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30 October 2020

Dear Colleagues

## **Decision - 2021 Airport Charges**

Thank you for your participation in the 2021 Heathrow Airport Charges Consultation process.

Our tariffs are a key component of our commercial relationship, and I thank you for your thoughtful and comprehensive feedback on our proposals. This charges decision takes account of the range of feedback we have received throughout the consultation, resulting in a set of final tariffs that we believe set a firm grounding upon which our respective businesses can best recover in the wake of the COVID-19 pandemic.

It goes without saying that 2020 has been a year of unprecedented challenge for the aviation community. We are proud to have been able to stay open for our customers over this period and play our part as a vital airbridge for supplies entering the UK. We have supported customers where possible, including on site alleviations and lobbying for the right slot rules. We continue to push UK government to establish vital airbridges such that key markets can reopen.

Against this backdrop we remain committed to giving passengers the excellent Heathrow service they have come to expect. Despite the challenges, we have maintained high passenger satisfaction scores. Encouragingly, high scores on cleanliness and feeling safe and secure show the positive impact of targeted measures taken to ensure passenger wellbeing in recent months.

Our tariffs for 2021 are designed to support your recovery whilst also maintaining focus on improving the environmental performance of the airport. We cannot lose sight of the importance of decarbonising aviation and we invite you to work with us over the course of 2021 to shape future airport charges to reflect this critical agenda.

## **Summary of charges**

I am pleased to publish Heathrow's decision document on 2021 airport charges and Conditions of Use. Effective from 1 January 2021, Heathrow will:

- recover the forecast maximum allowable yield for 2021 of £19.363 per passenger, an 18% reduction versus 2020;
- reduce passenger charges to stimulate demand;
- suspend seasonality from the passenger charge to cater for the unpredictability of 2021 seasons and passenger demand;
- suspend the Growth Incentive;
- introduce a new passenger charge for destinations within the Common Travel Area;

- maintain emphasis on environmental charges; and
- retain discounts for UK, European and transfer passengers to support domestic connectivity and increase direct and transfer passenger volumes.

We are confident that the changes outlined above, and further explained in Appendix 1, reflect the right balance of charges for the uncertainty we face. Thank you for your continued business and I encourage you to engage with my 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.

**Appendix 3** sets out the final prices effective from 1 January 2021.

**Appendix 4** provides a summary of airline responses to the proposed changes to the 2021 Conditions of Use and details our final decision.

Yours faithfully



Ross Baker

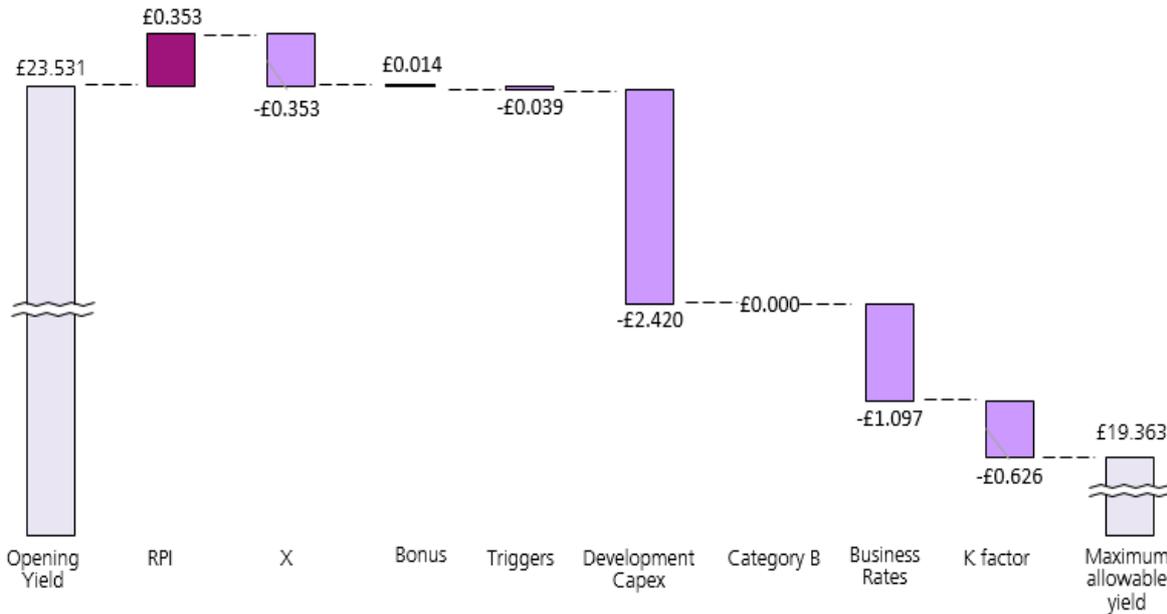
Chief Commercial Officer

## Appendix 1

### Heathrow Airport Decision

#### Calculation of the 2021 yield

The 2021 yield, of £19.363, decreases by £4.20 (18%) compared to 2020. The decrease is predominantly due to the cumulative development capex adjustment, the business rates adjustment and the K Factor adjustment for over-recovery against the maximum allowable yield in 2019, all in combination with a reduced passenger forecast for 2021.



#### Passenger volumes

In our published consultation document, airport charges were calculated based on a forecast of 62.8m passengers. Throughout this consultation process we stated that this forecast would be continuously assessed given the ongoing impacts of COVID-19. As published in Heathrow’s Q3 financial results, the passenger forecast for 2021 has been reviewed and is now 37.1m. This new forecast has been used to calculate the 2021 Airport Charges, as set out below. This compares to an assumed passenger volume of 81.46 million passengers used in the 2020 charges.

#### Proportion of charges

Throughout recent years, we have seen reductions to passenger charges directly flow through to the end ticket price, stimulating demand. For 2021 and the recovery of volumes, we see competitive ticket prices, particularly at price sensitive lead-in fares, as having a critical role. We also need to maintain focus and continue the progress being made on bringing the best in class, cleanest and quietest aircraft fleet to Heathrow. As per the consultation document, we are updating the proportions of charges for 2021 to reflect these key objectives. 2021 charges include a 5% rebalance from the passenger charge onto the movement charge. The final apportionment is as follows:

Movement	34%
Departing passenger	62%
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. Throughout Q6 and iH7 we have seen an acceleration towards more Chapter 14 aircraft at Heathrow. This move has been amplified in recent months with airlines having more flexibility in existing fleet choice due to a reduced overall operation and using the opportunity to accelerate the retirement of older aircraft in the fleet. In the 2020 summer season, we have seen 79% of movements operated by Chapter 14 aircraft, 41% have been operated by Chapter 14 low specifically. Based on these trends and information we are gaining for 2021, we have updated the mix of movements used to calculate Noise prices to be as follows:

Chapter 3	0%
Chapter 4 High	3%
Chapter 4 Base	14%
Chapter 14 High	7%
Chapter 14 Base	33%
Chapter 14 Low	42%

As per the published consultation document, to further incentivise this move to quieter aircraft, we have updated the ratios by which the charges are attributed to the noise chapters. The overall impact of the change in charge proportions, updated mix and ratio is that those airlines operating Chapter 14 fleets will see a reduction in noise prices versus 2020 and Chapter 4 fleets will see an increase.

### Passenger charges

In our consultation document, Heathrow proposed a suspension of seasonality on the passenger charges for 2021. This was due to the uncertainty regarding the shape in which demand will return following the impact of the COVID-19 pandemic on passenger numbers. We received feedback supporting the removal of seasonality for 2021 charges to deliver a simpler charging structure for a recovery year. Some carriers requested that Heathrow continue to exclude seasonality for future pricing periods. This will be considered as part of our future pricing and the accompanying consultation processes. The initially proposed seasonality suspension for 2021 has been maintained in Heathrow's final decision and is reflected in the schedule of charges below.

The European load factor, domestic connectivity and transfer passenger discounts will be maintained in 2021. These are key levers to stimulate passenger volume recovery through lower fares. We have received feedback stating that Ireland should be included within the definition of

Domestic Destinations, however, we have decided not to make such an inclusion. Instead, a new Common Travel Area (CTA) category has been introduced.

The CTA segment is defined as the Crown Dependencies (Bailiwick of Jersey, Bailiwick of Guernsey and the Isle of Man) and Ireland. Passengers travelling between UK and CTA destinations are subject to different government requirements from those passengers travelling domestically within the UK or travelling between the UK and European destinations. This includes variation in the customs arrangements for these passengers. In addition, there are differing infrastructure requirements between UK and CTA passengers. To recognise such difference in the use of airport infrastructure and passenger processes, a new charging category for the passenger charge has been created. In addition, a new Minimum Departure Charge (MDC) for flights to the CTA has been implemented to align MDCs with this structure of passenger charges. Given the current uncertainty relating to the post-Brexit arrangements for passengers travelling to/from CTA destinations, the charges for CTA passengers will remain under review.

The CTA charge is funded as part of the total passenger charge calculation. The number of passengers forecast for CTA destinations has been deducted from the passenger forecast for the Domestic and European markets.

In our published consultation document, we proposed updating the proportions of passenger charges recovered between Rest of World and Domestic/Europe to 70% and 30% respectively. This, coupled with the forecast used at the time of consultation, resulted in a more significant reduction in the Rest of World passenger prices versus the prices to other destinations. We have decided to retain the updated proportions in the passenger charge. However, the updated forecast results in a more even reduction across all categories. The outcome is an average 24% reduction to passenger charges.

### **Minimum departure charge**

Within Heathrow's 2020 airport charges there are two categories of MDC: one for "Domestic Destinations" and one for "Other". For 2021, Heathrow proposed to revise the MDC tiers to reflect the structure that applies to the passenger charge. Addressing the differing number of tiers between the MDC and passenger charge initially required the introduction of a Rest of World MDC.

Heathrow has decided to introduce a Rest of World MDC tier as proposed and is also introducing an MDC for the CTA category (as set out above) in order to reflect the latest passenger charge structure. As seasonality has been removed for 2021 due to the uncertainty caused by the COVID-19 pandemic, one MDC is applicable to each destination segment (Domestic, CTA, Europe, Rest of World) and applies throughout the year.

### **Growth incentive**

Heathrow's consultation document proposed the implementation of a growth incentive which airlines could use to target opportunities to stimulate passenger volumes at Heathrow. A growth

incentive was considered to be a key aspect of airport charges in a recovery year, allowing airlines to target the routes and distribution channels that could have the most impact based on their insight into, and experience of, consumer behaviour. The growth incentive pot was proposed to be set at £50m and funded through the passenger charge. When exceeding a specific baseline of passenger numbers, airlines would receive a rebate per passenger of £5, £10 or £20 based on the destination segment.

Heathrow has received wide-ranging feedback on the structure and impact of a potential growth incentive in 2021, which is hoped to be a year of recovery for the aviation sector. In an environment of constantly changing restrictions outside both Heathrow and airlines' control, carriers stated that the ability to plan to unlock the incentive rebate payments would also be outside the airlines' control and, therefore, the scheme would not be an effective incentive to drive passenger growth in 2021.

As a result of this uncertainty in 2021, Heathrow has decided to act directly on this feedback and remove the passenger growth incentive scheme from 2021 airport charges. This results in a reduction to the passenger charge for all airport users.

Heathrow nonetheless considers growth incentives to play an important role in the airport's future and will continue to engage with the community on the nature and role a growth incentive scheme can play in airport charges after 2021. Heathrow is grateful to the community for their feedback on the proposed growth incentive, as well as the desire to work together to shape future schemes which can provide valuable incentives to our airlines.

### **Future airport charges**

Within the consultation document, Heathrow shared some early considerations on the structure of airport charges from 2022 and beyond. The reduction of carbon emissions is fundamental to the sustainability of business at Heathrow and will play an important role in airport charges from 2022. We intend to focus the future re-structure of charges on sustainability and promoting the efficient use of infrastructure by moving to a sustainable growth model of pricing. A range of factors are under consideration. Heathrow also sought early feedback from airlines on the role that movement charges could play in reducing the high cost premium of sustainable aviation fuels (SAF) compared to standard aviation fuel and on the weight that should be afforded to each factor.

We are grateful to the airline community 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: Some respondents stated that Heathrow should not price to the regulated price cap and requested that this approach be reconsidered.

A: Heathrow's decision to price to the cap is fully in line with our economic Licence (which was consulted on extensively through the CAA process) and is based on the extensive capital investment at Heathrow which has helped to transform the airport. The allowable yield has reduced from 2020's yield by 18%.

### Non-passenger revenues

Q: Some respondents requested that the revenue from non-passenger movements be included in the airport charges calculation and asked about the treatment of it throughout Q6.

A: The CAA's Q6 decision and Q6 Licence continued the position set out in the Q5 decision that cargo revenues are not part of the maximum allowable yield but form part of the single till calculation. The CAA's Q6 Notice granting the Licence<sup>1</sup> states "the price control calculation relates only to passenger airlines". In addition, there is a separate condition<sup>2</sup> to ensure that cargo only operators are treated in an equitable manner.

In Heathrow's Licence<sup>3</sup>, Condition C1 sets out the price control condition and calculation of maximum allowable yield for relevant air transport services; these are defined as "air transport services carrying passengers that join or leave an aircraft at the Airport, including air transport services operated for the purpose of business or general aviation"<sup>4</sup>. Cargo only operators sit outside this definition.

Heathrow's approach to calculating the maximum allowable yield is, therefore, in strict accordance with its economic Licence by not including cargo-only revenue in the calculation.

The price control calculation does, however, include non-terminal passenger flights (i.e. general aviation, troops etc.) and Heathrow includes the anticipated revenue for this which is typically in the region of £1m. In setting airport charges for 2020 Heathrow incorrectly included cargo revenue of c.£10m in non-terminal passenger flights, which resulted in the tariffs (i.e. landing, departing and parking charges) for 2020 being artificially lower by this amount. This will be corrected through the k factor in 2022 charges.

In the published 2021 consultation document, we did not include a value for non-terminal passenger flights. A value of c.£200k for these flights is included in our 2021 decision.

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<sup>1</sup> P.41, para. 2.72 <https://publicapps.caa.co.uk/docs/33/CAP1151.pdf>

<sup>2</sup> C4

<sup>3</sup> <https://www.caa.co.uk/Commercial-industry/Airports/Economic-regulation/Licensing-and-price-control/Economic-licensing-of-Heathrow-Airport/>

<sup>4</sup> C.1.16 (n)

**Passenger charges**

Q: Some respondents asked for further information as to why the percentage reduction in PSC from 2020 is greater for the Rest of World PSC compared to the European and Domestic PSCs. Some suggested that this mitigated the effect of the Domestic and European discounts.

A: The published pricing decision reflects a more even reduction across all markets.

Q: One respondent stated that pricing of the PSC does not take into account terminal consolidation measures.

A: Heathrow's airport charges apply to all airport users, regardless of the terminal from which they are currently operating. Terminal consolidation has not impacted the way this charge is calculated or levied.

Q: Some respondents stated that the Remote Stand Rebate should be increased due to the increased bussing costs as an expected result of the recent AOC tender for that contract.

A: The remote stand rebate is not a direct compensation for bussing costs but rather recognises a difference in service levels. This difference remains the same notwithstanding changes in cost to the AOC held bussing contract. The remote stand rebate remains a £4 per passenger.

**Common Travel Area**

Q: Some feedback suggested that the introduction of the CTA charge causes market distortion and discrimination between airlines which is not permitted under legislation.

A: 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 a number of reasons including, but not limited to, those relating to cost, the environment and the public and general interest. We do not agree that the introduction of the CTA charge in any way amounts to discrimination, nor will it cause market distortion.

Q: Some respondents have asked that Heathrow explain why Ireland destinations cannot be included in the domestic category and some respondents have requested information on the difference between the new CTA category and existing Europe category which justifies a differential in the price.

A: The passenger journey of a CTA passenger more closely matches that of a Domestic passenger than that of a European passenger, however, the arrivals process does differ and uses different infrastructure and process to cater for this difference.

**Minimum departure charge**

Q: Some respondents stated that the addition of a Rest of World MDC is a way of Heathrow shifting low volume risk from the airport to the airlines.

A: The addition of the new MDC charge category is to align this charge with the passenger charge categories. The MDC itself is a passenger charge and is only payable when loads fall below a threshold. Previously (and currently in 2020), there have been 2 categories of MDC: UK and other.

This has meant that there has been a significant difference between the triggering threshold for European and Rest of World destinations.

Q: Some respondents stated that an MDC for CTA flights should be included.

A: This has now been reflected in our decision.

Q: Some respondents requested that there should be a forecast for revenue generated through the application of the MDC.

A: We do not forecast passenger movements triggering the threshold for MDC and MDC revenue from non-passenger movements is not included in the charges calculation. Therefore, there is no revenue forecast from MDC.

### **Environmental charges**

Q: One respondent asked whether the noise prices from 2020 could be held for Chapter 4 but further lowered for Chapter 14 aircraft so as to avoid increasing the “fixed cost hurdle” for airlines, but nonetheless maintain the differential benefit of operating quieter aircraft.

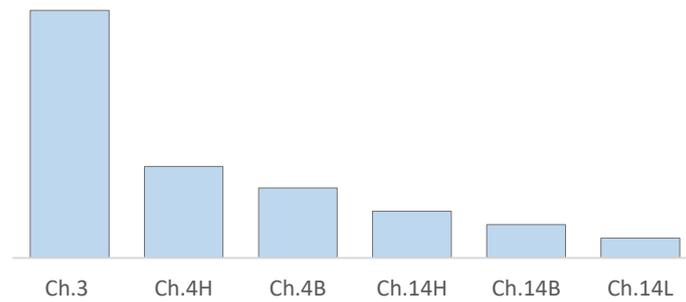
A: The increasing shift towards Chapter 14 aircraft means that as fleet becomes quieter, the average amount paid per movement decreases. Due to this, to keep Chapter 4 movements flat, it would require increases in charges elsewhere within the structure. This decision balances the distribution of charges in line with our objectives of passenger volume recovery and sustainable fleet.

Q: Heathrow was requested to consider implementing incentives to reduce actual aircraft noise rather than only encouraging operation of aircraft with reference to noise categories.

A: We recognise that there are potentially different methods for assessing noise and emissions from aircraft, however, Heathrow’s noise and emissions charges are based on aircraft-certification and not on actual performance or on airline investments. Therefore, the charging structure is designed to influence fleet selection to incentivise the use of the best in class fleet. The Noise fee is based on certificated noise levels, so larger aircraft pay the same fee as a smaller aircraft in the same noise category. The emissions (NO<sub>x</sub>) fees are a fixed rate per kilogram of NO<sub>x</sub> per LTO cycle and therefore encourage lower emissions.

Q: Some airlines questioned why Chapter 3 movements did not see as much of a change as Chapter 4 if the focus is on reducing noise.

A: Chapter 3 prices are already significantly higher than Chapter 4 noise charges and this has contributed to an almost complete phase out of Chapter 3 aircraft at Heathrow. While no Chapter 3 aircraft are forecast for 2021, the noise prices are such that there is a significant disincentive to operating Chapter 3 aircraft at Heathrow. The chart below displays noise prices showing how Chapter 3 remains a significant disincentive.



Q: One respondent said that they were concerned that the proposed increase was so accentuated that it could be argued that it amounted to an operating restriction.

A: We consider that this does not amount to an operating restriction. There is no restriction on operating a Chapter 3, 4 or 14 aircraft to Heathrow and the charges have been set in a non-discriminatory and transparent manner, on fair, relevant and objective criteria so as to incentivise best in class fleet to come to Heathrow and to recognise the impact on the environment and local community of noisier or higher emitting aircraft.

Q: A number of respondents stated that they preferred the previous wording on night quota charge exceptions. One airline stated that the exceptions to the charges should be broadened to cover unforeseeable circumstances.

A: There has not been a proposed change to these charges or to the circumstances in which they may be waived. There was an error on the redline version of the COU which indicated that a change was proposed, but as can be seen on the clean copy of the COU document, this was not the case. Airline feedback on this point has been considered. However, we have decided to retain the night quota charge exceptions in their current form.

Q: One respondent stated that Heathrow had previously agreed that Environmental Charges should not proportionately increase each year and that the 2021 proposal was a reversal of this.

A: We have always stressed the importance of incentivising sustainable outcomes at the airport through airport charges. Although, in a previous consultation (2019), we amended the charges in our final decision to hold the movement proportion flat. Heathrow did not agree this as a permanent position and stated the importance of environmental charges and competitive passenger prices.

### **Aircraft parking**

Q: Some respondents questioned why the wide-bodied aircraft parking price had reduced more than the narrow-bodies and some respondents stated that parking charges should not be reduced as it restricted access to common use infrastructure.

A: The parking charges have changed as a result of the change in mix between narrow and wide-bodied parking units forecast and as a result in the reduction to the allowed yield. The proportion of revenue recovered through parking charges remains consistent with 2020 charges.

### **Future airport charges**

We have received a significant amount of feedback on the structure of future charges at Heathrow for 2022 and beyond and we thank the community for this. We look forward to engaging with you on this topic over the next year to create a structure that meets our desired outcomes in the future.

## **Appendix 2**

### **Consultation Process Summary**

Heathrow commenced consultation on the 2021 airport charges tariff and the Conditions of Use by publishing a consultation document on 28 August 2020.

A consultation meeting was held on 9 September 2020. We requested that the airline community formally respond to the consultation proposal by 9 October 2020 and received 16 formal responses to the proposal.

An updated proposal was shared with the community on 9 October 2020 regarding the inclusion of a CTA charge and we requested the airline community respond to the updated proposal by 16 October 2020. We received 8 formal responses to the updated proposal.

As a result of feedback received, we have made several amendments to the airport charges as described in this document. These include:

- revision of the 2021 passenger forecast;
- addressed distribution of passenger charge reduction;
- introducing a new passenger charge for CTA destinations;
- introduced CTA MDC; and
- suspension of the 2021 Passenger Growth Incentive.

We have also made changes to the 2021 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 support passenger growth whilst incentivising the quietest and cleanest aircraft to operate at Heathrow to meet our environmental commitments.

### Appendix 3

#### Final Airport Charges – 2021

Charges on Movement	
Peak	
Chapter 3	£5,972.46
Chapter 4 High	£2,209.81
Chapter 4 Base	£1,692.20
Chapter 14 High	£1,124.81
Chapter 14 Base	£802.30
Chapter 14 Low	£481.78
Night Peak - Departures	
Chapter 3	£29,862.30
Chapter 4 High	£11,049.05
Chapter 4 Base	£8,461.00
Chapter 14 High	£5,624.05
Chapter 14 Base	£4,011.50
Chapter 14 Low	£2,408.90
Emissions charge on Landing	£20.99

Charges on Departing Passengers	
Origin and Destination	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	£10.98
Common Travel Area	£11.23
European charge with single discount <i>(with EU load factor discount)</i>	£15.98
Other	£38.33
Transfer and Transit	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	£8.24
Common Travel Area	£8.43
European charge with single discount <i>(with EU load factor discount)</i>	£11.99
Other	£28.75
Remote Stand Rebate	-£4.00
Minimum charge - UK destinations	£636.84
Minimum charge - CTA destinations	£673.80
Minimum charge - EEA destinations	£1,230.46
Minimum charge - RoW destinations	£1,916.50

Charges on aircraft parking	
Narrow bodied	£25.95
Wide bodied	£54.50

	Traffic Volume Units	Traffic Volume	Proposed Charge	Forecast Revenue
<b>Movement Charge</b>				
<b>Noise Charge</b>				
<u>Peak</u>				
Chapter 3	[Landings]	0	£5,972.46	£0
Chapter 4 High	[Landings]	3,938	£2,209.81	£8,702,232
Chapter 4 Base	[Landings]	16,035	£1,692.20	£27,134,427
Chapter 14 High	[Landings]	8,126	£1,124.81	£9,140,206
Chapter 14 Base	[Landings]	37,393	£802.30	£30,000,404
Chapter 14 Low	[Landings]	48,232	£481.78	£23,237,213
<b>Total</b>	[Landings]	<b>113,724</b>		<b>£98,214,482</b>
<u>Peak</u>				
Chapter 3	[Departures]	0	£5,972.46	£0
Chapter 4 High	[Departures]	3,938	£2,209.81	£8,702,232
Chapter 4 Base	[Departures]	16,035	£1,692.20	£27,134,427
Chapter 14 High	[Departures]	8,126	£1,124.81	£9,140,206
Chapter 14 Base	[Departures]	37,393	£802.30	£30,000,404
Chapter 14 Low	[Departures]	48,232	£481.78	£23,237,213
<b>Total</b>	[Departures]	<b>113,724</b>		<b>£98,214,482</b>
<u>Super Night Peak</u>				
Chapter 3	[Landings]	0	£29,862.30	£0
Chapter 4 High	[Landings]	1	£11,049.05	£11,049
Chapter 4 Base	[Landings]	6	£8,461.00	£50,766
Chapter 14 High	[Landings]	3	£5,624.05	£16,872
Chapter 14 Base	[Landings]	15	£4,011.50	£60,173
Chapter 14 Low	[Landings]	25	£2,408.90	£60,223
<b>Total</b>	[Landings]	<b>50</b>		<b>£199,082</b>
<u>Super Night Peak</u>				
Chapter 3	[Departures]	0	£29,862.30	£0
Chapter 4 High	[Departures]	1	£11,049.05	£11,049
Chapter 4 Base	[Departures]	6	£8,461.00	£50,766
Chapter 14 High	[Departures]	3	£5,624.05	£16,872
Chapter 14 Base	[Departures]	15	£4,011.50	£60,173
Chapter 14 Low	[Departures]	25	£2,408.90	£60,223
<b>Total</b>	[Departures]	<b>50</b>		<b>£199,082</b>
<b>Emissions Charge on landing</b>				
Total kg Nox rating	[kg]	2,344,285	£20.99	£49,206,542
Average kg Nox per landing	[kg]	20.6		£49,206,542
<b>Total Landing Revenue</b>	<b>(a)</b>			<b>£246,033,670</b>

<b>Departing Passenger Charge</b>				
<b>Departing OD Passenger Charge</b>				
European charge with dual discount	[Dep Pax]	1,033,721	£10.98	£11,350,261
CTA	[Dep Pax]	628,705	£11.23	£7,060,362
European charge with single discount	[Dep Pax]	6,053,071	£15.98	£96,728,068
Other	[Dep Pax]	6,731,209	£38.33	£258,007,258
<b>Total</b>	[Dep Pax]	<b>14,446,707</b>		<b>£373,145,949</b>
<b>Departing Transfer Passenger Charge</b>				
European charge with dual discount	[Dep Pax]	577,618	£8.24	£4,759,575
CTA	[Dep Pax]	128,968	£8.43	£1,087,200
European charge with single discount	[Dep Pax]	1,216,723	£11.99	£14,588,508
Other	[Dep Pax]	2,024,514	£28.75	£58,204,791
<b>Total</b>	[Dep Pax]	<b>3,947,824</b>		<b>£78,640,074</b>
<b>Remote Stand Rebate</b>				
Remote Stand Rebate	[Dep Pax + Arr Pax]	2,001,509	£4.00	-£8,006,037
Passenger Growth; Incentive Rebate				
<b>Total Departing Passenger Charge Revenue</b>	<b>(b)</b>	<b>18,394,531</b>		<b>£443,779,986</b>

Parking Charge				
Narrow bodied Chargeable Period	[Units of 15 minutes]	350,111	£25.95 £	9,085,383
Wide bodied Chargeable Period	[Units of 15 minutes]	337,931	£54.50	18,417,260
<b>Total Parking Charge</b>	<b>(c)</b>	<b>688,042</b>		<b>£27,502,643</b>

<b>Terminal Pax Flights: Total Revenue</b>	<b>£717,316,299</b>
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Total Regulated Revenue (Pax Only Flights)		
<b>Total Regulated Revenue</b>		
Landing Revenue	(a)	£246,109,066
Departing Passenger Revenue	(b)	£443,915,974
Parking Revenue	(c)	£27,511,071
<b>Total Regulated Revenue</b>		<b>£717,536,111</b>
<b>Total Passengers</b>		<b>37,056,295</b>
<b>Total Regulated Yield</b>		<b>£19.363</b>

Non-Terminal Pax Flights (GA, Troops etc)		
<b>Non-Terminal Pax Flights</b>		
Landing Revenue	(d)	£75,395
Departing Passenger Revenue	(e)	£135,988
Parking Revenue	(f)	£8,428
<b>Total Non-Terminal Pax Flights Revenue</b>		<b>£219,811</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 2021. 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 2.2 - addition of new condition regarding ad-hoc and charter flights to set out the compliance rules for charter/ad-hoc flights using the Airport.	<p>AOC members responded that the form appeared sensible, however, it was considered that ad-hoc and charter flights should pay all their fees and should not be subsidised from scheduled operations.</p> <p>A number of respondents queried which types of carrier this condition applied to.</p>	<p>We welcome the feedback that the form appears sensible. Regarding payment of fees, as airlines will be aware, the charges are set out in Schedule 5 of the Conditions of Use and this applies equally to all users of the airport who must pay the same charges for any use of our Facilities and Services, whether they are regular or ad-hoc users of the Airport.</p> <p>The form is only required for airlines who are airport based i.e. who operate regular scheduled operations from Heathrow Airport, and we have amended the condition to reflect this.</p>	Condition to be taken forward in amended form.
Condition 3.4 - minor amendment to wording as where corrections are needed to information provided in relation to charges they should be provided promptly.	No substantive comments received.	N/A	Proposed changes will be made.

Proposal	Feedback	Response	Decision
Condition 3.6 - correction of defined term to ensure consistency.	No substantive comments received.	N/A	Proposed changes will be made.
Conditions 3.7, 4.2 and 4.3- minor updates to cross refer to the correct provisions or defined terms, or for language corrections.	No substantive comments received.	N/A	Proposed changes will be made.
Condition 4.4 – minor updates to the condition regarding sharing of information with third parties on a confidential basis for readability.	No substantive comments received.	N/A	Proposed changes will be made.
Condition 5.3 – amendment to the condition to state that this condition applies unless otherwise agreed in writing with Heathrow as there may be limited times where it might be appropriate to agree that airlines can operate outside of the SITA/DCS system.	No substantive comments received.	N/A	Proposed changes will be made.
Condition 5.4 – minor correction to language.	No substantive comments received.	N/A	Proposed changes will be made.
Condition 5.6 – new condition regarding provision of a copy	AOC members stated that this provision did not make sense operationally as airlines do not follow de-rate standard	The reason we need this information is that there are two standard de-rate protocols (NADP1 and NADP2) that create a different noise profile for our close-in communities. Having	Condition not included.

Proposal	Feedback	Response	Decision
of de-rate standard operating procedures.	<p>operating procedures. One respondent objected to the new condition but did not explain the detail as to why. One respondent said the condition was meaningless in the present form and that it would be preferable to provide details of specific aircraft capability when looking at airspace designs.</p> <p>One respondent stated that they had no objection to the condition.</p>	<p>access to this information will enable better understanding of the airport noise footprint as well as being able to ascertain if future airspace designs would be optimal/sub-optimal according to the majority SOPs.</p> <p>Having considered airline feedback and given the statements that airlines are willing to engage on this matter bilaterally in future, we have removed this condition.</p>	
Condition 6.8 – new condition to ensure that the Flight Management System is up to date and has sufficient capacity available for new information to be added.	<p>AOC members stated that this was not considered to be a reasonable request as some aircraft models may not be able to comply, and so the condition should be amended or removed. A number of respondents stated a similar point regarding some aircraft models being unable to accommodate any further capacity.</p> <p>One respondent said that the evidence could be provided subject to it being treated confidentially by Heathrow.</p>	<p>The reason we proposed this condition is so as to ensure that airlines have an up to date FMS and that it has enough capacity for new noise abatement procedures to be added. This will become increasingly important in future as we improve noise mitigation.</p> <p>Having considered airline feedback, and given the statements that airlines are willing to engage on this matter bilaterally in future, we have removed this condition.</p>	Condition not included.
Condition 7.5 – new condition regarding groundhandler resilience.	<p>AOC members stated that this should be amended to refer more explicitly to the taxes/duties owed by airlines to HMRC. Another respondent made a similar comment.</p> <p>Two respondents objected to this new provision or considered it to be</p>	<p>Whilst Heathrow does not intend to comment on precise arrangements as between airlines and groundhandlers, as that is for airlines and their groundhandlers to agree, it is important that the resilience of the airport is not put at risk due to airline failure to pay their own debts to HMRC, which could result in groundhandlers being in financial distress if they are pursued for payment in the place of the airline under the relevant provisions of the Finance Act. Due to the risk relating to</p>	Condition to be taken forward in amended form.

Proposal	Feedback	Response	Decision
	superfluous on the basis that: (i) they were already contractually bound to pay the taxes and duties to HMRC; or (ii) it implied they were responsible for the financial stability of the groundhandler; or (iii) Heathrow should not intervene in a commercial relationship between the airline and groundhandler.	groundhandler resilience, we intend to retain this new condition with the requested amendment.  The condition has been amended to make clear it is airline tax/duties that are referred to.	
Condition 9.1 - addition of provisions regarding passengers requiring support and pre-notification.	A number of respondents noted that the proposed provision referred to a timescale of 48 hours whereas the EC regulation states 36 hours, where the information has been provided at least 48 hours before departure.	The provision will be amended to align with the regulatory requirement.	Condition to be taken forward in amended form.
Condition 9.2 - addition of provisions regarding passengers requiring support and repatriation of wheelchairs.	AOC members suggested this condition should be amended to refer to practicality and health and safety rules. A number of respondents noted that some larger wheelchairs could not be repatriated at the door due to the way they are transported, and that wheelchair repatriation at door generally could not be/was not carried out on remote stands.	We note that it is an important part of the travel experience for PRS passengers who use a wheelchair, to have it returned to them at the earliest opportunity after disembarking and we are of the view that every effort should be made to accommodate this for those passengers. It is acknowledged that there are some practical circumstances where this may not be possible, and it is an overriding priority that all persons working at Heathrow Airport to do so in a safe manner that is compliant with Health & Safety laws. As such an amendment has been made to the condition wording to address the feedback provided.	Condition to be taken forward in amended form.
Conditions 10.2, 10.3, 11.3, 12.4.– minor corrections to language.	No substantive comments received in respect of the changes proposed.	N/A	Proposed changes will be made.

Proposal	Feedback	Response	Decision
Condition 17(e) – deletion of remote coaching and management of ULDs from list of services that Heathrow provides.	One respondent requested clarification as to whether Heathrow had a responsibility to provide sufficient storage facilities for ULDs and the management of allocation, ensuring that equipment is securely stored.	Heathrow does not provide remote coaching. In respect of ULDs, whilst Heathrow may specify an allocation number, we do not provide management of baggage ULD's for airlines. In addition, whilst we do provide space for the storage of baggage ULDs, there is limited capacity in the airfield for this and so any overstock must be managed by the airline or their groundhandler. In addition, we do not guarantee the security of any airline/groundhandler property that is left in the airfield. Due to these reasons, these provisions will be removed.	Proposed changes will be made.
Condition 20.1 – minor update to refer to correct definition of Business Days.	No substantive comments received in respect of the changes proposed.	N/A	Proposed changes will be made.
Condition 22.5 – update to remove 'intended' in reference to the UK exit from the European Union.	No substantive comments received in respect of the changes proposed.	N/A	Proposed changes will be made.
Condition 24 – updates to definitions to correct language, update references to legislation or other defined terms, and add new relevant definitions including DvC, HADACAB, PRS or Passenger Requiring Support.	One respondent noted that "ERLIG" is not defined and one respondent made comments regarding the HADACAB process.	<p>We have added a definition for ERLIG.</p> <p>As regards the HADACAB process, the governing documents for this are not managed within the COU but rather through the ACL local rules process. In addition, the definitions section of the COU is not the place to add terms about how HADACAB should operate. Due to these factors, we will not be carrying through the requested amendment. We have passed the relevant comments on to that team for consideration.</p> <p>We have also added a definition of Common Travel Area to align with the new charging categories.</p>	Proposed changes will be made with amendment.

Proposal	Feedback	Response	Decision
Deletion of condition 23.5 – removal of duplicate severability condition.	No substantive comments received in respect of the changes proposed.	We have adjusted the wording of the duplicate condition 19 to reflect a section the wording of the condition being removed that was not duplicative.	Proposed changes will be made.
Schedule 3 – minor update to refer to correct defined term.	No substantive comments received in respect of the changes proposed.	N/A	Proposed changes will be made.
Schedule 5 - 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.	<p>Various respondents expressed the view that a unilateral contract is not an appropriate mechanism for determining the acceptance of the COU.</p> <p>AOC members stated that they intend to operate at Heathrow as of 1 January 2021 without this being taken as their acceptance of the COU.</p>	<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.</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>	No change to this provision.
Condition 2.1.e – airline contact details.	AOC members 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 state why the provision of the contact information requested was of specific concern.	<p>We responded to this concern during the 2019-2020 consultation and our view remains the same in that 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, as the provision of contact information for an Airline is necessary for the operation of the Airport, and we do not see how or why GDPR would prevent</p>	No change to this provision.

Proposal	Feedback	Response	Decision
	<p>One respondent said this condition should refer to data protection legislation.</p>	<p>the provision of names, office addresses and contact details of relevant Airline colleagues. We expect these to continue to be provided. In the 2019-2020 consultation we invited any Airline who had any concerns over this, to contact us directly to discuss and this offer remains open.</p>	
<p>Condition 7.1 and 7.2 – groundhandling.</p>	<p>A number of respondents repeated their views on this condition, as had been stated in the 2019-2020 consultation, namely that:</p> <ul style="list-style-type: none"> <li>- the definition of groundhandler was not sufficiently clear and that a fuller definition should be added;</li> <li>- matters relating to groundhandling should be dealt with in the relevant Ground Operations Licence, and not in the COU;</li> <li>- queried why Heathrow was asking for IATA IOSA and ISAGO audit results; and</li> <li>- one respondent queried the meaning of “primary handler”.</li> </ul> <p>In addition, a respondent stated that Heathrow was in full control of the groundhandlers and who it awards licences to and so should include the ISAGO requirements in the licencing</p>	<p>We note that there was an error on the redline version of the COU circulated for consultation which made it appear that a change was being made to this provision for 2021. It could be seen in the clean/non-redline copy that no change was proposed to this provision for 2021 and the redline was showing the changes that were made in 2019-2020. This was noted by the AOC members and another respondent.</p> <p>As regards the substantive points made by respondents, we would note that Groundhandler was already defined in the COU pre-2020. For the 2020 version, a definition of Groundhandling Assistance was added for additional clarity and to provide a fuller definition.</p> <p>As regards Heathrow being able to control the issue of licences to groundhandlers, whilst it is the case that we control the licencing and access processes, many of the groundhandlers currently operating at Heathrow were already onsite when the IOSA/ ISAGO and IGOM processes and procedures were created, and so the cooperation of all of Team Heathrow is and was needed to ensure the relevant audits/compliance work took place, and that the required procedures are observed.</p> <p>We also repeat our response from last year:</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.</p>	<p>No change to this provision.</p>

Proposal	Feedback	Response	Decision
	<p>provisions and others queried the position on self-handling.</p>	<p>We have taken into account airline feedback around the provision of audit results and have amended the wording. The reason that Heathrow is asking for evidence of IATA IOSA and ISAGO audit results, is because: (i) the ISAGO is currently the only independent audit of ground operations and reviews how a groundhandler implements and monitors compliance with the relevant procedures; and (ii) for self-handling the IOSA audit provides this. This will allow us to continue to work with the community to improve ramp safety and compliance.</p> <p>As per our consultation response last year: <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> For an airline that self-handles, that will refer to the business unit providing the relevant handling service.</p> <p>We have made the amendment requested to add a reference to the Airport in Condition 7.3.</p> <p>As various respondents have noted, particularly in their response to the addition of condition 8.1, Heathrow has discretion as to whether to grant a Ground Operations Licence, which is required prior to any person undertaking any groundhandling activity. To carry out any such activity without one is a breach of the Heathrow Byelaws, and a criminal offence which can result in summary conviction. Heathrow is determined that handling operations should be carried out efficiently and safely and views achievement of a “pass” on the relevant IATA audits and compliance with the IATA IGOM (a manual which was agreed between Airline members of IATA) as key to securing efficient and safe handling operations at Heathrow.”</p>	

Proposal	Feedback	Response	Decision
Condition 7.3 – Waste Disposal.	One respondent stated that airlines should not be responsible for establishing procedures for waste disposal where Heathrow could be expected to have carried out the relevant checks and due diligence on groundhandler procedures prior to issuing a licence.	We have not proposed any changes to this condition for 2021.  Category 1 waste and HAZCHEM spillages are at all times an airline responsibility and it is right that airlines must have in place appropriate procedures to address both waste categories.	No change to this provision.
Condition 7.6 – Time Sensitive Transfers.	AOC members 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.	As for the 2019-2020 consultation, 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.  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.	No change to this provision.
Condition 10 - provision regarding emissions and fuel burn.	One respondent queried whether “reasonable endeavours” included commercial considerations.  One respondent 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.	We welcome the various responses stating that Airlines wish to work with Heathrow to improve their performance on ground-based emissions and fuel burn.  The meaning of “reasonable endeavours” is well recognised term under English law and would be interpreted by the court accordingly.  In respect of the use of FEGP and PCA we would repeat our response from the 2019-2020 consultation 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.	No change to this provision.

Proposal	Feedback	Response	Decision
Condition 11.5 – carriage of purchased items.	One respondent stated that this should be made subject to the law both in the UK and in the destination country.	<p>The obligations under the COU are already subject to the relevant applicable UK law under condition 6.1(a) and the definition of ‘Legislation’. We have made this clearer in the drafting by referencing the UK.</p> <p>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.</p>	Condition to be included in amended form.
Condition 12.6 - deposits.	<p>One respondent suggested that a test of reasonableness should be added as regards the ability to satisfy financial standing and that more than 5 days should be given to provide a deposit.</p> <p>One respondent stated that “may be returned” should be changed to “will be returned”.</p>	<p>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.</p> <p>In respect of the timing for deposits, 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>	No change to this provision.
Condition 14.2 – pre-payment.	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 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 payment provisions COU or to settle debts on</p>	No change to this provision.

Proposal	Feedback	Response	Decision
		<p>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>	
Condition 14.6 – addition of new wording regarding services not paid for.	One respondent asked for clarity as to the meaning of “service” in this provision.	<p>Heathrow responded to this query during the 2019-2020 consultation. 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.</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 was previously 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>	No change to this provision.
Condition 18 – liability and insurance.	A number of respondents 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.
Condition 20.3 - disputes.	One respondent asked for the determination to be made subject to the wording ‘acting reasonably’.	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.	No change to this provision.

Proposal	Feedback	Response	Decision
Condition 22.2 - notices.	One respondent requested that it was made clear the timings mentioned were local time.	Amendment requested will be made to reflect that this refers to UK time.	Proposed changes will be made with amendment.
Condition 23 - general.	One respondent said this should be stated to be subject to Conditions 17 and 18.	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. The relevant cross references have been updated in the final version.	No change to this provision.
Schedule 6, paragraph 1.2.	One respondent stated that it was not clear what was meant by "in other cases".	<p>Paragraph 1.1 refers to cases where aircraft are being moved due to being disabled.</p> <p>Paragraph 1.2 refers to cases which do not fall within the remit of paragraph 1.1.</p>	No change to this provision.
Schedule 8 – Airline Welfare Protocol.	One respondent queried why the airline welfare protocol is referred to as a "Rule of Conduct".	<p>Heathrow responded to this query during the 2019-2020 consultation 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