

31 October 2018

Dear Colleagues

**Decision - 2019 Airport Charges**

I would like to thank you for your participation in the 2019 Heathrow Airport Charges Consultation process.

Over the past decade Heathrow has invested over £12bn, focusing on making Heathrow more efficient and reliable for our airline customers and on improving facilities for our passengers.

We're delighted that these investments have transformed Heathrow into an airport that our passengers now consistently rank as one of the best in the world. We have also delivered significant operational improvements. In 2018 Heathrow continued to achieve strong recognition from passengers for overall service. In the independent Airport Service Quality (ASQ) survey directed by Airports Council International (ACI), Heathrow achieved a record ASQ score of 4.16 out of 5.00. In addition, 82 per cent of passengers rated their experience as 'Excellent' or 'Very Good' in the same period – compared to just 50% in 2008.

This excellent result is underpinned by a strong overall operational performance, strong levels of punctuality and high levels of customer satisfaction across several key service attributes including waiting time at security, cleanliness, wayfinding, airport staff helpfulness and connections. Its status as one of the best hub airports worldwide was further endorsed by OAG which named Heathrow as the Number 1 'most internationally connected airport in the world' for 2018.

Furthermore, Terminal 2 was voted the "World's Best Airport Terminal", narrowly ahead of Terminal 5, at the 2018 Skytrax World Airport Awards, building on Heathrow's fourth consecutive win as 'Best Airport in Western Europe' and 'Best Airport for Shopping' for the ninth consecutive year.

We continue to work together with airline customers to improve outcomes and deliver a world class passenger experience.

**Summary of charges and overall impact on airlines**

As set out the Airport Charges Consultation meeting in September our charging structure aims to fulfil four key objectives: to support our airline customers in growing passenger numbers, to improve the hub competitiveness, to support the continued improvement in environmental performance and to make the best use of the airport's scarce capacity. Growth provides the commercial revenue our industry needs to develop top-class facilities, deploy new technology and keep future airport charges affordable.

We aim to meet the public and general interest by putting consumers first, keeping the balance of charges fair and incentivising positive behaviours.

As a result, Heathrow will revise the airport charges framework from 1 January 2019 to include:

- Recovering the forecast maximum allowable yield for 2019 of £22.913 per passenger;
- The introduction of a seasonal transfer and transit departing passenger discount, increasing to 50% in the Winter season and reducing to 10% in the Summer season;
- The implementation of a growth incentive to reward those airlines which are growing;
- The retention of a £15 discount for UK domestic passengers to support domestic connectivity; and
- The retention of a £10 discount on European services to increase direct and transfer passenger volumes.

We are confident that the charges outlined above, and further explained in Appendix 1, will best enable Heathrow to continue to deliver excellent passenger service, create tangible benefits for our airline customers, and optimise efficient use of Heathrow's scarce resources whilst supporting our neighbours and communities across Britain.

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.

Appendix 3 sets out the final prices effective from 1 January 2019.

Appendix 4 provides a summary of airline responses to the proposed changes to the 2019 Conditions of Use and details our final decision.

Yours faithfully



Ross Baker

Chief Commercial Officer

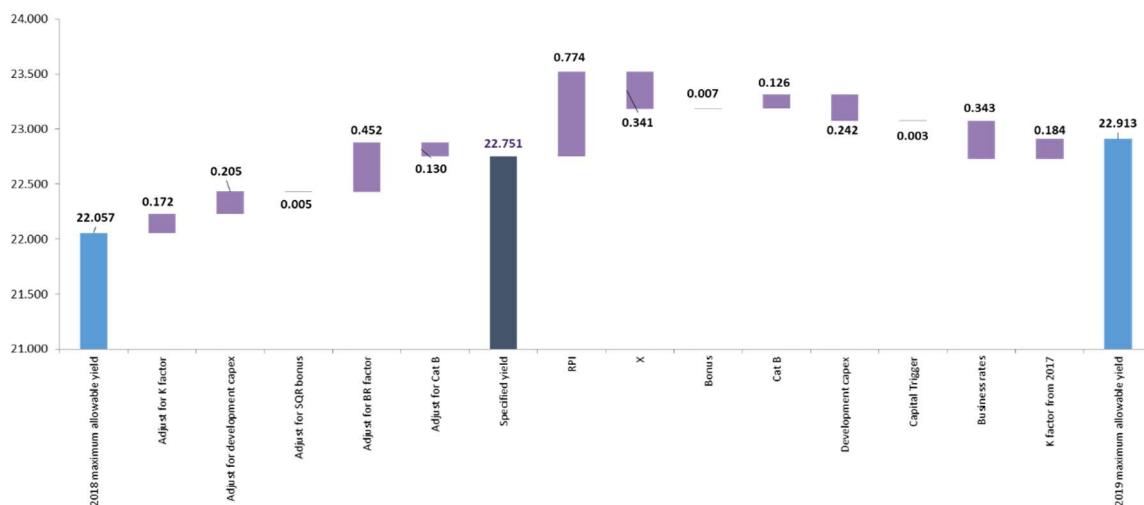
## Appendix 1

### Heathrow Airport Decision

#### Calculation of the 2019 yield

The 2019 yield of £22.913 increases by £0.856 (3.9%) compared to 2018, predominantly as a result of RPI and the 2017 under-recovery. Since the beginning of Q6, the yield has reduced in both nominal and real terms, and in 2019 remains below the 2014 value of £23.155 per passenger. For more information on how the yield for 2019 has been calculated please refer to the Heathrow Airport Charges Consultation Document – 2019 at the following link:

[https://www.heathrow.com/file\\_source/Company/Static/PDF/Partnersandsuppliers/Heathrow-Airport-Charges-Consultation-Document-2019.pdf](https://www.heathrow.com/file_source/Company/Static/PDF/Partnersandsuppliers/Heathrow-Airport-Charges-Consultation-Document-2019.pdf)



#### Passenger volumes

The 2019 Airport Charges calculation assumes a growth passenger volume of 80.738 million. This is consistent with the revised proposal issued on 10 October 2018 containing an updated passenger volume and split of passenger type to limit the impact on future charges of material changes in numbers. This compares to an assumed passenger volume of 76.953 million passengers, used in the 2018 charges, representing a 4.9% increase in revenue between the two years. The 2019 volume incorporates additional passengers resulting from the growth incentive scheme which is discussed below.

#### Environmental charges

Heathrow's original consultation document set out a proposal to continue the emphasis on environmental performance by it acting as the balancing factor to recover the shortfall in revenues from the passenger discounts and the increase in the yield of £0.856, which contributed to an approximate 29% increase in environmental landing charges. However, whilst respondents acknowledged the importance of the environmental objectives, many commented that this level of increase impacts on operational costs. Due to the longer-term nature of fleet choices respondents recommended that a more effective approach to balance the environmental charges, whilst also

supporting passenger growth, was to apportion the yield increase to the categories of charges in the current ratios.

The revised proposal updated the assumed noise chapter proportions based on the latest intelligence which increased the Chapter 14 Low proportion from 25% to 25.9%. The final tariffs use the following noise chapter proportions, which are unchanged from the revised proposal:

Noise Chapter	Proportion of Landing ATMs <sup>1</sup>
Chapter 3	0.0%
Chapter 4 High	6.4%
Chapter 4 Base	28.6%
Chapter 14 High	6.4%
Chapter 14 Base	32.7%
Chapter 14 Low	25.9%

The final tariffs have been amended to respond to airline feedback and apportions the yield increase in the same proportions as currently used. As a result of the projected increase in the number of ATMs which use the cleanest and quietest fleet, tariffs increase to recover the required revenue from these movements. The cumulative effect of these changes reduces the originally proposed 29% increase compared to 2018 tariffs to 20%.

### **European and UK Discounts**

In 2018 we extended the departing passenger discount from £5.00 to £10.00 for European destinations to address an imbalance in the European load factor compared to non-European destination routes. Over the past 6 years the imbalance between these two categories has been 7% on average. The UK connectivity discount of £5.00 in addition to the EU load factor discount was introduced to support our commitment to the National Connectivity Task Force's recommendation to support passenger benefits by encouraging domestic connectivity, bringing the total discount for UK passengers to £15.00.

Since the introduction of the discounts, Heathrow's leisure passenger volume in these markets has grown, reversing the decline seen in 2016. Our top European leisure routes have grown by around 136,000 passengers year-on-year and has the strongest "high-leisure" load factor for three years; we can therefore reasonably determine that the discounts are contributing to the passenger growth in persuading passengers to fly through Heathrow. Several airlines responded to the consultation to confirm that the discounts had supported growth as a result of lower charges in 2017 and 2018. Others requested additional supporting evidence which we provided through the consultation process.

There remains more than 21 million empty seats and as Heathrow is at near full capacity for ATMs, the 2019 Airport Charges maintain the EU load factor and UK connectivity discounts to continue to support growth.

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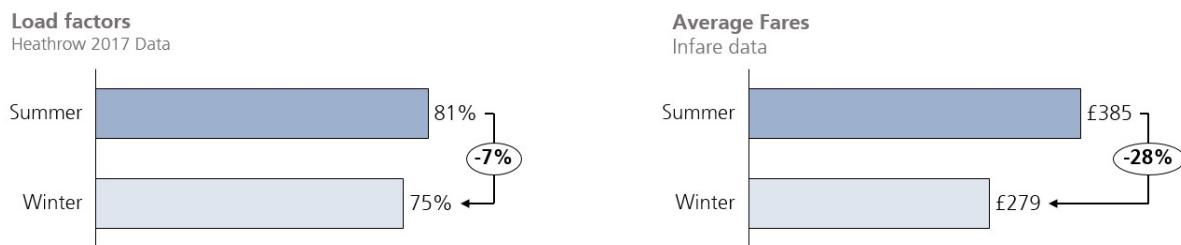
<sup>1</sup> Air Transport Movement (ATM)

## Seasonal transfer discount

Passengers have a choice of airport they transfer through to reach their end destination. Heathrow is committed to supporting the hub status and working with our airlines to grow transfer passenger volumes. However, Heathrow's proportion of transfer passengers to total passenger numbers has declined from 27.4% in 2012 to 25.1% for 2017 and has had a slower rate of growth for transfer passengers than the average at other major hub airports.

During the 2018 Airport Charges consultation we proposed to extend the transfer discount from the current level of 25% to 30%. However, most responses from our customers did not see the benefit of the increased discount without it being more material and therefore the transfer discount remained at 25%.

Currently, Heathrow's transfer share does not significantly vary between the Winter and Summer seasons, however, there are a higher proportion of empty seats in the Winter season that could be filled with additional transfer volume and average air fares in the Winter season can be up to 16% lower than in the Summer season. Therefore, the 2019 Airport Charges implement a seasonal transfer and transit discount of 50% in the Winter season, reducing to 10% in Summer in order to attract additional transfer passengers and make the best use of Heathrow's scarce capacity. The revenue recovery is neutral within the departing passenger transfer charges, the discount in the Winter being offset in the Summer season.



## Growth Incentive

The airport is permitted to operate up to 480,000 air transport movements per year and in 2017 its runways operated at 99% of this limit. Within this capacity constraint, the remaining key driver for passenger growth is to increase the number of passengers on each plane. In other words, by maximising the average load factor. Growing passenger volumes will generate additional revenue for our airline customers as more direct and transfer passengers fill existing flights. It will also deliver better value for our airlines and passengers as higher volumes help us to keep future airport charges close to current levels even as we expand, as increased passenger numbers allow the sums that are recoverable through airport charges to be distributed over a greater number of users, resulting in lower charges on a per passenger basis.

Additionally, more passengers using Heathrow will drive higher commercial revenues. Commercial revenues play an important role in the way that Heathrow is economically regulated under the single till framework as commercial revenues reduce the charges cost base which in turn lowers the airport charges.

We consulted with our airline customers ahead of the 2019 consultation to evaluate how a growth incentive within Airport Charges should be structured. Implementing a growth incentive scheme in the structure of charges allows airlines to target incentive payments to the routes and distribution

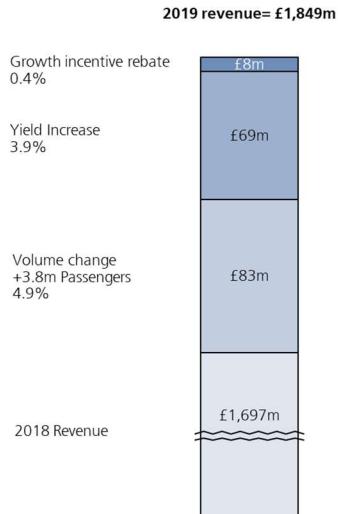
channels which have the most impact based on their insight into, and experience of, consumer behaviour. The 2017-18 Winter ATM incentive scheme helps to demonstrate that a discount of this value has the ability to incentivise airline behaviour to target incentive payments on specific routes and attract additional passengers.

The 2019 Airport Charges and Conditions of Use introduces Heathrow's first growth incentive scheme within the structure of charges. Through consultation, many airlines supported the introduction of a growth incentive scheme and, whilst citing a preference for the scheme to be funded outside of Airport Charges, they preferred that the scheme was funded through departing passenger charges rather than environmental charges. As a result, the 2019 tariffs include a £7.9m capped incentive value, reflecting the assumed passenger number growth in response to the scheme. The incentive scheme rewards airlines that grow a £10.00 incentive rebate per incremental departing passenger in 2019 above the 2018 actual passenger volumes. In order for an airline to receive the rebate, Heathrow's total passenger numbers must also increase from 2018 to 2019. The full terms and conditions are laid out in Schedule 5 of the 2019 Conditions of Use.

## Overall summary

Total airport charges revenue increases by 9.2% as a result of the change in the passenger number assumptions and the yield increase. Additionally, the change in the proportion of noise chapters in the environmental charges increases those charges by 10.6%.

Airport Charges Revenue Change



Airport Charges Revenue Change allocated to 2019 Tariffs



## Other airline feedback

Several respondents requested that Heathrow share a longer-term view of the likely evolution of airport charges and implement a multi-year approach to environmental charges, reflecting the longer lead time of fleet purchases. Some also requested that the differential between noise chapter charges is reviewed to further incentivise enhanced environmental performance. In response, Heathrow is committed to consulting with airlines ahead of the 2020 Airport Charges consultation to identify opportunities to achieve our environmental objectives and respond to recommendations in the CAA's report (CAP 1576).

Furthermore, Heathrow has outlined areas where there are opportunities for further progress and will consult with airlines on the appropriate use of charges to achieve them:

- the incentivisation of the use of bio-fuels and electric aircraft;
- working with airlines on the phasing out of ageing fleet types such as 747 and older 767 aircraft using Heathrow;
- revisiting the noise chapter differentials in environmental charges;
- meeting the night curfew requirements; and
- incentivising the efficient use of cargo and airport infrastructure, e.g. stands, to create capacity for airlines to grow.

## Airport Charges - Airline and airline representative body responses

### Calculation of Allowable Yield

Q: Airlines stated that Heathrow should price below the regulated price cap as Heathrow is outperforming its regulatory settlement.

A: Having considered the feedback in detail we consider that HAL's decision to price to the cap is fully in line with the regulations (which are consulted on extensively through the CAA process), and is based on the extensive capital investment at Heathrow over a number of years which has helped to transform the airport.

The Maximum Allowable Yield has been reducing throughout Q6 representing a cumulative reduction of 2.2% in real terms.

The incentive within the regulation is for HAL to outperform.

### Passenger Discount: European and non-European Departing Passenger Charges

Q: Some airlines stated that the EU load factor discount had been well received whilst others requested more supporting evidence that the discounts had supported growth. Some commented that the discount disadvantaged long haul carriers.

A: Having considered the feedback in detail we consider that sufficiently aggregated evidence has been provided to support the EU load factor discount (see discount section above). Heathrow is permitted to set airport charges that differentiate between airport users based on relevant, objective and transparent criteria and may vary airport charges for reasons relating to the public and general interest.

Heathrow considers that measures to address the imbalance between European and non-European load factors, and thereby optimise use of Heathrow's scarce resource, are justified in the public and general interest. In particular, optimising use of capacity helps to keep airport charges lower than they would otherwise be, for the benefit of all airport users.

In the medium term, long haul providers will benefit from the European passenger discounts through (i) net higher passenger volumes at Heathrow (through increased load factors on European flights with minimal impact on non-European load factors), leading to (ii) increased commercial revenues and an associated reduction in the sums to be recovered through airport charges in future regulatory periods, and (iii) reduction in average charges per passenger owing to the larger user base.

#### **Passenger Discount: Seasonal Transfer Passenger Discount**

Q: Several airlines questioned the effectiveness of the seasonal transfer discount. Airline feedback was that:

- the balance of charges between Summer and Winter seasons was incorrect, such that the lower Winter rates would not offset higher Summer rates;
- similar schemes had not been effective at driving load-factor growth at other airports and airlines did not consider it would do so at Heathrow;
- the transfer discount is not cost reflective and breaches ICAO principles set out in document 9082; and
- the variable transfer discount raised practical difficulties for how airlines charge passengers on flexible tickets spanning the seasons.

A: Having considered the feedback in detail we consider that the higher Winter discount will attract additional passengers during a period when capacity is available and fares are low, as laid out in the Seasonal transfer discount section above. It is a reasonable expectation that such a discount will have a positive impact on passenger numbers. Heathrow is permitted to set airport charges that differentiate between airport users based on relevant, objective and transparent criteria and may vary airport charges for reasons relating to the public and general interest, including reasons relating to the environment. Heathrow considers that measures to attract passengers in the off-peak season, and thereby optimise use of Heathrow's scarce resource, are justified in the public and general interest. Heathrow is committed to working with our airline customers to overcome any perceived practical difficulties.

#### **Passenger Growth Incentive**

Q: Airlines provided a mixture of responses to the growth incentive scheme; many supported the introduction of a growth incentive scheme however objected to it being in the regulatory cap. Some commented that if it is included in the cap that there should be no limit to the rebate value and cited a preference for the rebate to be recovered through departing passenger charges, and not environmental or parking charges. Others objected to the scheme stating that they considered it contrary to ICAO principles and / or that is amounts to a cross-subsidisation of charges by long haul carriers to short haul carriers.

A: Having considered the feedback in detail the 2019 Airport Charges includes a reduced rebate value of £7.9 million and as requested this has been funded through departing passenger charges. We

consider it reasonable to cap the rebate value in order to provide greater certainty over future airport charges for all airlines.

Heathrow is permitted to set airport charges that differentiate between airport users based on relevant, objective and transparent criteria and may vary airport charges for reasons relating to the public and general interest, and considers that passenger growth to drive the most efficient use of assets is in the general interest.

Heathrow values all airline customers and seeks to create the optimum conditions for growth for all carriers. Long haul carriers connect the UK to key markets around the globe, without which Heathrow would not be the leading hub airport it is today. As a hub, the success of short and long-haul routes at Heathrow are interdependent, and growing underperforming market segments benefits all airport users, and ultimately flows to lower charges on a per passenger basis. The growth incentive rewards all carriers, regardless of destination, for growth and is transparent, fair and available to all.

### **Environmental Charges**

Q: Airlines stated that the originally proposed 29% increase in environmental charges burdened operating costs, that airport charges do not influence an airline's fleet choices and that as fleet purchases have long lead times it is not possible for airlines to quickly respond to this level of increased charges. Airlines recommended that a more effective approach to balance the environmental charges whilst also supporting passenger growth was to apportion the yield increase to the categories of charges in the current ratios.

A: Having considered the feedback in detail we accepted that the proposed increase may adversely affect growth and the final 2019 Airport Charges apportions the yield increase to the categories of charges in the current ratios.

Q: A couple of airlines stated that a reduction in noise usually correlates to an increase in NOx emissions therefore increases in both noise chapters and emissions charges are contradictory. Another airline asked Heathrow to consider implementing incentives to reduce actual aircraft noise.

A: As Heathrow's Noise and NOx charges are aircraft-certification based and not performance based, they can only influence fleet selection. This means our fee structure is designed to incentivise the use of the best in class fleet. The Noise fee is based on certified noise levels, so larger aircraft pay the same fee as a smaller aircraft in the same noise category. NOx fees are a fixed rate per kilogram of NOx per LTO cycle and therefore encourages lower emissions.

### **Cost relatedness**

Q: Can Heathrow show how these prices and discounts relate to the cost of providing these services?

A: Heathrow may set differential airport charges for reasons relating to the public and general interest based on relevant, objective and transparent criteria. In setting its airport charges, and having due regard to its core objectives (to optimise the use of scarce resources, support UK growth and promote sustainability), Heathrow seeks to maintain a careful balance between all airlines to the benefit of all passengers and users. Heathrow's investment in airport infrastructure is designed to benefit both short haul and long-haul carriers who have mixed requirements given the type and size of aircraft as well as differing passenger numbers per aircraft.

**Volume assumptions**

Q: How have the passenger and ATM numbers been derived, as well as the mix of noise chapters and passenger types?

A: All volumes have been derived from econometric modelling, overlaid with schedule and airline insight available at the time. The 80.738 million passenger number incorporates additional passengers resulting from the growth incentive scheme.

## Appendix 2

### Consultation Process Summary

Heathrow held an informal engagement session on 5 July 2018 to seek feedback from the airline community on Heathrow's desire to grow passenger numbers in a mutually beneficial way and outlining a potential passenger incentive scheme ahead of the formal consultation process.

Our Airport Charges consultation proposal was published on 5 August 2018, followed by a consultation meeting on 12 September 2018. We requested that the airline community formally respond to the consultation proposal by 28 September and we received twenty formal responses to the original proposal.

Having assessed the responses received, we amended our consultation proposal on 10 October 2018. The amended proposal apportioned the yield increase in the same ratios as currently used. We also updated the noise chapter proportions based on the latest intelligence which increased the Chapter 14 Low proportion from 25% to 25.9%. Overall this reduced the increase in environmental landing charges by 9% compared to our original proposal, to only approximately +20%.

The amended proposal also reflected 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 was therefore reduced from the proposed £15m cap to £7.9m. This also changed the respective term in the Conditions of Use. Our amended proposal continued to meet our growth, connectivity and environmental objectives. We have had due regard to the 10 responses to the amended proposal in reaching the final decision.

We have taken our decision with full regard to our legal and regulatory obligations and the impact of the potential changes. This decision meets Heathrow's objectives to optimise scarce capacity through passenger growth whilst incentivising the quietest and cleanest aircraft to operate at Heathrow to meet our environmental commitments.

### Appendix 3

#### Final Aeronautical Charges – 2019

	Final 2019 £ GBP
<b>Charges on Landing</b>	
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
<b>Charges on Departing Passengers</b>	
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 (Summer - peak)	
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
Transfer and Transit (Winter - off peak)	
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
Remote Stand Rebate	-4.00
Minimum charge - UK destinations	761.40
Minimum charge - Other destinations	1,378.08
<b>Charges on aircraft parking</b>	
Narrow bodied	24.73
Wide bodied	59.35

## Appendix 4

### 2019 Conditions of Use Consultation Response

In this appendix, we summarise the feedback received on our proposals to amend the Heathrow Airport Conditions of Use for 2019. 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>			
Condition 1.1 – amendment to wording about scope application of COU	<p>Some respondents felt that the proposed change to this provision was not clear in its effect and believed that it was intended to bind airlines and third parties together.</p> <p>One respondent noted that they were not clear as to the meaning of “you” in this provision.</p>	<p>There was no intention to bind airlines and third parties together through this provision and we do not agree that it would have had such an effect, however, we have listened to your feedback and will not pursue the proposed change to this provision.</p> <p>Further, for the avoidance of any doubt as to the meaning of “you” in the COU, this is defined in Condition 18.</p>	Proposed change will not be made.
Condition 1.2 – making clear that COU do not apply to Passengers	<p>One respondent noted that this new term had been proposed and commented that elsewhere in the COU there was a reference to the provision of information “for passengers” as well as a requirement to provide “passenger data” and requested clarity as to how this worked.</p>	<p>The COU are a contract between Heathrow and airlines/parties within the meaning of “you” as set out in Condition 18. They have never, and do not currently, apply to passengers. A contract between Heathrow and individual passengers is not required in relation to the data requested.</p>	Proposed change will be made.
Condition 2.1(h) – addition of term asking for summary	<p>One respondent noted that they were of the view that resilience concerns should</p>	<p>Contingency planning is a key priority for Heathrow and ensuring resilience becomes</p>	Provision will be amended to require

<b>Proposal</b>	<b>Feedback</b>	<b>Response</b>	<b>Decision</b>
details of contingency plans in event of loss of nominated groundhandler	not be addressed by the airlines through the Ground Handling Licence. Another respondent said that contingency plans were internal documents. One respondent also commented that they thought this condition did not apply to 'incumbent' airlines.	<p>increasingly important as we continue to handle higher numbers of passengers and ATMs. As airlines will be aware, Heathrow has been working on resilience in the event of loss of a primary handler and needs continued discussion with airlines as to their levels of resilience in this area.</p> <p>We have however listened to your feedback and will amend this proposal.</p> <p>For the avoidance of any doubt, the provisions of this section do continue to apply to 'incumbent' airlines. Under the existing condition 2.2 airlines are required to keep this information up to date, notifying Heathrow within 30 days of any change.</p>	confirmation that you have a contingency plan in place for loss of your primary groundhandler (instead of asking for summary details of the plan).
Condition 2.1(i) – addition of term asking for summary details of arrangements for refuelling	No substantive comments received.	N/A	Proposed change will be made.
Condition 2.1(j) – addition of term asking for summary details of contingency plans in the event of a loss of nominated refuelling company	Comments on this provision were as for Condition 2.1(h), above.	As above for Condition 2.1(h).	Provision will be amended to require confirmation that you have a contingency plan in place for loss of your nominated refuelling company (instead of asking for summary details of the plan).
Condition 2.1(m) – addition of a term asking for	No substantive comments received.	N/A	

Proposal	Feedback	Response	Decision
confirmation that airlines have a Safety Management System in place			Proposed change will be made.
Condition 3.16 – amendment of confidentiality provision to make clear that information can be shared for non-commercial or regulatory purposes	No substantive comments received.	N/A	Proposed change will be made.
Condition 5.9 – addition of term asking airlines to have the appropriate level of groundhandling assistance in place including having sufficient and appropriate equipment for the type of aircraft operated	<p>A few respondents were unclear on the meaning of “groundhandling” in this provision and felt that it was up to airlines to manage their groundhandling provision.</p> <p>One respondent commented that the wording “appropriate” and “minimum” were subjective and open to interpretation.</p> <p>One respondent was not in favour of an obligation to “ensure” and another noted that they would prefer a “best endeavours” obligation instead as airlines have limited influence if on the day a groundhandler has incorrectly allocated resource or has high-sickness.</p> <p>One respondent noted that they would always contract for appropriate assistance but that it was always subject to issues outside of their control such as weather. They suggested that a reasonableness test</p>	<p>The intention of this addition is to require airlines to contract on a reasonable basis with their primary groundhandlers and to ensure that they have contracted for provision of an appropriate level of primary groundhandling support to service their flights. There have been instances in the past where, for example, an airline has brought in a type of plane which their groundhandlers have been unable to service safely and the groundhandlers have therefore tried to do so in an inappropriate manner.</p> <p>Heathrow does not intend to comment on precise arrangements as between airlines and groundhandlers as that is for airlines and their groundhandlers to agree. We agree that it is not appropriate for the COU to be overly prescriptive as to this support hence the inclusion of broad language here such as “appropriate level of groundhandling assistance”.</p> <p>Furthermore, each airline will have their own minimum requirements to effect a turnaround.</p>	<p>Provision will be amended to say that airlines should have a “reasonably appropriate level of primary groundhandling assistance” and qualified as a reasonable endeavours obligation.</p> <p>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.</p> <p>De-icing will be referenced separately</p>

Proposal	Feedback	Response	Decision
	should be added and de-icing should be carved out.	<p>Whilst some support is always going to be required, (such as push back or baggage handling), some types of groundhandling support could be gone without hence the inclusion of the word “minimum”. This is to give additional flexibility to airlines within the wording of the provision.</p> <p>In respect of de-icing we acknowledge the point made that it is hard to predict what level of support will be required at any given time and accordingly will amend the provision to say simply that airlines should ensure they have a contract for de-icing support.</p>	<p>with an obligation to ensure simply that airlines have a reasonable contract in place for de-icing.</p> <p>The second part of the provision will be amended to add a reasonableness requirement.</p> <p>A typo will be corrected in the final sentence so that it reads “effectively and safely handle”.</p>
Condition 5.10 – addition of term requiring groundhandlers to have IATA ISAGO accreditation by 30 June 2019	<p>One respondent asked us for further details as to the ongoing consultation with airlines on IATA ISAGO accreditation. A number of respondents commented that the definition of groundhandler was not felt to be clear enough in relation to this provision as there were many types of groundhandler but not all needed to achieve the accreditation. Concerns were also noted as to: (i) capacity within IATA to provide the accreditation to everyone by 30 June 2019; (ii) whether this accreditation is appropriate more generally; and (iii) why airlines should need to become involved in this rather than Heathrow dealing with it direct with handlers.</p>	<p>Heathrow has discussed this with the AUC and AOC to explain the rationale and engagement strategy, we will be attending terminal AOC meetings in the coming months to discuss this in more detail.</p> <p>IATA ISAGO compliance is not a new obligation on groundhandlers as it has been in the ground operations licence since circa 2015 and we are working with groundhandlers to encourage compliance.</p> <p>Given our continued focus on safety and having the highest standards of professionalism and standardisation we feel that it is appropriate to list this as a separate obligation to the provisions of Condition 5.11.</p>	<p>Provision will be amended to say that airlines should use “best endeavours to ensure that their primary groundhandlers have obtained IATA ISAGO accreditation subject to IATA being able to complete the final process and station audit within that timeframe.</p> <p>Note that where airlines self-handle they will also be expected to</p>

<b>Proposal</b>	<b>Feedback</b>	<b>Response</b>	<b>Decision</b>
	<p>One respondent noted that condition 5.11 already asks airlines to procure that groundhandlers comply with their licence terms.</p>		obtain this accreditation.
Condition 5.11 – addition of term asking airlines to have appropriate arrangements in place for removal of Category 1 Waste and for the removal and clean-up of in-hold HazChem spillages	<p>Two respondents stated that they believed that Heathrow currently sorted Category 1 Waste and thought that Heathrow is trying to achieve a cost saving by “ceasing” an airport-wide activity. One respondent said they thought that the waste issue should be addressed in the Ground Operations Licence instead.</p>	<p>We neither accept nor recognise the argument made that Heathrow is trying to make a cost saving or achieve a windfall, by ceasing to conduct an activity that it currently undertakes.</p> <p>As airlines will be aware, the handling of Category 1 waste is already covered by specific UK legislation. These rules are aimed at reducing the risk of diseases such as foot and mouth entering the UK from contaminated waste originating outside the EU. OSI 058 regulates this area at Heathrow, and has done so for some time, we note that OSI 058 pre-dates Q6. Airlines have agreed to abide by this by virtue of Condition 5(f) of the current COU, as have groundhandlers by virtue of the Ground Operations Licence provisions. Category 1 waste is the responsibility of the airline bringing the waste into the UK and we need to see better management of this at Heathrow.</p> <p>Heathrow does not currently “sort” Category 1 waste, as stated in one of the responses. Where it is found in a waste container, the whole container is then considered to be contaminated and must be disposed of in its entirety. Category 1 waste is an airline’s responsibility, and it is not a cost that Heathrow should be incurring. Though the costs of incineration may have reduced, the increased costs of recycling have offset any</p>	<p>Provision will be amended to state that airlines have arrangements with their primary groundhandler/caterer to “minimise the amount of Category 1 waste entering our waste systems”.</p>

Proposal	Feedback	Response	Decision
		<p>saving meaning that there is no impact on overall cost.</p> <p>Airlines are currently able to bring their uncontaminated waste to the Heathrow compactors where we aim to recover any recyclate. That service is not being withdrawn (and we have never stated that it would be withdrawn during this consultation).</p> <p>As airlines are aware from ongoing discussions, we would like to see full compliance with OSI 058, with airlines properly segregating food waste and then arranging for their groundhandlers/caterers to dispose of it. A number of airlines already do this.</p> <p>As to cost, even if airlines do increase their compliance with OSI 058, the cost of running the cabin waste facilities and managing increased recycling is highly likely to outweigh any potential saving generated by waste reduction and a reduction in the number of contaminated containers. We do not think that there will be any 'windfall effect' through the addition of this provision.</p> <p>In recent discussions with the AOC and airlines, Heathrow has agreed to accept <u>properly segregated</u> Category 1 Waste for disposal – once the community has managed to arrange for logistical issues in relation to this to be resolved, it will be reflected in an updated OSI. Accordingly, this provision will be amended as set out in the next column.</p>	

<b>Proposal</b>	<b>Feedback</b>	<b>Response</b>	<b>Decision</b>
Condition 5.12 – amendment to make clear that 90 days' notice is required to change groundhandler	One respondent commented that they thought the current wording should remain in place as the 90-day period was covered in other processes. One respondent asked whether this applied only to handling agencies or also to self-handling.	The groundhandling general notice requires 90 days' notice of a change of handler and to ensure consistency between the general notice and COU we intend to carry this change through.	Proposed change will be made.
Condition 14 – amendment to make severability provision applicable to whole of COU (instead of only to liability provision)	No substantive comments received.	N/A	Proposed change will be made.
Condition 17.5 – addition of term relating to the UK exit from the European Union so that HAL and airlines agree to work together in good faith to agree any change to COU required by UK exit from EU are expeditiously resolved	One respondent commented that amendments should be necessary and proportionate. Another noted that Brexit would also impact on airline operations and that should be reflected in the provision.	The provision is already caveated by wording saying "in good faith" and "in so far as reasonably practicable" which we feel is sufficient in these circumstances.	Proposed change will be made and it will also be noted that Brexit may result in change "affecting Heathrow Airport and airlines operating from Heathrow Airport".
Condition 18 – addition of new definitions for Category 1 Waste; EASA; HAZCHEM; IATA; ISAGO; Safety Management System	No substantive comments received.	N/A	Proposed change will be made.
Schedule 1, 1.1(d) – addition of provision asking for	Respondents primarily fed back that they were: (i) not clear why it was necessary for Heathrow to receive this level of detail; and	Airlines provide this data through PASS2, however, this only captures actual volumes as opposed to forecasted numbers. Forecasting	Heathrow will work with airlines to develop the reporting and will

<b>Proposal</b>	<b>Feedback</b>	<b>Response</b>	<b>Decision</b>
number of passengers per class	(ii) not clear on how compliance would be carried out and whether this could be provided to Heathrow at no cost/automated as there isn't a SITA message which can provide this data.	volumes supports Heathrow in delivering enhanced passenger experience as a result of better planning of premium check in desks, security and immigration fast track lanes and to better tailor services.  Forecast data is provided to Heathrow's forecasting team using an Excel spreadsheet, we will work with airlines to develop the format to ensure there is no cost of automating the data provision to airlines.	remove the condition for 2019, to be implemented in 2020.
Schedule 1, 1.1(h) – addition of provision asking for details of cargo and mail as per FFM message	Respondents primarily fed back that they were not clear why it was necessary for Heathrow to receive this level of detail. It was also noted that the FFM message does not contain mail information and airlines queried how the information is envisaged to be provided in relation to mail.  One respondent suggested that we might get this information via control post data.  One respondent noted that the data for the FFM is collated from multiple sources and so airlines had 'no real control' over it.  One respondent said that the FFM contains information on loading position of ULD's and that Heathrow did not need this.  One respondent queried why Heathrow would need to know onward routing of cargo.	Heathrow is asking for the FFM message for masterplanning and operational planning. Having sight of it should allow us to (i) understand how and when cargo moves through the airport; and (ii) ensure that the correct infrastructure is in place, with the right processes, to support the cargo consumer our Airlines' cargo businesses.  In relation to masterplanning, this includes consideration of whether specialist facilities will be required in the future, the size these facilities will need to be and the commodity types to be processed in them. We are currently reviewing how we can deliver more predictable and speedier access between sheds and aircraft for cargo – the design and location of future infrastructure (for example, air locks or unmanned control posts) will be impacted by the way cargo is loaded (i.e. loose or containerised). In order to determine this we need airline's data.  In relation to operational planning, this includes (but is not limited to): forecasting control post	Proposed change will be made.

Proposal	Feedback	Response	Decision
		<p>demand to support resource planning, correlating of vehicle movements with ATM/cargo volumes, and airside space allocation.</p> <p>The FFM has been identified as the cheapest and easiest way to obtain the required information. In the absence of the FFM, we would need to look for alternative means of sourcing this information from airlines.</p> <p>Heathrow does not receive electronic information relating to the cargo carried on vehicles through control posts and we are unable to correlate vehicle movements with ATMs. Due to this we are unable to model control post demand against future flight schedules.</p> <p>We envisage that airlines' handlers would copy the FFM message to HAL via SITA LHRBAYA or that the Airlines could forward it to us once they have received it. We note that this is already taking place at numerous airports such as AMS, BRU &amp; SIN and would expect it to work in a similar manner. We do not intend to require the FFM message in real-time and consider 7 days should be sufficient for it to be sent on post-flight, this will be clarified in the COU.</p> <p>We acknowledge that Heathrow does not need to use ULD loading position information and note that we do not intend to use any such information for the purposes described herein and we plan to filter that information out.</p> <p>Heathrow currently has no insights in to the flow of cargo, however, we have been asked to provide</p>	

<b>Proposal</b>	<b>Feedback</b>	<b>Response</b>	<b>Decision</b>
		<p>airside transfer facilities that would enable airlines to provide aircraft to aircraft transfers (given DfT permission to do so). Accordingly, we need to understand the flow of transfer shipments so that the facility can be placed in the right location; have the right capabilities; and be of sufficient size.</p> <p>In relation to data security, there are confidentiality provisions in the COU which protect any confidential information.</p>	
Schedule 1, 1.3 – addition of FFM message into table of IATA standard messages	Addressed above.		
Schedule 1, 1.5 - addition of FFM message into table of messages to be sent to Heathrow	Addressed above.		
Schedule 5 – charges and growth incentive	Addressed elsewhere in this decision.		
<b>OTHER ISSUES RAISED IN CONSULTATION</b>			
Condition 1.1 and unilateral nature of COU	Various respondents expressed the view that a unilateral contract is not an appropriate mechanism for determining the acceptance of the COU and that AOC members intend to operate at Heathrow as of 1 January 2019 without this being taken as their acceptance of the COU. It was also	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. We do not and cannot consent to any airline operating at	No change to this provision.

<b>Proposal</b>	<b>Feedback</b>	<b>Response</b>	<b>Decision</b>
	noted that airlines would welcome discussions on alternative approaches here.	Heathrow on terms different from those set out in our COU. It is our view that the condition continues to function appropriately.	
Condition 2.1(e)	One respondent suggested that airlines could not provide details of contact details for key personnel for contact in cases of emergencies due to GDPR rules.	<p>Heathrow has not proposed a change to this section of the COU. In any event, it is for individual airlines to take their own advice about the scope of their obligations under GDPR. It is Heathrow's view that GDPR does not prevent airlines for providing the corporate names and contact details of their station manager and emergency contacts to Heathrow for use in relation to emergencies, security, operational or financial matters.</p> <p>As a matter of good business practice, it is necessary for Heathrow and airlines to hold each other's contact details. It is up to each airline to comply with its own legal requirements and if airlines feel it is not possible to provide emergency contact details to Heathrow they should discuss this with us separately.</p>	No change to this provision.
Condition 5.15 – Time Sensitive Transfers	One respondent 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>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 how to implement policies and procedures to facilitate the prioritisation of their time-sensitive transfer passenger baggage and so do not propose to change this provision.</p>	No change to this provision.

<b>Proposal</b>	<b>Feedback</b>	<b>Response</b>	<b>Decision</b>
Condition 7.1 – Charges and Payment	One respondent commented that this provision is a blanket clause and it should be modified to read “you must pay us charges for using <i>certain, designated</i> facilities and services”.	<p>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 note that Facilities and Services is a defined term in Condition 18 of the COU. We do not agree that adding the “<i>certain, designated</i>” wording would add any clarity and so do not intend to change this provision. This provision is also linked to Condition 7.2 and Schedule 5 which sets out how charges are to be applied so there should not be any ambiguity for airlines on charges for use of Heathrow Airport.</p>	No change to this provision.
Condition 7.8 – Airline Welfare Protocol	One respondent suggested this should be amended to a best endeavours obligation	Heathrow has not proposed any changes to this provision. The airline welfare protocol and associated provisions have been consulted on previously, we do not propose to amend this provision and it is our view that the condition continues to function appropriately.	No change to this provision.
Condition 7.9 – Last minute/emergency costs	One respondent noted that community discussions on this subject had not yet concluded.	Heathrow has not proposed any changes to this provision and this provision has been previously consulted on and it is our view that the condition continues to function appropriately.	No change to this provision.
Condition 13 - Liability	A number of respondents commented on this provision and indicated that they would like to see changes applied to the limitation of liability provisions. One respondent	Heathrow has not proposed any changes to this provision and this provision has been previously consulted on and it is our view that the condition continues to function appropriately.	No change to this provision.

<b>Proposal</b>	<b>Feedback</b>	<b>Response</b>	<b>Decision</b>
	requested that a working group be set up to consider this.		
Schedule 8 – Airline Welfare Protocol	One respondent queried why the airline welfare protocol is referred to as a “Rule of Conduct”.	Heathrow has not proposed any changes to this provision and the Airline Welfare Protocol has been previously consulted on, and it is our view that the condition continues to function appropriately.	No change to this provision.

**END**