

Policy Statement

Airline Relocations

Commercial Aspects of Airline Moves

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Heathrow Airline Relocations Commercial Policy

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1.0 Introduction

- 1.1 This is HAL's revised policy statement on Airline Relocations: Commercial Aspects of Airline Moves, which takes effect from 3 July 2012
- 1.2 This document replaces the old Airline Relocations: Commercial Aspects of Airline Moves policy statement, dated 25 October 2007, following formal consultation with the community between 30 April and 30 June 2012.
- 1.3 An Airline Relocation can be defined as any physical move of an airline's operations at Heathrow Airport that incurs material costs to either the airline or airport operator upon implementation that is considered above and beyond business as usual.
- 1.4 This document is intended to act as an enabler for an Airline Relocation, providing guidelines from which a commercial discussion can be held between the parties.

2.0 Commercial Policy for Airline Relocations

- 2.1 A variety of commercial issues will arise from an Airline Relocation across the Heathrow terminals. The commercial policy adopted by HAL and outlined in this document applies different rules to different airline groups, depending on the circumstances of their move. For simplicity, HAL has thus categorised all airlines into one of the eight groups listed below.

2.1.1 Airlines who:

A1: will relocate to a new terminal or within an existing terminal as part of an alliance colocation;

A2: have chosen (by written request) to be relocated;

A3: are commencing operations at Heathrow as a new entrant;

A4: will relocate due to an airline consolidation (i.e.: merger & acquisition) or change in alliance membership;

A5: are required by HAL to complete a temporary move in advance of an A1-A4 relocation;

A6: are required by HAL to move due to HAL's proposed demolition of a building, or parts of a Terminal, or redevelopment of parts of any Terminal;

A7: are required by HAL to move terminals or move within existing terminals to free up capacity for other airline moves;

A8: are not moving.

- 2.1.2 The broad principle that has been adopted by HAL is that pre-agreed relocation costs will be paid / reimbursed for those airlines that fall into groups A5, A6, and A7. However, HAL will not pay / reimburse relocation costs, for those airlines that fall into groups, A1, A2, A3 and A4.
- 2.1.3 In addition to the above if any airline is required to move temporarily due to HAL redevelopment works, HAL will provide financial assistance.
- 2.1.4 The table below identifies which elements of the Commercial Policy for Airline Relocations are relevant to which airline group. ***For the avoidance of doubt a ‘✓’ means that the relevant policy applies, NOT that HAL will necessarily meet any related costs. An “X” means the policy does not apply.***

Commercial Issue	Airline Group							
	A1	A2	A3	A4	A5	A6	A7	A8
Relocations								
Move logistics	✓	✓	✓	✓	✓	✓	✓	X
Operational readiness	✓	✓	✓	✓	✓	✓	✓	X
Fitting out of new accommodation	✓	✓	✓	✓	✓	✓	✓	X
Disrepair liabilities on existing accommodation	✓	✓	X	✓	✓	✓	✓	X
Reinstatement liabilities on existing accommodation	✓	✓	X	✓	✓	✓	✓	X
Rent Transition	✓	✓	X	✓	✓	✓	✓	X
Rental & Leasing								
Format of property agreements	✓	✓	✓	✓	✓	✓	✓	✓
Property rents	✓	✓	✓	✓	✓	✓	✓	✓
Stamp duty, legal costs & surveyors fees	✓	✓	✓	✓	✓	✓	✓	X
Surrender of existing property agreements	✓	✓	X	✓	✓	✓	✓	X

HAL's policy on these issues is set out in this section using the classification in section 2.1.1 above.

2.2 Move logistics

2.2.1 Move logistics (the physical moving of airlines fixtures, fittings and equipment) will be coordinated and assured by HAL, on the basis of 2.2.2 and 2.2.3 below.

2.2.2 Groups A5 – A7.

HAL will meet all reasonable costs associated with physically moving the airlines, subject to prior agreement.

2.2.3 Groups A1 – A4.

HAL will assure and coordinate the move planning and logistical execution, but the airlines will be responsible for planning and execution of their own moves, within a framework provided by HAL. HAL will advise airlines of its preferred logistics moves supplier, however, if airlines wish to arrange their own supplier they can do so. HAL will require an advance approval of any non-preferred logistics moves supplier (approval not to be unreasonably withheld).

2.3 Operational Readiness

2.3.1 Operational readiness costs are defined as any airline activity necessary for the relocating airline to be fit and ready to operate upon the relocation, including with regard to its own people, processes, systems and 3rd party suppliers. HAL recognises that relocating airlines may incur operational readiness costs either by choice or by direction from HAL.

2.3.2 Groups A5 – A7.

HAL will meet all reasonable operational readiness costs provided these are pre agreed with HAL

2.3.3 Groups A1 – A4.

The relocating airline will meet their own operational readiness costs.

2.4 Agreement of Terms

2.4.1 Prior to the implementation of an Airline Relocation, HAL and the affected airline shall document an agreement in principle, based on the guidelines provided within Section 2.1.1, upon which future (related) costs can be allocated.

For the avoidance of doubt the terms of all existing property agreements shall apply.

- 2.4.2 For the avoidance of doubt, during the negotiation process, any recurring financial incentives provided by HAL shall expire 12 months after the move date, unless otherwise documented. No financial incentives can be agreed without written consent.

2.5 ACL Notifications

- 2.5.1 The relocating airline is required to work with HAL and Airport Coordination Limited (ACL) to ensure that any schedule changes that take place between the point of the terminal move being agreed and the actual move date, will work in both the current terminal and future terminal of operation, until such point when the move is completed.

2.6 Fitting out of new accommodation

- 2.6.1 HAL recognises that there will need to be a substantial quantity of building and refurbishment work to prepare accommodation for those airlines which are relocating. This construction work can be summarised into the following four categories.

2.6.1.1 **Shell & Core** – this comprises the base build or shell unit provided by HAL with services provided for the tenant to connect to and to undertake fit out. CIP lounges are normally leased in this condition.

2.6.1.2 **Category A fit-out** – this applies to office and ramp accommodation. Generally it assumes a suspended ceiling, painted walls, carpeted or tiled floors and heating, ventilation and/or air conditioning (HVAC).

2.6.1.3 **Category B fit-out** – this relates to the tenant's bespoke fit out within their accommodation. In the case of offices and ramp this would include internal partitions and kitchenettes. In the case of CIP lounges it would cover the full fit out from shell and core.

2.6.1.4 **Fixtures Fittings and Equipment (FF&E)** – this relates to the tenants own FF&E e.g. desks, computers, filing cabinets, racking systems and IT cabling.

2.6.2 Groups A5 – A7

- 2.6.2.1 On CIP lounges, HAL will provide and pay for the shell and core base build. HAL will also pay the airlines reasonable costs for Category B fit out to a standard similar to existing facilities plus FF&E including related design and project management fees.
- 2.6.2.2 HAL will encourage the re-use of existing fit-outs wherever possible.
- 2.6.2.3 On office and ramp accommodation, HAL will provide and pay for the Category A fit-out and also pay the reasonable costs arising from the airlines own Category B fit out, plus reasonable FF&E and including related design and project management fees.
- 2.6.2.4 In both the above categories, HAL will only meet costs where reasonable and new accommodation replaces existing accommodation and is of a similar usable size. Where new accommodation is larger than the existing, HAL will meet a proportion of the costs related to the size of the existing accommodation. The “like for like” test will also incorporate an assessment of quality of fit out. Where there are no similar existing facilities airlines will be expected to meet their own costs.
- 2.6.2.5 On FF&E, HAL will only meet the cost of new provision, where it is not reasonable or practical to move and re-use the airlines’ existing FF&E.
- 2.6.2.6 HAL will only pay the costs outlined above which have prior agreement.

2.6.3 Groups A1 – A4.

- 2.6.3.1 On CIP lounges, HAL will provide and pay for the shell and core base build. The airlines will be required to pay for their own Category B fit out plus FF&E and related design and project management fees.
- 2.6.3.2 HAL will encourage the re-use of existing fit-outs wherever possible.
- 2.6.3.3 On office and ramp accommodation, HAL will provide and pay for the category A fit-out. The airlines will be required to pay for their own

Category B fit out plus FF&E and related design and project management fees.

2.7 Disrepair liabilities on existing accommodation

2.7.1 The majority of existing property agreements (excluding agreements on CIP lounges) place an obligation on the airline to keep their accommodation in repair during the term of their agreement. When these agreements are terminated the airlines are generally required to pay for or complete any disrepair works otherwise known as dilapidations.

2.7.2 Groups A5-A7

2.7.2.1 HAL will release all airlines relocating from any disrepair obligations arising from existing leases on their ramp and office accommodation provided it is handed back in a reasonable or good condition.

2.7.2.2 Good or reasonable, unless otherwise agreed in writing, is defined as:

2.7.2.2.1. Terms of occupancy agreements having been complied with; any damage or disrepair has been made good at the tenant's cost;

2.7.2.2.2. Specific bespoke fit-out items (to be identified on a case-by-case basis) have been removed and the premises made good at the tenant's cost;

2.7.2.2.3. The premises or facilities have been cleared of all tenant's furniture, their fixtures and fittings;

2.7.2.2.4. The premises have been left in a clean condition;

2.7.2.2.5. All tenant installed active and non-BAA IT installations and network cabling have been removed (for avoidance of doubt, details shall be supplied to HAL of any tenant installed cabling where such exists beyond individual demises);

2.7.2.2.6. All third party supplier contracts, specific to the accommodation being vacated, are terminated and hired or rented equipment removed.

2.7.2.3 Airlines will be required to pay for disrepair liabilities if office and/or ramp accommodation is handed back in poor condition. In this event HAL

will seek to negotiate a financial settlement rather than require the airline to undertake the work itself.

2.7.2.4 No liability will arise if HAL plans to demolish or substantially alter the accommodation once the airline vacates.

2.7.3 **Group A6**

2.7.3.1 No liability for disrepair arises due to English law.

2.8 **Reinstatement of fit out works to existing accommodation**

2.8.1 **CIP lounges:** In most cases CIP lounges have been leased to airlines in a shell and core condition with airlines arranging and paying for their own fitting out. Most airlines also have an obligation to remove this fit-out when their leases expire.

2.8.2 **Groups A5 – A7**

2.8.2.1 HAL will not require airlines to reinstate or remove their alterations to CIP Lounges or pay HAL for their removal.

2.8.3 **Groups A1 – A4**

2.8.3.1 HAL will require these airlines to reinstate their lounges as required under their lease except where

- The lounge fit out is required by an incoming airline and that airline acquires the fit out takes responsibility for it under their new lease, with an obligation to reinstate to shell and core on termination of the lease.
- HAL intends to demolish or substantially alter the accommodation once the airline vacates.

2.8.4 **Ramp and office accommodation:** Many airlines have carried out minor alterations within their office and ramp accommodation for example installing office partitions, cabling or a kitchenette. Most airlines also have an obligation to remove this fit-out when their lease expires.

2.8.5 **Groups A5 - A7**

2.8.5.1 HAL will not require airlines to reinstate or remove their alterations to ramp and office accommodation or pay HAL for their removal.

2.8.5.2 The only exception to this policy is if an airline has carried out specialist works which do not add value – in these circumstances the airline may be required to pay for reinstatement with the exception of A6.

2.8.6 **Groups A1, A2, A4**

2.8.6.1 Reinstatement required as per terms of existing property agreements.

2.8.7 **Network cables in the terminal:** Some airlines have installed network cables within the terminal linking their accommodation. HAL will not require any airlines to reinstate or remove these cables but may seek a contribution from the airline toward their future removal.

2.9 **Rent Transition / Double Rent**

2.9.1 Where airlines are relocating HAL recognises that they will need a reasonable period in which to vacate and remove FF&E from existing accommodation. On this basis the airline may be in occupation of both existing and new accommodation for an agreed period, and will wish to avoid a double rent liability for this transition period.

2.9.2 **Groups A1 – A7**

2.9.2.1 Where airlines are relocating to a new terminal rent on new accommodation will be payable from the date of operational commencement in the new terminal.

2.9.2.2 In the case of airlines relocating within a terminal, the rent commencement date will be the date HAL hands over the accommodation, plus a reasonable period for fitting out by the airline. This will be agreed on a case by case basis.

2.9.2.3 Rent on existing accommodation will cease on the date of termination of the lease i.e. after vacation. However in recognition of potential overlaps with rent paid on new space, rent will not be payable on existing accommodation for an agreed migration period to be agreed on a case by case basis depending upon the circumstances.

2.9.2.4 HAL recognises that in some cases airlines may be required to pay rent in advance on both existing and new accommodation. Therefore to ease

airlines cashflow, HAL will consider deferring the rent demand on new accommodation until after a refund has been issued for any overpaid rent on existing space.

2.9.2.5 For the avoidance of doubt “rent” includes basic rent, heating and maintenance rents. Rents do not include any other (non) regulated charges or other occupancy costs

2.9.3 **Groups A1, A2, A4.**

2.9.3.1 Rent is subject to negotiation (on a case by case basis).

2.10 **Rental and Leasing**

2.10.1 Format of new property agreements.

2.10.1.1 HAL recognises that with all the relocations, airlines will need to enter into new property agreements.

2.10.1.2 New agreements will continue to be in a standard form and follow existing principles, subject to modernisation

2.10.1.3 The majority of new agreements will continue to be within the security of tenure provisions of the Landlord and Tenant Act.

2.11 **Property Rents**

2.11.1 Published guide price rents for Terminal accommodation (ramp, offices, CIP lounges), established through airline community consultation, will continue to apply across the airport.

2.12 **Legal fees, Stamp Duty Land Tax (SDLT) and surveyors fees**

2.12.1 HAL recognises that as a consequence of negotiating new property agreements, relocating airlines will incur legal fees, SDLT charges and possibly surveyor's fees.

2.12.2 **Groups A5 – A7.**

2.12.2.1 HAL will meet the reasonable costs incurred where accommodation is provided on a like for like basis. If the new accommodation exceeds the size of an airlines existing accommodation or a significantly

longer lease is taken, HAL will pay a proportion of the costs, related to the size of the existing accommodation and length of the existing lease.

2.12.3 Groups A1 – A4.

2.12.3.1 HAL will expect airlines to meet their own costs.

2.13 Surrender of existing leases

- 2.13.1 HAL recognises that an airline will not wish to commit to leasing new accommodation until it has a back to back agreement with HAL to be released from the lease commitments on its existing accommodation. HAL are also aware that existing leases have a range of different expiry dates and provisions.
- 2.13.2 With this in mind, HAL will seek to simplify the termination of existing contracts by agreeing with each relocating airline an Agreement to Surrender which will detail amongst other things the conditions and timescale upon which the existing accommodation is surrendered. It is not intended that the surrender of existing accommodation will take place until new accommodation is ready for occupation.
- 2.13.3 To achieve this, the Agreement to Surrender will be linked to a legal Agreement to Lease, detailing amongst other things, the new accommodation to be leased, the conditions determining when these new leases will take affect, and the works which HAL will be required to undertake to the new accommodation.
- 2.13.4 In negotiating the Agreement to Surrender, HAL will agree to amend notice periods for existing break clauses to give flexibility e.g. where agreements need to be terminated on particular days of the year.
- 2.13.5 Where an existing agreement has no notice or break provisions and expires after the date of relocation, HAL will agree to early termination and will negotiate the terms of the break clause as part of the Agreement to Surrender.
- 2.13.6 Where an incoming airline is taking space previously occupied by another airline, the sale of the existing lease to the incoming airline will not be encouraged as an alternative to surrender to, and re-let direct by, HAL.
- 2.13.7 HAL will not pay compensation for early surrender of leases or compensation for disturbance to relocating

airlines where they are providing suitable alternative accommodation.

3.0 Commercial Policy for Products and Services

Aside from the policy for airline relocations, HAL recognises that the airline community may have questions regarding the commercial structure of a number of airport services and products between terminals.

Inevitably, these are many and varied but this section sets out the general principles and/or guidance on where such information can be found.

3.1 Aeronautical Charges

3.1.1 Information on aeronautical charges and the accompanying obligations for using the facilities provided by HAL can be found in the Heathrow Airport Conditions of Use, published annually at www.heathrowairport.com/cou.

3.2 Other Regulated Charges

3.2.1 Other regulated charges, currently known as non-regulated charges, is the generic term for various services provided by HAL to users of the airport. These activities are determined by the Civil Aviation Authority (CAA) and split into two categories.

3.2.1.1. Category 1 (Specified Activities): are provided by HAL (and governed by HAL & the airline community) on a full cost recovery model.

- Airside Licenses
- Baggage
- Check-In & CUSS
- Other Desk Licenses
- PRMs
- Staff Car Parking
- Utilities (Electricity, Gas, FEGP, Water & Sewerage)
- Security ID Passes
- Bus and Coach Services
- Heating and Ventilation

3.2.1.2. Category 2 (Non-Specified Activities): are the subject of commercial agreements between HAL and the relevant party.

- Fast Track
- Taxi Feeder Park
- and others...

3.2.2 Further information on other regulated charges can be found at www.heathrowairport.com/nrc.

3.3 IT Infrastructure

- 3.3.1 HAL has implemented a policy of common infrastructure in terminal buildings. This policy can also be found at: www.heathrowairport.com/nrc.
- 3.3.2 It is expected that common infrastructure will have significant advantages to the airline community in terms the economies of scale arising from non-duplication of individual airline infrastructure.

3.4 Other Products and Services

- 3.4.1 HAL will continue to develop and offer a range of other products and services in the terminals to support airline and handler operations.
- 3.4.2 These products and services will respond to demand and will include premium services.
- 3.4.3 Pricing of these products and services will vary from case to case depending on the circumstances. However, HAL intends to base pricing on a standard level of product definition and service across all terminals. This should lead towards more uniform pricing throughout the airport.

4.0 Disclaimer

- 4.1 HAL is committed to working with the airline community and our other stakeholders to ensure that the relocation programme is delivered in an efficient, effective and equitable manner. HAL shall have no liability to any airlines whether in contract, tort, negligence, breach of statutory duty or otherwise for any loss, damage, costs or expenses of any nature whatsoever incurred or suffered by airlines [of an indirect or inconsequential nature] including without limitation any economic loss or other loss of turnover, profits, business or goodwill.

Appendix 1

General Moves / New Entrant Checklist

26	Equipment and IT set up / tests complete
27	Stationery ordered
28	Handling staff briefed on ticketing products and service standards
29	Baggage
30	Baggage capacity sign off
31	Location relative to check in OK
32	Sufficient chutes and BoH space OK
33	Ultra Baggage System Requirement
34	Charges for use of "Ultra Baggage System" + contract
35	Supply of tags received
36	Handler systems able to print tags as required
37	Testing of DCS, Baggage system, BSM generation
38	Security
39	Cross check security capacity plans to meet SQRs
40	Set up of Company Authorised Signatory
41	Process staff ID's and Disclosure Scotland
42	Allocate BAA Security Account Manager
43	Receive all ID application forms and refs for staff
44	Gates
45	Confirm stand plan
46	Stand plan from Graham Taylor and governance sign off
47	Agree gate allocation/numbers
48	Confirm first flight stand if required
49	Ensure on pier stand for inaugural flight
50	Confirm any secondary search requirements
51	Agree off pier coaching requirement and contract
52	Connections
53	Verify connections & transfer requirements
54	Determine need for Transfers Desk & branding / IT etc
55	Operator of transfers desk agreed
56	Operational
57	PRM contract - MITIE / OCS BAA contact Caroline Brace
58	Agree who will conduct aircraft maintenance
59	Complete contract for aircraft maintenance

60	Flight dispatch centre access confirmed	
61	Access to flight dispatch equipment agreed	
62	Crew Report Centre access confirmed	
63	Aircraft cleaning contract agreed	
64	Refueling contract agreed	
65	Catering contract agreed	
66	Service Manager and Terminal Contacts details agreed	
67	Radio channel and frequency requirements	
68	Operational workshops	
69	Ramp Accommodation	
70	Determine Ramp Facility Requirement	
71	Airside	
72	Are driving permits required?	
73	Policies and procedures briefing	
74	Operational and Management Structure Briefing	
75	The Aerodrome Manual Briefing	
76	Operational Safety Instructions	
77	Emergency Orders lists and briefing	
78	Aircraft Recovery Contracts	
79	UK AIP document reviewed	
80	NATS / ATC briefing	
81	Ground handling	
82	Ground handler identified	
83	Ground handler contract signed	
84	Approval signed off by BAA Airside Operational Readiness Manager - Keith Polkey, Richard Smith	
85	Approval document submitted to AOC	
86	Assurance received that GH has sufficient resource	
87	Airline service standards passed to GH	
88	Aircraft cleaning contract agreed	
89	Aircraft refuelling contract agreed	
90	Determine de-icing provider and contract	
91	IT	
92	Ascertain IT requirements	
93	Ascertain requirements of Airline IT systems + Reservations	

94	Ascertain if separate servers are required	
95	Person identified to purchase, install and connect PCs etc	
96	Team identified to integrate Airline into shared systems (ARINC, SITA, CODECO, SABRE) and action	
97	Implementation of all IT for Office and Ticket Desk	
98	Accommodation	
99	Management office location identified	
100	Layout confirmed	
101	Architect appointed	
102	Agreement for lease of facility signed	
103	Determine facilities required and access	
104	Determine who will fit out and duration	
105	Determine type of desks etc required	
106	Determine what storage equipment needs to be fitted	
107	Determine items to be put into storage	
108	Determine any H&S issues and Fire Risk Assessment	
109	Testing and maintenance record sheets handed over	
110	F&L	
111	Test MSCP fit short/longer term	
112	Flows around LHR, traffic, pick up and drop off	
113	Car parking permit process identified	
114	Parking Permits arranged and distribution	
115	Arrivals	
116	Requirement for arrivals desks ?	
117	Handling of Lost Baggage queries ?	
118	Communications	
119	General Notices, designed, printed & distributed	
120	Receive all airline info for staff briefing sheet	
121	Approvals of print run and info and funding	
122	Distribution to all staff	
123	Press releases arranged	
124	Airline Internet Updated	
125	BAA internet pages updated	
126	CIP lounge	
127	Agreement to use Shared CIP ?	

128	Requirement for new CIP facility ?	
129	Fire certificate for received by BAA	
130	Emergency & Contingency	
131	Terminal Procedures pack issued	
132	Emergency response Plan evaluated	
133	Emergency response Plan issued to BA Contingency Team	
134	Aircraft recovery contract signed with BA	
135	Add Airline to Terminal SMS messaging	
136	Staff	
137	Eurest cards issued if required	
138	Staff search procedure communicated	
139	Engaged with coach operator for staff transport	
140	Hotel accommodation arranged for overnight crew	
141	Airline Training and Familiarity	
142	FIT Training	
143	H & S Induction	
144	Terminal Familiarisation	
145	Systems Familiarisation	
146	FIT programme completed	
147	Regulatory & Approvals	
148	Permit to operate/financial statements	
150	Dft and CAA approvals met	
151	AOC approval gained	
152	Ticket Sales Live on System	
153	Good to Go date / Full Assessment	
154	Commercial	
155	BSC account set up	
156	Bank details comfirmed	
157	Property lease agreement signed	
158	"New Entrant General Conditions" and "Conditions of Use" issued	
159	Received signed Conditions of Use document from Airline	
160	Meeting for detailed CoU with Airline Rep	
161	Received deposit prior to start of ops.	
162	Alert central Commercial/Marketing and Comms team	

163	General	
166	Set up Working and Steering Group and identify key stakeholders	
167	Write and submit business case for funding and get funding if reqd	
168	AOC Systems Support Team informed	
170	Signs and wayfinding - plan airport. Contact Nigel Clarke and agree funding source	
171	Action planning for launch events	
172	Local AOC contacts issued	
173	Airline branding and FIDS display requirements provided	
174	Advise UKBA / Police of New Entrant	
175	Clarify Security Company role and carriage of any firearms through terminal	
176	Systems Integration	
177	Departure Control Systems	
178	Ensure complete end to end testing in place	
176	Contract agreements	
164	Fast Track - Arrivals /Departure account set up with BAA	
166	CUSS	
167	Baggage reconciliation System	
168	CUTE	
169	Agreement in Principle for costs associated with all aspects of Airline Move	