continuously set charges to drive the most sustainable behaviours at Heathrow. During both the 2020 and 2021 Airport Charges Consultations, we stated our intent to further focus on sustainability and build sustainable incentives into our pricing structure.

Climate change is the greatest long-term challenge faced by aviation. There are different initiatives which can contribute to decarbonising flying, but it is widely accepted that SAF will play a significant role in decoupling aviation growth and emissions in the near-term.

At Heathrow, we see SAF as key to achieving net zero and we want to be a leading hub for the development and deployment of SAF. To this end, we proposed to introduce a multi-year sustainable fuel incentive, recovered via the Emissions charge, which will reduce the high-cost premium of SAF paid by airlines as compared to standard kerosene aviation fuel and incentivise the investment in domestic SAF production in the UK. This in turn will reduce the SAF premium and encourage further take up, resulting in lower carbon emissions from airline operations out of Heathrow Airport.

The feedback received from airlines recognised our intent but posed questions around the mechanism, market supply and challenged Heathrow's role in promoting SAF.

Having carefully considered the feedback received, we have decided to introduce a SAF incentive in the 2022 charges. We want our scheme to provide an incentive that will complement the Government's plan with the benefit of our incentive being available before any Government incentive scheme is confirmed. We are initiating a 4-year scheme which covers 50% of the forecast SAF cost premium to support the objective of reaching a SAF mix at Heathrow of 4% by 2025. This will be reviewed should legislative changes impact the status of SAF or market conditions materially change. The SAF Incentive will be reviewed on at least an annual basis, with any changes consulted on with airlines through the usual annual airport charges consultation process.

However, recognising airlines concerns that the proposed mix target for year 1 of the incentive was too high and might lead to unintended consequences, we have lowered the ambition for the early part of that time frame from 1% in 2022 and are instead targeting a 0.5% SAF mix in 2022. In addition, as suggested by some airline feedback, we will be amending the quota calculation unit to Available Seat Kilometres (ASKs) to better reflect fuel use as it is proportional to distance flown.

The incentive pot proposed for 2022 is £10m and this has been calculated using the assumed fuel requirements for Heathrow as a whole and applying a 0.5% target SAF mix.

Year	Assumed SAF mix	SAF incentive pot
2022	0.5%	£10m
2023	1.0%	£23m
2024	2.0%	£48m
2025	4.0%	£99m



## Passenger charges

The European load factor and transfer passenger discounts will be retained in 2022<sup>9</sup>. In addition, the domestic connectivity discount will be increased in line with our consultation proposal. All of these are key levers in stimulating passenger volume recovery through lower fares, supporting the hub status of the airport, the efficient use of airport capacity and providing important feeder traffic for long-haul services.

We are maintaining the existing destinations tariff structure, which has been previously consulted on<sup>10</sup>, of Domestic, Common Travel Area (CTA), European Economic Area (EEA) and the Rest of the World.

In the consultation document, we proposed a change to the proportions of passenger charges recovered between Rest of World and Domestic/Europe to 80% and 20% respectively. The driver for this was the fact that the passenger charge makes up a much higher percentage of the total ticket price on short haul flights and therefore, more significant increases to those charges would potentially have a more detrimental impact to passenger numbers and the hub connections to long haul – eventually causing an increase in all future prices and reducing the efficient use of airport capacity. Our proposal aimed to provide a more equitable impact of such increases on a relative basis and a better overall balance of charges across the long and short haul passenger proposition recognising that short haul airlines carry a relatively higher fixed cost burden on a per passenger basis from our movement charges as a result of lower capacity aircraft.

Airline feedback has been mixed on this proposal but the balance of comments indicated that airlines felt 2022 was not the right year to make this change. In response to airline feedback, Heathrow has decided to reduce the proposed change by 50% and amend the modulation to the 2020 level of 75/25, which supports the objectives stated above.

---

<sup>9</sup> For previous consultation and decision information on these discounts, see the following:

- Domestic and European connectivity discounts – see 2018 decision document <https://www.heathrow.com/content/dam/heathrow/web/common/documents/company/doing-business-with-heathrow/flights-condition-of-use/conditions-of-use-documents/Heathrow-Airport-Limited-Airport-Charges-Decision-2018.pdf>
- European connectivity discount – see 2015 decision document [https://www.heathrow.com/content/dam/heathrow/web/common/documents/company/doing-business-with-heathrow/flights-condition-of-use/structure-of-charges-decision/Airport\\_Charges\\_Decision-5-August-2015.pdf](https://www.heathrow.com/content/dam/heathrow/web/common/documents/company/doing-business-with-heathrow/flights-condition-of-use/structure-of-charges-decision/Airport_Charges_Decision-5-August-2015.pdf).

<sup>10</sup> For more information on this structure, see the following:

- Domestic category – see 2018 decision document (link above).
- CTA category - 2021 decision document <https://www.heathrow.com/content/dam/heathrow/web/common/documents/company/doing-business-with-heathrow/flights-condition-of-use/conditions-of-use-documents/Heathrow-Airport-Limited-Conditions-of-Use-Airport-Charges-Decision-2021.pdf>

Year	LH/SH ratio
2019	74/26
2020	75/25
2021	70/30
2022 consultation	80/20
2022 Final	75/25

We have decided to maintain the suspension of seasonality.

### **Minimum departure charge**

Heathrow has decided to retain the tiers that were established in 2021. The minimum departure charges are set by reference to an assumed average load factor multiplied by the applicable passenger charges. These underlying assumptions have not changed, however, the specific amount of the charge for 2022 has been amended in line with the increase in passenger charges under the 2022 tariff.

### **Sustainable build back incentive**

We proposed the implementation of a sustainable build back incentive to create a £20m pot funded by passenger charges to encourage airlines to both grow above a baseline figure and target new markets.

Airline feedback said that commercial decision making would not be impacted by such a scheme and that there was too much uncertainty relating to the individual airline potential benefits in the context of the recovery from the COVID-19 pandemic.

As a result of this feedback, Heathrow has decided to not proceed with the sustainable build back incentive scheme in 2022. This results in a reduction to the passenger charge for all airport users.

Heathrow nonetheless believes that growth incentives can play an important role in the airport's future and will continue to engage with the airline community on both the role a growth incentive scheme can play in airport charges and the desired mechanics of such a scheme.

### **Cargo charge**

Heathrow proposed to introduce a weight-based departing cargo charge which would set a more equitable basis of charging for freight and would also recognise the use of airport infrastructure to deliver the cargo proposition.

Airline feedback did not support this proposal and generally focused on views that the charge would impact on cargo competitiveness at Heathrow. The cargo charge proposal was designed to change the way that aeronautical charges were recovered in respect of cargo. The charge was proposed to count towards the minimum departure charge and as such was not intended to increase costs on a like for like basis. As a result, Heathrow is of the view that it would not have impacted on cargo competitiveness and as set out above, it would recognise the use of airport infrastructure by cargo operations, both for cargo-only and belly-hold. However, given the

strength of airline feedback that 2022 is not the year in which to introduce such a change, Heathrow has decided not to proceed with the cargo charge for 2022.

Heathrow remains keen to discuss with the airline community how cargo charging could be introduced and will look to engage on this matter throughout 2022.

### **Future airport charges**

Whilst Heathrow has recognised the feedback received on both the proposed cargo charge and the sustainable build back incentive and removed them from the 2022 charging structure, we believe that there is merit in further exploring both of these elements and would welcome airline community input during 2022, in advance of a potential introduction in the 2023 charging structure.

We are grateful to the airline community, airline industry bodies and others for the feedback provided, as well as the expressions of willingness to work together on future airport charges. Heathrow remains committed to working together with the airline community to shape these future airport charges.

## **Airport charges - airline and airline representative body questions**

### **Calculation of allowable yield**

Q: What is the basis for Heathrow's proposed 2022 airport charge?

A: As noted previously, the CAA has decided on a holding price of £30.19 for 2022 in CAP2307 following a period of consultation. Heathrow will be using this price for 2022.

### **Passenger charges modulation**

Q: What is the rationale for the differentiation between the passenger charges?

A: The passenger charges make up a much higher percentage of the total ticket price on short haul flights and therefore more significant increases would potentially have a more detrimental impact to passenger numbers and subsequently, hub connections to long haul – eventually causing an increase in all future prices and impacting negatively on the efficient use of airport capacity. Our proposal was designed to create a more equitable impact and to stimulate passenger growth which will benefit all carriers. However, we have listened to the feedback from respondents and decided to amend the LH vs SH modulation from 80/20 to the 2020 level of 75/25, supporting the objectives stated above.

### **Rebalancing of passenger and movement recovery levels**

Q: What is the rationale for Heathrow's proposed rebalancing of airport charges?

A: Through rebalancing the charge in the way set out in this decision document, we will continue to support our ongoing objective of incentivising sustainable flying at Heathrow – we have rebalanced the shift in such a way to incentivise quiet flying, higher load factors and thus better utilisation of airport assets and improved environmental performance. Further, Heathrow wishes to support passenger growth at the airport to ensure resources are fully utilised. As passenger charges flow directly to the final ticket price, we believe that reducing the proportion of the yield that is recovered through the passenger charges is key to supporting that passenger growth as we recover from the impacts of the COVID-19 pandemic.

### **Cargo charge**

Q: What is the rationale behind the cargo charge?

A: The charge was proposed as a means of introducing a more equitable method of charging for cargo and was proposed to apply to both cargo only movements and those passenger ATMs carrying belly hold cargo as a result of the requirement to apply equivalent charges between passenger and cargo ATMs. The revenue earned via belly hold cargo would form part of the yield recovery and by extension reduce the PSC.

After careful consideration of feedback received, we have taken the decision to withdraw this proposal from 2022 tariffs while we consider some of the detail provided around the proposed scheme. Nevertheless, we would like to signal the intent to introduce some form of cargo charge in the future and would like to work with airlines to arrive at a practical solution.

**Minimum departure charge**

Q: Why is Heathrow proposing increases in the minimum charges?

A: In relative terms, the minimum departure charge has not increased; prices are higher as a result of the broader increase in MAY which flows into passenger charges.

**New "Super Low" chapter within noise charging**

Q: The noise chapter intervals within the proposed structure are not consistent.

A: Whilst it is not possible to subdivide chapter 4 evenly as it sits at 17 EPNdB, we have listened to airline feedback regarding standardisation and have decided to amend the EPNdB bandings for chapter 14 to a standard 3 EPNdB.

Q: The introduction of a new noise chapter comes as a surprise and makes long-term fleet planning challenging.

A: Noise related charging is a well-established process which promotes the cleanest and best in class fleet flying to Heathrow. As the technology advances and cleaner aircraft enter service, it is to be expected that pricing reflects those changes and continues to incentivise improved environmental performance.

Q: The modulation of the noise chapters is too steep.

A: The objective of the noise chapter differentiated pricing is to drive a cleaner and quieter fleet operating to and from Heathrow. This necessitates a differentiated structure to reward those airlines that support us in delivering against this goal and is not a penalty against those who do not support this goal. However, recognising this feedback, we have mitigated the impact of the new super low noise chapter by increasing the multiplier and retaining the chapter 4 base multiplier at the 2021 level which results in a reduction in the cost differential between chapters.

This is an area on which Heathrow would welcome further engagement with airlines during 2022 for potential adjustment in 2023.

Q: The proposed structure results in some new aircraft not sitting within the lowest noise chapter.

A: The noise charging at Heathrow is structured according to CAA recommendations and ICAO certification. By using this approach, we can ensure a level of consistency and simplicity which other approaches such as actual operational noise do not offer. It is the outcome of ICAO certification that dictates which noise category the aircraft will fall into.

Having narrowed down the "Super Low" chapter from 5 to 3 EPNdB will lower the threshold of the "super low" chapter from 28 EPNdB to 26 EPNdB. This means more aircraft will qualify for super low noise tariff.

**Sustainable Aviation Fuel Incentive**

Q: Why does the incentive focus on fuelling at Heathrow only? Aircraft arriving with SAF should be included in the strategy.

A: Heathrow is a strong advocate for the use of SAF. The purpose of this incentive is to help build demand for SAF. By introducing this incentive, Heathrow and airlines operating here will also be

helping to stimulate new supply in the UK sooner and improve environmental performance. This will help airlines to more easily achieve decarbonisation targets over the medium-term.

Q: The allocation should be based on a metric that better acts as a proxy for fuel use, such as Available Seat Kilometre (ASK).

A: We have considered feedback on this point and decided to adopt the suggested approach. For airlines who were operating from Heathrow in 2019, we will calculate the airline allowance by reference to 2019 ASKs at Heathrow. It is appropriate to use 2019 as the reference year for the ASKs metric as airlines were running 'normal' operations at that time, and the numbers are unaffected by the COVID-19 pandemic. For airlines who have started operations at Heathrow since 1 January 2020, the airline allowance will be calculated by reference to ASK offered at Heathrow from December 2020 through to November 2021 as this is latest available 12-month data.

Q: Introducing an incentive which increases airport charges is counterproductive in times of recovery.

A: We have continuously set charges to drive the most sustainable behaviours at Heathrow. During both the 2020 and 2021 Airport Charges Consultations, we stated our intent to further focus on sustainability and build sustainable incentives into our pricing structure. We have also lowered the percentage mix that the scheme targets from 1% to 0.5%, reducing the overall size of the incentive pot.

Q: As it would be impossible to determine the actual benefit that would accrue from the scheme in advance it will have no, or minimal, impact on airline decision making and planning.

A: The way the incentive is set will inform an airline on the amount it may be able to claim from the incentive, should they wish to deliver SAF to Heathrow Airport in 2022. This information will be published by the end of 2021. By the 14<sup>th</sup> of February 2022, after reviewing all submissions from airlines willing to participate in the scheme, Heathrow will confirm how much of the incentive pot is allocated to each airline.

Q: The usage of SAF at Heathrow should reduce CO2 reporting in the Emission Trading Scheme and the UK now has a monitoring plan of its own.

A: Heathrow intends to make the administration of the SAF incentive as straightforward as possible for participants and welcomes views on how it can be further simplified. Heathrow does not require that SAF uplifted at the airport be treated separately to any reporting that may be required for the UK Emissions Trading Scheme (UK ETS) or any other Governments' requirement.

Q: What is the justification for Heathrow's participation in the SAF agenda?

A: Climate change is the greatest long-term challenge faced by aviation. There are different initiatives which can contribute to decarbonising flying but it is widely accepted that SAF will play a significant role in decoupling aviation growth and emissions in the near-term. Government policy is beginning to emerge, but it is not until 2025 that we expect these policies to take effect to drive demand for SAF and address the price differential to kerosene. This would leave little time for SAF production and use to scale to levels that will deliver net zero aviation, however, Heathrow will review the incentive annually to take account of the planned introduction of

Government policy relating to SAF. In the meantime, Heathrow can help to address the urgency by introducing measures to drive SAF demand from 2022, making it easier for Government policy to achieve its desired outcomes by 2030 and reducing the risk of punitive policy interventions from Government in future.

Q: There is not enough supply of SAF in the UK and the incentive may lead to a supply impact.

A: The introduction of the SAF incentive will create a demand signal for UK SAF production, accelerating the availability of supply necessary to enable the airport and airlines to meet decarbonisation objectives. In addition, Heathrow has proposed to lower the ambition in the early part of the multi-year commitment and to 0.5% in 2022 which will mitigate any potential impact on the supply market and reduce the size of the incentive pot from £20m to £10m.

Q: How is SAF defined for the purpose of the Incentive?

A: We propose alignment with the UK Department for Transport's (DfT) Renewable Transport Fuel Obligation (RTFO) to define renewable fuel, including for its use as SAF<sup>11</sup>.

Q: How can the use of SAF at Heathrow be evidenced?

A: SAF is considered to have been delivered to Heathrow on provision of evidence of receipt at the Airport or delivery into a pipeline connected to the Airport, on a mass balance basis. Evidence shall be an industry standard product transfer document, details of our requirements in this respect will be set out in the SAF Incentive guidance document, which is due to be published by 31 December 2021.

### **Sustainable growth Incentive**

Q: This proposal pre funds an incentive pot at the cost of airlines and consumers which we cannot support.

Q: Network decisions are based almost entirely on supply and demand and will not be influenced by this scheme.

A: We have taken on board all feedback and decided to suspend the introduction of the sustainable growth incentive in its current form. Heathrow still believes growth incentives do influence airline behaviour (and by extension passenger numbers) and are important tools to encourage passenger growth and the efficient use of airport infrastructure and capacity. Heathrow would like to engage with airlines in 2022 to discuss options for future charges that would benefit both Heathrow and airlines.

### **ORC – Business Rates**

Q: We do not agree to business rates being moved out of aeronautical charges and into Other Regulated Charges.

A: It was Heathrow's view that the Other Regulated Charges governance structure would provide the requisite transparency that had been requested by airlines for this agreed cost pass through.

---

<sup>11</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/947710/rtfo-guidance-part-2-carbon-and-sustainability-2021.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/947710/rtfo-guidance-part-2-carbon-and-sustainability-2021.pdf)

Heathrow's adoption of the CAA's proposed "holding" cap for the 2022 charges has addressed this matter.



## Appendix 2

### Consultation Process Summary

In line with the timelines for consulting on airport charges set out in ACR2011, Heathrow commenced consultation on the 2022 airport charges tariff and the Conditions of Use by publishing the consultation documents on 31 August 2021.

A consultation meeting was held on 9 September 2021. We requested that the airline community formally respond to the consultation proposal in writing by 1 October 2021 and we received 40 written responses.

The CAA's Initial Proposals were published during Heathrow's consultation period but after the deadline for airport user feedback to be submitted. The CAA's proposals contained a consultation on a draft licence modification to implement a "holding" cap price that the CAA proposed would apply from 1 January 2022 until the H7 licence takes effect. In order not to cut across an active regulatory consultation, Heathrow delayed the publication of the final 2022 airport tariff list and associated Conditions of Use as the inclusion of the CAA's own consultation on the holding cap in the Initial Proposals meant that it was not practicable for Heathrow to publish its final charges two months prior to implementation, as ordinarily required by Regulation 13(2)(A) ACR2011.

Heathrow took this extraordinary step to ensure that continued meaningful engagement with both airlines and the regulator could take place to better understand the implications of the Initial Proposals and the impact on the 2022 airport charges.

The CAA decided<sup>12</sup> on 16 December 2021 that the holding price cap for 2022 should be £30.19. We are extremely disappointed in this interim decision from the CAA. It relies on rushed analysis and will undermine passenger experience at the UK's hub airport. Uncorrected, this risks leaving Heathrow without sufficient cashflow to support investment in improving passenger service and resilience. We are making a detailed submission to the CAA, and expect a more considered outcome when it makes its final decision in Spring 2022. Nonetheless, we consider it is appropriate to proceed with the charge which has been set by the CAA for 2022, and so the final holding cap for 2022 is £30.19.

As a result of feedback received, we have made several amendments to our airport charges proposals, as are set out in this decision document. These include:

- suspension of the introduction of the cargo charge;
- suspension of the introduction of the sustainable build back incentive;
- amendment of the bandings within noise chapter 14 to a standardised 3 EPNdB;
- adjustment of the modulation of long haul and short haul passenger charges from an 80/20 split to 75/25; and
- lowering the 2022 SAF mix ambition from 1.0% to 0.5%, thus reducing the incentive pot from £20m to £10m.

---

<sup>12</sup> CAA, CAP2307

We have also made changes to the 2022 Conditions of Use as a result of feedback. The summary of this is contained in Appendix 4 to this document.

We have taken our decision with full regard to our legal and regulatory obligations and the impact of the potential changes. The charges have been set on a non-discriminatory basis, with relevant, objective and transparent criteria. This decision meets Heathrow's objectives to achieve our clear and transparent objectives of passenger growth, environmental targets and sustainable use of the airport whilst also supporting airlines and bringing passengers back to the airport.

### Appendix 3

### Final Airport Charges – 2022

	Final 2022 £ GBP
<b>Charges on Movement</b>	
Peak (Departures & Landing)	
Chapter 3	£9,839.34
Chapter 4 High	£4,263.71
Chapter 4 Base	£2,787.81
Chapter 14 High	£1,853.08
Chapter 14 Base	£1,321.75
Chapter 14 Low	£793.71
Chapter 14 Super Low	£557.56
Super Night Peak (Departures & Landing)	
Chapter 3	£49,196.70
Chapter 4 High	£21,318.55
Chapter 4 Base	£13,939.05
Chapter 14 High	£9,265.40
Chapter 14 Base	£6,608.75
Chapter 14 Low	£3,968.55
Chapter 14 Super Low	£2,787.80
Emissions charge (on landing)	£29.53
<b>Charges on Departing Passengers</b>	
Origin and Destination	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	£13.42
Common Travel Area	£13.67
European charge with single discount <i>(with EU load factor discount)</i>	£20.92
Other	£54.91
Transfer and Transit	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	£10.07
Common Travel Area	£10.26
European charge with single discount <i>(with EU load factor discount)</i>	£15.70
Other	£41.18
Remote Stand Rebate	-£4.00
Minimum charge - Domestic	£778.36
Minimum charge - Common Travel Area	£820.20
Minimum charge - European	£1,610.84
Minimum charge - Other	£2,745.50
<b>Charges on aircraft parking</b>	
Narrow bodied	£29.38
Wide bodied	£61.70

	Traffic Volume Units	Traffic Volume	Proposed Charge	Forecast Revenue
<b>Movement Charge</b>				
<b>Noise Charge</b>				
<u>Peak</u>				
Chapter 3	[Landings]	0	£9,839.34	£0
Chapter 4 High	[Landings]	10,517	£4,263.71	£44,839,770
Chapter 4 Base	[Landings]	22,787	£2,787.81	£63,524,538
Chapter 14 High	[Landings]	6,948	£1,853.08	£12,876,078
Chapter 14 Base	[Landings]	31,362	£1,321.75	£41,452,763
Chapter 14 Low	[Landings]	10,687	£793.71	£8,482,643
Chapter 14 Super Low	[Landings]	79,307	£557.56	£44,218,140
<b>Total</b>	<b>[Landings]</b>	<b>161,607</b>		<b>£215,393,932</b>
<u>Peak</u>				
Chapter 3	[Departures]	0	£9,839.34	£0
Chapter 4 High	[Departures]	10,517	£4,263.71	£44,839,770
Chapter 4 Base	[Departures]	22,787	£2,787.81	£63,524,538
Chapter 14 High	[Departures]	6,948	£1,853.08	£12,876,078
Chapter 14 Base	[Departures]	31,362	£1,321.75	£41,452,763
Chapter 14 Low	[Departures]	10,687	£793.71	£8,482,643
Chapter 14 Super Low	[Departures]	79,307	£557.56	£44,218,140
<b>Total</b>	<b>[Departures]</b>	<b>161,607</b>		<b>£215,393,932</b>
<u>Super Night Peak</u>				
Chapter 3	[Landings]	0	£49,196.70	£0
Chapter 4 High	[Landings]	1	£21,318.55	£21,319
Chapter 4 Base	[Landings]	6	£13,939.05	£83,634
Chapter 14 High	[Landings]	3	£9,265.40	£27,796
Chapter 14 Base	[Landings]	15	£6,608.75	£99,131
Chapter 14 Low	[Landings]	15	£3,968.55	£59,528
Chapter 14 Super Low	[Landings]	10	£2,787.80	£27,878
<b>Total</b>	<b>[Landings]</b>	<b>50</b>		<b>£319,287</b>
<u>Super Night Peak</u>				
Chapter 3	[Departures]	0	£49,196.70	£0
Chapter 4 High	[Departures]	1	£21,318.55	£21,319
Chapter 4 Base	[Departures]	6	£13,939.05	£83,634
Chapter 14 High	[Departures]	3	£9,265.40	£27,796
Chapter 14 Base	[Departures]	15	£6,608.75	£99,131
Chapter 14 Low	[Departures]	15	£3,968.55	£59,528
Chapter 14 Super Low	[Departures]	10	£2,787.80	£27,878
<b>Total</b>	<b>[Departures]</b>	<b>50</b>		<b>£319,287</b>
<b>Emissions Charge on landing</b>				
Total kg Nox rating	[kg]	3,990,796	£29.53	£117,848,201
Average kg Nox per landing	[kg]	24.7		£117,848,201
SAF Incentive				-£10,000,000
<b>Total Movement Revenue</b>	<b>(a)</b>			<b>£539,274,638</b>

Departing Passenger Charge				
<b>Departing OD Passenger Charge</b>				
European charge with dual discount	[Dep Pax]	1,130,549	£13.42	£15,171,966
CTA	[Dep Pax]	565,716	£13.67	£7,733,343
European charge with single discount	[Dep Pax]	6,672,240	£20.92	£139,583,254
Other	[Dep Pax]	8,770,933	£54.91	£481,611,934
<b>Total</b>	[Dep Pax]	<b>17,139,438</b>		<b>£644,100,497</b>
<b>Departing Transfer Passenger Charge</b>				
European charge with dual discount	[Dep Pax]	761,843	£10.07	£7,671,763
CTA	[Dep Pax]	143,117	£10.26	£1,468,382
European charge with single discount	[Dep Pax]	1,651,144	£15.70	£25,922,964
Other	[Dep Pax]	2,695,626	£41.18	£111,005,898
<b>Total</b>	[Dep Pax]	<b>5,251,731</b>		<b>£146,069,008</b>
<b>Remote Stand Rebate</b>				
Remote Stand Rebate	[Dep Pax + Arr Pax]	2,456,094	-£4.00	-£9,824,377
<b>Total Departing Passenger Charge Revenue</b>	<b>(b)</b>			<b>£780,345,128</b>

Parking Charge				
<b>Narrow bodied</b>				
Chargeable Period	[Units of 15 minutes]	438,323	£29.38	£12,877,923
<b>Wide bodied</b>				
Chargeable Period	[Units of 15 minutes]	644,134	£61.70	£39,743,085
<b>Total Parking Charge</b>	<b>(c)</b>	<b>1,082,457</b>		<b>£52,621,009</b>

<b>Terminal Pax Flights: Total Revenue</b>	<b>£1,372,240,775</b>
--------------------------------------------	-----------------------

Non-Terminal Pax Flights (GA, Troops etc)		
<b>Non-Terminal Pax Flights</b>		
Movement Revenue	(d)	£233,037
Departing Passenger Revenue	(e)	£337,196
Parking Revenue	(f)	£22,737
<b>Total Non-Terminal Pax Flights Revenue</b>		<b>£592,970</b>

Total Regulated Revenue		
<b>Total Regulated Revenue</b>		
Movement Revenue	(a) + (d)	£539,507,675
Departing Passenger Revenue	(b) + (e)	£780,682,324
Parking Revenue	(c) + (f)	£52,643,745
<b>Total Regulated Revenue</b>		<b>£1,372,833,744</b>
<b>Total Passengers</b>		<b>45,472,559</b>
<b>Total Regulated Yield</b>		<b>£30.190</b>

### Appendix 4

#### Heathrow Conditions of Use 2021 – Summary of Proposals, Feedback and Decision

In this appendix we summarise the feedback received on our proposals to amend the Heathrow Airport Conditions of Use (COU) for 2022. In relation to each provision, we have set out a summary of our proposal, the feedback, our response to feedback and our decision. Given that we have summarised feedback, if a specific point raised has not been directly addressed, it does not mean that we accept the views or position put forward by respondents to the consultation.

Proposal	Feedback	Response	Decision
<b>CHANGES PROPOSED BY HEATHROW FOR CONSULTATION</b>			
General amendments to tidy up, amend typographical matters, consistent use of definitions or repeated wording, clarify references to EU law post the UK's exit from the EU.	One respondent said that too many changes with legal impact have been made to the COU with too little time given to review.	Heathrow has only proposed a small number of changes this year, none of which are fundamental changes to the terms and has given airlines one month to provide feedback, which is a reasonable length of time.	Proposed changes will be made.
Condition 1.3 – slight amendment to wording for clarity.	No substantive comments received.	N/A	Proposed changes will be made.
Condition 2.1 – amendments to information required from airlines operating at Heathrow.	AOC members as well as four respondents stated that they thought a level of detail was potentially sought through this condition which may not be able to be provided due to GDPR rules, although they did not provide any detail as to their specific concerns and why the information requested or provision of it was in issue. They also said this condition should	<p>We responded to this concern during the 2019/20 and 2020/21 consultations and our view remains the same; Heathrow has not proposed any changes to this provision and it has been previously consulted on, and it is our view that the condition continues to function appropriately.</p> <p>We do not understand this response, given the references to GDPR, presumably the concern relates to airline employee contact information. As the provision of contact information for an Airline is necessary for the safe and efficient operation of the Airport, and we do not see how or why GDPR would prevent the provision of names, office addresses and contact details of relevant Airline colleagues.</p>	Proposed changes will be made.

Proposal	Feedback	Response	Decision
	<p>refer to data protection legislation.</p> <p>One respondent said that due to GDPR some information could not be shared and that Heathrow should “specify which type of information it is seeking to acquire and to ensure that it is within the law”.</p> <p>One respondent said the definition of noise certificate needed to be better defined.</p>	<p>We expect these to continue to be provided. In the 2019/20 and 2020/21 consultations we invited any Airline who had any concerns over this to contact us directly to discuss and this offer remains open.</p> <p>We have defined Certification Noise Levels in the COU as the noise levels set out on the certification documentation issued in accordance with ICAO Annex 16, Vol.1, Attachment G “Guidelines for the Administration of Noise Certification Document”. This ICAO standard process allows the national aviation authority to issue the relevant documentation. Where multiple certificates are held for the same aircraft registration, the levels for the MTOW operated to Heathrow should be provided.</p>	
Condition 2.3 – addition of wording to confirm that charges are calculated based on information provided by airline as at the date a charge is incurred.	One respondent said that the new wording should not be included and suggested that a delay in providing information should not be met with an unrelated commercial consequence.	Where airlines have failed to keep information up to date (for example, the noise performance of an aircraft), it is right and reasonable that their charges are calculated based on the account information given at the time the charges are incurred. It is not clear what is meant by this being an unrelated commercial consequence, as there is a direct relationship between the information airlines provide and the charges calculated.	Proposed changes will be made.
Condition 3.2 – wording addressing IATA messages required for information transfer.	No substantive comments received.	N/A	Proposed changes will be made.
Conditions 5.6 and 5.7 – addition of new terms regarding compliance with data protection legislation.	No substantive comments received.	N/A	Proposed changes will be made.

Proposal	Feedback	Response	Decision
Condition 6.1 – minor amendments to wording for clarity.	One respondent commented that the obligation to comply with Heathrow Notices was too broad as against previous obligation to comply with safety critical notices.	The previous obligation was to comply with Operational Safety Instructions (“OSI”). OSIs cover a range of topics relevant to airside operations. There are also other types of notice with which all parties working at Heathrow must comply which are published in a range of formats. A definition of Heathrow Notices has been added to capture all of these.	Proposed changes will be made.
Condition 6.3 – amendment to reference that slots can be arrival or departure, amendment to 6.3(c) and addition of reference to public health crisis.	One respondent objected to the new wording added saying “but not limited to” at 6.3(c).	The reference to public health crises has been added in response to the COVID-19 pandemic and the “but not limited to” wording has been added to make clear that a range of scenarios could impact on access to the airport facilities and services, and it is reasonable to retain this wording.	Proposed changes will be made.
Condition 7.2 – new condition to require provision of information (on demand) regarding organisations providing groundhandling services to airlines at Heathrow.	No substantive comments received on changes.  One respondent queried the meaning of “primary” groundhandler.	We responded to the query on the meaning of primary groundhandler in our consultation responses of 2019/20 and 2020/21 in the following terms, which remain accurate: <i>“the inclusion of the words “primary groundhandlers” will be included to add further clarity that we are referring to handling that is strictly required to get the flight ready to leave the airport again.”</i> <i>For an airline that self-handles, that will refer to the business unit providing the relevant handling service.”</i>	Proposed changes will be made.
Condition 7.3 – amendment to terms regarding IATA ISAGO accreditation, removal of requirement to have IOSA audit.	One respondent welcomed the removal of the requirement to have the IATA IGOM and stated that it was not reasonable for airlines to give warranties on appropriate and reasonable checks/due diligence having been done on groundhandling companies, as Heathrow should do its own checks on airline groundhandlers.	As airlines will all be aware, it is in the interest of all airlines, the airport community, passengers and the public interest that we all work together to maintain the integrity, efficiency, safety and security of the Airport. In doing so, we will always seek to comply with our own requirements and carry out our own due diligence on any companies applying for a Ground Operations Licence (GOL) and audit accordingly, and this will not change. We continue to have standards which must be met before any company can be approved for access. Heathrow has sole discretion as to whether to grant a GOL, which is required prior to any person undertaking any groundhandling activity. To carry out any such activity without one	Proposed changes will be made.



Proposal	Feedback	Response	Decision
	<p>One respondent said the IATA IGOM wording should be retained and that the transfer to ISAGO was unduly burdensome. They queried why the new accreditation was necessary, that the implementation date was delayed to align with current IOSA audit dates, that HAL should cover the cost and queried whether OSI audits would be eliminated or reduced.</p>	<p>is a breach of the Heathrow Byelaws, and a criminal offence which can result in summary conviction.</p> <p>It is in all of our interests that we work together to address this, and to ensure that high standards of due diligence are conducted and maintained by all parties and that only reputable companies with legitimate reasons for access are sponsored for a GOL.</p> <p>The move from a Heathrow IGOM to ISAGO accreditation reflects the need to ensure all Groundhandlers, including self-handling Airlines operate to a recognised industry standard in the absence of any regulation. The transition to the required standards will be managed to ensure it is not unduly burdensome, taking into consideration existing IATA audit dates.</p>	
<p>Condition 7.4 – amendment to refer to the appropriate Heathrow Notices.</p>	<p>No substantive comments received.</p>	<p>N/A</p>	<p>Proposed changes will be made.</p>
<p>Condition 7.8 – new clause to reflect newly introduced Airport Operations Licence.</p>	<p>One respondent queried whether the Airside Operations Licence language applied to airlines, and if not that it should be made explicit.</p>	<p>This change is required to reflect the new Airside Operations Licence at Heathrow. The Airside Operations Licence applies to companies who require airside access or vehicle passes Airside, but who are not providing groundhandling services within the definition as set out in the Groundhandling Regulations. Where an airline requires a vehicle pass (in a context where the airline is not carrying out groundhandling services/self-handling) they will need to obtain an AOL in advance.</p>	<p>Proposed changes will be made.</p>
<p>Condition 12.4 – new condition regarding charging in advance for ad-hoc operators.</p>	<p>AOC members and five respondents commented that this condition should be clarified to refer to operators who do not usually operate at Heathrow</p>	<p>The wording has been amended to take this feedback into account, and be clear that this requirement applies to those airlines who do not normally operate from Heathrow Airport.</p>	<p>Wording amended.</p>

Proposal	Feedback	Response	Decision
Condition 12.5 – amendment to make clear where remittances are not provided, payments allocated to oldest debt.	No substantive comments received.	N/A	Proposed changes will be made.
Condition 12.7 – amendments to deposit/bank guarantee clauses.	<p>No substantive comments received on proposed changes.</p> <p>One respondent said that a test of reasonableness should be added regarding decisions on financial standing of an airline and said that providing the deposit within 5 days is too short.</p>	<p>In respect of the timing and terms regarding provision of deposits, Heathrow has not proposed any changes to that part of this provision; it has been previously consulted on, and it is our view that the condition continues to function appropriately and we would repeat our response from the previous consultation: in circumstances where a deposit is required after an airline has begun operations at the Airport, this is often because a change in circumstances means that the financial stability of the relevant airline cannot be assured. We consider that it is reasonable to ask for a deposit to be provided on 5 days’ notice, as it is in all of our interests that the financial integrity of the airport is maintained.</p>	Proposed changes will be made.
Condition 20.1 – amendment to timeframe for submitting and resolving invoice disputes, removal of unnecessary wording.	<p>AOC Members and eight respondents said they did not agree with the reduction of the timeframe for dispute from 30 days to 10 days and wanted the wording reverted to 30 days.</p> <p>One respondent said the removed wording regarding the timeframe for resolving disputes should be retained.</p>	<p>The previous term gave 30 days from the “matter arising” to raise a dispute, which in practice could mean 30 days from the date of issue of an invoice. The new term is 10 days after invoice <u>due</u> date, which is itself 14 days after the issue date, giving a total of 24 days to raise a dispute which is a reasonable period of time to allow for an issue to be notified.</p>	Proposed changes will be made.
Condition 20.4 – addition of reference to UK bank guarantee.	No substantive comments received.	N/A	Proposed changes will be made.

Proposal	Feedback	Response	Decision
Condition 22.5 – removed condition regarding UK exit from EU.	No substantive comments received.	N/A	Proposed changes will be made.
Condition 24 – updates to definitions to correct language, update references to legislation or other defined terms, remove unnecessary definitions, amend definitions where required, add new definitions of Heathrow Notices and PRS Regulation.	No substantive comments received.	N/A	Proposed changes will be made.
Schedule 1 – minor amendments to messaging requirements.	Two respondents said the wording “but not limited to” should be removed and asked for a more detailed definition of “advance passenger information” so as to be able to comply with data protection laws.	We have taken feedback into account and removed the “but not limited to” wording and added further detail on what information is specifically required.	Wording amended.
Schedule 2 – amendment to form of information requested.	No substantive comments received.	N/A	Proposed changes will be made.
Schedule 3 – addition of wording regarding invoice queries.	No substantive comments received.	N/A	Proposed changes will be made.
Schedule 4 - update to charges.	Comments and responses on airport charges are covered in the body of this decision document.		
<b>OTHER ISSUES RAISED IN CONSULTATION</b>			
Condition 1.1 and unilateral nature of COU.	Various respondents expressed the view that a unilateral contract	It would be entirely unworkable to negotiate a bilateral with each airline wanting to operate at Heathrow. As a result, Heathrow only	No change to this provision.

Proposal	Feedback	Response	Decision
	<p>is not an appropriate mechanism for determining the acceptance of the COU. One respondent suggested that there should be a bilateral agreement negotiated between Heathrow and the responding airline.</p> <p>AOC members stated that they intend to operate at Heathrow as of 1 January 2022 without this being taken as their acceptance of the COU.</p>	<p>offers the use of its Facilities and Services at Heathrow Airport to all airlines equally, on the same terms and conditions and that an airline communicates unconditional acceptance of those terms and conditions by choosing to use the airport.</p> <p>We do not and cannot consent to any airline operating at Heathrow on terms different from those set out in our COU.</p> <p>It is not possible for any airline to exclude itself from the application of the COU by written notification and it is our view that the condition continues to function appropriately.</p>	
<p>Conditions 3.14, 3.15 and 20.4 – auditing and actions/remedies.</p>	<p>One respondent stated that if an error on an invoice is made by Heathrow, the airline should not incur interest or be penalised with any difference in charges, and that these clauses be made clearer to avoid disputes.</p>	<p>No changes have been proposed to Condition 3.14 or 3.15. The change proposed to 20.4 is not relevant to this feedback. Conditions 3.14 and 3.15 set out the consequences of airline errors in reporting data on which charges are based. 20.4 sets out a summary of the actions and remedies should an airline breach the Conditions. The terms of these conditions remain appropriate and will be retained.</p>	<p>3.14 and 3.15: no change to these provisions. 20.4: the change to that condition will be carried forward but is unrelated to this feedback topic.</p>
<p>Condition 7.7 – Time Sensitive Transfers.</p>	<p>AOC members and three respondents said that they felt that the term relating to prioritising time sensitive passengers was too broad as it did not contain specifics required for airlines to understand the scope of what is intended.</p>	<p>As for the 2019/20 and 2020/21 consultations, Heathrow has not proposed any changes to this provision and it has been previously consulted on, and it is our view that the condition continues to function appropriately.</p> <p>We do not wish to be prescriptive to airlines on what or how policies and procedures are implemented to facilitate the prioritisation of time-sensitive transfer passenger baggage and so do not propose to change this provision.</p>	<p>No change to this provision.</p>

Proposal	Feedback	Response	Decision
Condition 10.3 - provision regarding emissions and fuel burn.	<p>AOC members and three respondents commented that they did not feel it was appropriate for Heathrow to place an “all reasonable endeavours” obligation on the use of Heathrow supplied FEGP and PCA.</p> <p>One respondent said it considered that commercial considerations were included in the test of reasonableness.</p>	<p>We welcome the various responses stating that Airlines wish to work with Heathrow to improve their performance on ground-based emissions and fuel burn.</p> <p>In respect of the use of FEGP and PCA we would repeat our response from the 2019/20 and 2020/21 consultations that the use of both are not intended to be subject to the “all reasonable endeavours” wording, this applies to “reduce on-stand emissions”. The inclusion of the wording “which could include” makes it clear that these are suggested alternatives to running APU, rather than mandated.</p>	No change to this provision.
Condition 14.2 – failure to adhere to payment terms.	One respondent said that their use of the airport was in accordance with custom and practice, which includes the payment terms used to settle debts.	<p>Airlines should be aware that Heathrow only offers the use of its Facilities and Services at Heathrow Airport to all airlines equally, on the same terms and conditions and that an airline communicates unconditional acceptance of those terms and conditions by choosing to use the airport. This includes the provisions as to payment and settling of debts. We do not consent to any airline operating at Heathrow on terms different from those set out in our COU.</p> <p>It is not possible for any airline to exclude itself from the application of the payment provisions COU or to settle debts on any terms other than those set out in the COU. We do not accept any statements that the airport is used based on custom and practice. The applicable terms are those as set out in the COU.</p> <p>It is our view that the condition continues to function appropriately.</p>	No change to this provision.
Condition 14.6 – failure to pay for specific services.	One respondent asked for the word “service” to be clarified and	Heathrow responded to this query during the 2019/20 and 2020/21 consultations. Heathrow has not proposed any changes to this	No change to this provision.

Proposal	Feedback	Response	Decision
	defined so as to understand the intent of the condition.	<p>provision; it has been previously consulted on, and it is our view that the condition continues to function appropriately.</p> <p>We repeat our previous response on this matter: Service means any service which Heathrow provides to the Airlines as part of the "Facilities and Services" under the COU, for example items such as (but not limited to): use of the airport infrastructure, WIFI, telecommunications, and utilities.</p> <p>The provision has been added so it is clear to Airlines that Heathrow is entitled to withdraw access to services which are not paid for in accordance with the payment requirements set out in the COU.</p>	
Condition 18 – liability and insurance.	A number of respondents including AOC members commented on this provision and stated that they would like to see changes applied.	Heathrow has not proposed any changes to this provision; it has been previously consulted on, and it is our view that the condition continues to function appropriately. We will continue to consider the feedback received on this provision and may provide an update in due course.	No change to this provision.
Schedule 8 – Airline Welfare Protocol.	AOC members and two respondents queried why the airline welfare protocol is referred to as a "Rule of Conduct".	<p>Heathrow responded to this query during the 2019/20 and 2020/21 consultations in the following terms, which continue to be accurate:</p> <p>Heathrow has not proposed any changes to this provision; the Airline Welfare Protocol has been previously consulted on, and it is our view that the condition continues to function appropriately.</p> <p>In respect of the use of the wording "Rule of Conduct", this wording was introduced in 2014 following the CAA including an obligation in Heathrow's licence to <i>"develop rules of conduct for airlines...to follow particularly during disruption... The rules of conduct shall be set out in the... Conditions of Use"</i>.</p>	No change to this provision.

END