

10 October 2018

Dear Colleague,

Notice on amendment to consultation proposal on 2019 Airport Charges

I would like to thank you for your participation in the 2019 Airport Charges consultation process to date. Following the consultation meeting on 12 September 2018 we requested that the airline community formally respond to the consultation proposal by 28 September 2017. We have now had an opportunity to assess the responses provided and we thank you for your comments on the proposal.

After careful consideration and reflecting on customer feedback, this notice informs you of an amendment to the original consultation proposal.

Feedback Received from Respondents

Many respondents raised concerns on the proposed approximate 29% increase in environmental landing charges. The increased environmental charges recovered the revenue shortfall from the proposed yield increase. However, whilst respondents acknowledged the importance of the environmental objectives, some commented that a more effective approach to support passenger growth was to apportion the yield increase to the categories of charges in the current ratios.

In the consultation document published on 3 August 2018 we committed to reviewing the forecast proportion of noise chapters in the charges. During the consultation meeting we highlighted that the growth passenger volume would be revised to reflect the latest information.

Revised Proposal

In response to feedback from our airline partners, Heathrow proposes that the yield increase is apportioned in the same ratios as currently used. We have also updated the noise chapter proportions based on the latest intelligence which increases the Chapter 14 Low proportion from 25% to 25.9%. Overall this would reduce the increase in environmental landing charges by 9% compared to our original proposal, to only approximately +20%.

The amended proposal also reflects a reduction in the assumed passenger numbers for 2019 from 82.251 million passengers to 80.738 million which incorporates additional passengers resulting from the growth incentive scheme, and reflects the updated departing passenger mix. The growth incentive rebate value included in the airport charges calculation has therefore been reduced from the proposed £15m cap to £7.9m. This also changes the respective term in the Conditions of Use, see appendix 3 for the revised term.

The revised proposal continues to meet Heathrow's objectives to incentivise the quietest and cleanest aircraft to operate at Heathrow, supports regional connectivity and incentivises passenger growth through the European and UK Departing Passenger Discounts.

Heathrow considers that this proposal best meets the objectives set out in the initial consultation document and takes account of feedback during the consultation process. All other components of the consultation proposal remain in effect including Heathrow's proposal to recover the 2019 maximum allowable yield which has cumulatively reduced by 2.2% in real terms since 2014.

Appendix 1 sets out the revised airport charges tariff proposal.

Next steps

We continue to offer bi-lateral meetings and welcome responses to the amended proposal from the airline community by **19 October 2018** to consider before announcing our final decision.

We will set out the final decision, considering any further feedback and responding in detail to the comments received, on **31 October 2018**.

We are grateful for your engagement during the consultation and the feedback on our proposals, which we have carefully considered when amending our proposal. If you would like further information, please contact me directly or Simon Eastburn at airline_relations@heathrow.com.

Yours faithfully



Ross Baker
Chief Commercial Officer

Table of proposals – original proposal compared to revised proposal:

	Original Proposal	Revised Proposal
European and UK Discounts	Maintain discounts	Maintain discounts
Transfer / Transit Discounts	Introduce seasonal discount, Summer 10%, Winter 50%	Introduce seasonal discount, Summer 10%, Winter 50%
Passenger numbers	82.3m	80.7m
Noise chapter mix	25% Chapter 14 Low	25.9% Chapter 14 Low
Growth incentive rebate	£15m capped incentive	£7.9m capped incentive
Environmental charges	+29% compared to 2018	+20% compared to 2018
Departing passenger charges	+0% compared to 2018	+4% compared to 2018
Parking charges	+10% compared to 2018	+12% compared to 2018

APPENDIX 1 – REVISED PROPOSED TARIFFS

	Proposed 2019 £ GBP
Charges on Landing	
Peak	
Chapter 3	10,603.85
Chapter 4 High	3,029.67
Chapter 4 Base	2,726.70
Chapter 14 High	2,120.77
Chapter 14 Base	1,514.84
Chapter 14 Low	908.90
Super Night Peak	
Chapter 3	26,509.63
Chapter 4 High	7,574.18
Chapter 4 Base	6,816.75
Chapter 14 High	5,301.93
Chapter 14 Base	3,787.10
Chapter 14 Low	2,272.25
Emissions charge	16.38
Charges on Departing Passengers	
Origin and Destination	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	14.84
European charge with single discount <i>(with EU load factor discount)</i>	19.84
Other	46.02
Transfer and Transit	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	13.42
European charge with single discount <i>(with EU load factor discount)</i>	17.94
Other	41.61
Remote Stand Rebate	-4.00
Minimum charge - UK destinations	761.40
Minimum charge - Other destinations	1,378.08
Charges on aircraft parking	
Narrow bodied	24.73
Wide bodied	59.35
Seasonal	
Transfer and Transit	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	7.42
European charge with single discount <i>(with EU load factor discount)</i>	9.92
Other	23.01

APPENDIX 2 – REVISED FORECAST REVENUE FOR 2019

	Traffic Volume Units	Traffic Volume	Proposed Charge	Forecast Revenue
Landing Charge				
Noise Charge				
Peak				
Chapter 3	[Landings]	0	£10,603.85	£0
Chapter 4 High	[Landings]	14,906	£3,029.67	£45,160,261
Chapter 4 Base	[Landings]	67,140	£2,726.70	£183,070,638
Chapter 14 High	[Landings]	14,952	£2,120.77	£31,709,753
Chapter 14 Base	[Landings]	76,861	£1,514.84	£116,432,117
Chapter 14 Low	[Landings]	60,835	£908.90	£55,292,932
Total	[Landings]	234,694		£431,665,701
Super Night Peak				
Chapter 3	[Landings]	0	£26,509.63	£0
Chapter 4 High	[Landings]	0	£7,574.18	£0
Chapter 4 Base	[Landings]	0	£6,816.75	£0
Chapter 14 High	[Landings]	0	£5,301.93	£0
Chapter 14 Base	[Landings]	0	£3,787.10	£0
Chapter 14 Low	[Landings]	0	£2,272.25	£0
Total	[Landings]	0		£0
Emissions Charge				
Total kg Nox rating	[kg]	6,586,369	£16.38	£107,884,724
Average kg Nox per landing	[kg]	28.1		£107,884,724
Total Landing Revenue	(a)			£539,550,425
Departing Passenger Charge				
Departing OD Passenger Charge				
European charge with dual discount	[Dep Pax]	1,314,242	14.84	£19,503,351
European charge with single discount	[Dep Pax]	12,349,198	19.84	£245,008,088
Other	[Dep Pax]	16,177,425	46.02	£744,485,099
Total	[Dep Pax]	29,840,865		£1,008,996,538
Departing Transfer Passenger Charge (Summer - peak)				
European charge with dual discount	[Dep Pax]	639,274	13.42	£8,579,057
European charge with single discount	[Dep Pax]	2,233,316	17.94	£40,065,689
Other	[Dep Pax]	3,298,429	41.61	£137,289,241
Total	[Dep Pax]	6,172,019		£185,933,987
Departing Transfer Passenger Charge (Winter - off peak)				
European charge with dual discount	[Dep Pax]	395,150	7.42	£2,932,013
European charge with single discount	[Dep Pax]	1,380,464	9.92	£13,694,203
Other	[Dep Pax]	2,072,654	23.01	£47,691,769
Total	[Dep Pax]	3,848,268		£64,317,985
Departing Transit Passenger Charge				
European charge with dual discount	[Dep Pax]	0	13.42	£0
European charge with single discount	[Dep Pax]	0	17.94	£0
Other	[Dep Pax]	53,713	41.61	£2,234,998
Total	[Dep Pax]	53,713		£2,234,998
Remote Stand Rebate				
Remote Stand Rebate	[Dep Pax + Arr Pax]	3,986,000	-4.00	£-15,944,000
Passenger Growth; Incentive Rebate		788,331	-10.00	£-7,883,310
Total Departing Passenger Charge Revenue	(b)	39,914,865		£1,237,656,198
Parking Charge				
Narrow bodied				
Chargeable Period	[Units of 15 minutes]	579,196	24.73	14,323,517
Wide bodied				
Chargeable Period	[Units of 15 minutes]	957,915	59.35	56,852,255
Total Parking Charge	(c)	1,537,111		£71,175,772
Terminal Pax Flights: Total Revenue				£1,848,382,395
Total Regulated Revenue (Pax Only Flights)				
Total Regulated Revenue				
Landing Revenue	(a) + (d)			£540,135,271
Departing Passenger Revenue	(b) + (e)			£1,238,103,571
Parking Revenue	(c) + (f)			£71,707,991
Total Regulated Revenue				£1,849,946,833
Total Passengers				80,738,708
Total Regulated Yield				£22.913
Non-Terminal Pax Flights (GA, Troops etc)				
Non-Terminal Pax Flights				
Landing Revenue	(d)			£584,846
Departing Passenger Revenue	(e)			£447,373
Parking Revenue	(f)			£532,219
Total Non-Terminal Pax Flights Revenue				£1,564,438

APPENDIX 3 – REVISED CONDITIONS OF USE

Schedule 5 – amended condition:

8.4 The maximum cumulative Growth Incentive Credit paid by us across all Airlines together will be £7.9 million GBP. In the event that the total Growth Incentive Credit would exceed £7.9 million GBP, the Growth Incentive Credit will be paid proportionally to all qualifying Airlines.