

31 October 2019

Dear Colleagues

### **Decision - 2020 Airport Charges**

Thank you for your participation in the 2020 Heathrow Airport Charges Consultation process and your continued business at Heathrow. We value the input of our customers in shaping an impactful set of charges for 2020 and beyond. Our charges are just one part of the picture and I encourage you to actively engage with our Airline Business Development team to discuss how you can best take advantage of our charges, the iH7 deal and a range of other opportunities at Heathrow.

Together we have transformed Heathrow, over £12bn of investment across the last decade has created an efficient and reliable airport with award winning, world class passenger facilities. We're delighted that these investments have created an airport that our passengers now consistently rank as one of the best in the world. Our operations are more efficient, reliable and cost effective than ever before, thanks to the right investment choices and strong collaborative working with our airline customers.

We are delivering record passenger numbers through our structure of charges, with both movements and load factors in growth. Airlines recognise Heathrow as a great place to do business, with 14 new international routes so far in 2019 and strong demand for new capacity. Not only this, we are leading the way in sustainable growth, attracting the cleanest quietest fleet, making Heathrow a great place to live for our local community.

Heathrow has developed a landmark commercial deal with airlines for the iH7 period between 2020 and 2021, with rebates and incentives worth over £260m, outside of the airport charges structure.

Strong passenger growth and the associated commercial revenues contribute to our commitment of near current user charges as we enter a period of capacity growth. On 25 June 2018, Parliament voted overwhelmingly in favour of expanding Heathrow. Heathrow is currently conducting its public Airport Expansion Consultation on its preferred masterplan. Heathrow remains committed to delivering an expansion plan that is affordable, sustainable and financeable.

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

## Summary of charges and overall impact on airlines

I am delighted to publish Heathrow's decision document on 2020 airport charges and Conditions of Use. Effective from 1 January 2020 Heathrow will:

- Recover the forecast maximum allowable yield for 2020 of £23.560 per passenger;
- Introduce seasonal passenger charges to drive off-peak growth;
- Continue the growth incentive to encourage passenger growth;
- Moved from landing fee to movement fee;
- Apply the night quota period multiplier to all unscheduled movements within that period;
- Retain discounts for UK, EU and transfer passenger discounts 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, will best enable the continued delivery of 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 the UK.

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 2020.

**Appendix 4** provides a summary of airline responses to the proposed changes to the 2020 Conditions of Use and details our final decision.

Yours faithfully



Ross Baker

Chief Commercial Officer

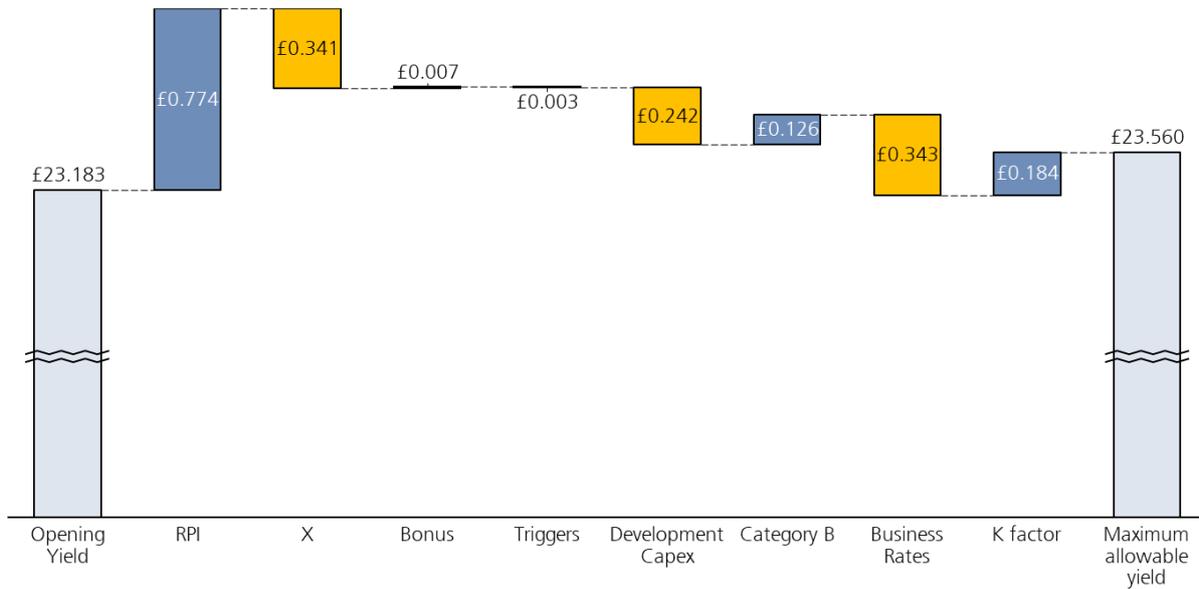
## Appendix 1

### Heathrow Airport Decision

#### Calculation of the 2020 yield

The 2020 yield of £23.560 increases by £0.674 (2.8%) compared to 2019, predominantly due to RPI and an under-recovery in 2018 driven by a greater movement towards quieter and cleaner aircraft than forecast. For more information on how the yield for 2020 has been calculated please refer to the Heathrow Airport Charges Consultation Document – 2020 at the following link:

[https://www.heathrow.com/file\\_source/Company/Static/PDF/Partnersandsuppliers/Airport-Charges%20Consultation-Document-Final.pdf](https://www.heathrow.com/file_source/Company/Static/PDF/Partnersandsuppliers/Airport-Charges%20Consultation-Document-Final.pdf)



One respondent stated that Heathrow should reconsider factoring pre-DCO Category C costs into the yield calculation. The forecast for pre-DCO Category C expenditure has been included in the development and core forecast for the 2020 maximum allowable yield calculation and this is in line with the plan for 2020 and the wider expansion masterplan. We are awaiting a policy decision from the CAA regarding the regulatory treatment of these costs. We will ensure that airport charges are aligned to this policy decision, once it has been published.

#### Passenger volumes

The 2020 Airport Charges calculation assumes a passenger volume of 81.462 million. This compares to an assumed passenger volume of 80.738 million passengers used in the 2019 charges.

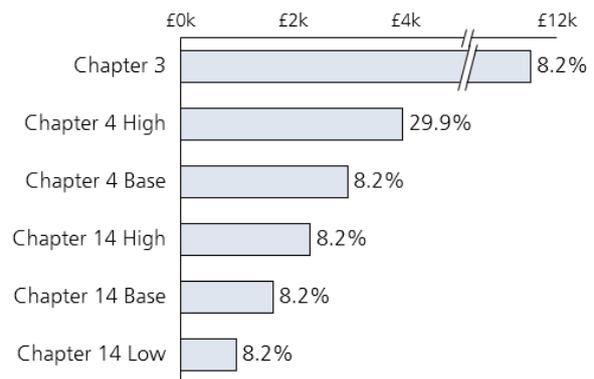
### Environmental charges

In 2020, Heathrow will charge for Noise on a per movement basis. This is a change from previous years where Noise is charged on landing. There is no change to how the noise charge is calculated except that the existing charge will be divided by two and applied to both landings and departures, at the same effective cost per turnaround. This allows for the Night Quota Period multiplier to be applied to both landings and departures within that period.

To deliver noise respite for our local communities, Heathrow is actively seeking to reduce the number of operations running late into the Night Quota Period in line with our sustainability objectives, Heathrow 2.0, the Noise Action Plan and CAA recommendations (CAP 1576). We sought feedback on the category of movements to be charged the Night Quota Period multiplier. As a result of this feedback, Heathrow will apply the Night Quota Period Multiplier to **all unscheduled movements** between 2330 and 0600 (runway).<sup>1</sup> The multiplier will be 5x the normal noise charge to maintain the same effective disincentive to arrive or depart in this period.

The current proportions of charge between movements, passenger charges and parking remain unchanged from 2019 charges. As fleet becomes quieter, the average amount paid per movement decreases. Airlines requested that we maintain the same proportion of revenue recovered from movements, and accordingly, we are increasing the price per movement.

In recognition that Chapter 3 aircraft will almost be fully phased out of Heathrow in 2020, we are placing more of the increase in movement charges onto disincentivising Chapter 4 High as these have the highest noise impact on our local community. This in turn reduces the increase to the remaining noise chapters – helping to incentivise towards quieter fleet. This is shown in the table on the right: Chapter 4 High increases by 29.9% vs 2019 charges and all other chapters increase by 8.8%.



**2020 noise charge and % change vs 2019**  
(x2 for like-for-like comparison)

### Seasonal Passenger Charge

In 2019, Heathrow introduced seasonality into the transfer passenger charge to address the period where the majority of empty seats across the year were held. This seasonality followed the IATA summer and winter seasons. Airlines fed back that this would be more impactful if it were more granular.

We therefore proposed to introduce a more defined seasonality that more closely followed the load factor trend seen across the year and introduce it across all passenger charges, to be most effective at stimulating higher loads and making more efficient use of scarce capacity at Heathrow. Many respondents fed back that it would be beneficial to simplify the seasonality into months. Therefore, for 2020, we will introduce seasonality across all passenger charges in

<sup>1</sup> This will be based on runway times.

monthly periods. There will be three levels of season, high; shoulder and low. The seasons are defined in the table below:

Season	Months
Low	Jan, Feb, Mar, May, Nov
Shoulder	Apr, Sept, Oct, Dec
High	Jun, Jul, Aug

## Passenger Discounts

In 2019 we maintained the departing passenger discount of £10.00 for European destinations to address an imbalance in the European load factor compared to non-European destination routes. The UK connectivity discount of £5.00 in addition to the EU load factor discount has been maintained to support our commitment to the National Connectivity Task Force's recommendation to support passenger benefits by encouraging domestic connectivity, giving a total discount for UK passengers of £15.00.

We are maintaining the domestic discount for flights to destinations in the UK and Crown Dependencies. Whilst the Crown Dependencies were not explicitly mentioned in the 2019 Conditions of Use as a domestic destination, we have been clear in previous consultation documents that the domestic discount was intended to include "UK Destinations (including nations and crown dependencies)". The amendment this year has been made for clarity and is not a change to charges policy. We have received feedback stating that the Republic of Ireland should be included within the definition of Domestic Destinations however we have decided not to make any such change. Heathrow is able to vary airport charges on the basis of the general and public interest, and there is a clear public interest in supporting UK connectivity. Furthermore, both the National Connectivity Task Force and UK Government have been clear in various reports and statements that destinations considered domestic for the purpose of national connectivity are the UK and Crown Dependencies only.

Since the introduction of the discounts, Heathrow has seen growth in these previously stagnant markets. EU load factor has grown each year since the introduction of discounts; 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 because of lower charges. Others requested additional supporting evidence which we provided through the consultation process.

The 2020 Airport Charges maintain the EU load factor and UK connectivity discounts to continue to support growth.

Passengers have a choice of airport that they transfer through to reach their end destination. Heathrow is committed to supporting hub connectivity and working with our airlines to grow transfer passenger volumes. However, despite Heathrow's absolute level of transfer passengers remaining consistent over the last six years, the proportion of transfer passengers to total passenger numbers has declined from 27.4% in 2012 to 24.8% for 2018. Therefore, Heathrow will continue to maintain transfer discounts in 2020. These discounts will follow the seasonality as set out in the seasonal passenger charge section above.

## **Growth Incentive**

The airport is permitted to operate up to 480,000 air transport movements per year and in 2018 its runways operated at 99% of this limit. Within this capacity constraint, a key driver for passenger growth is to increase the number of passengers on each plane. In other words, by maximising the average load factor.

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.

In 2019, Heathrow introduced its first growth incentive within the structure of airport charges. Some respondents to this consultation suggested that it was unnecessary to duplicate incentives within the Airport Charges tariff as well as the iH7 agreement, which was available to all. It is reasonable to assume that by making a number of growth incentives available to airlines, this increases the incentive to grow. Therefore, Heathrow will continue to include an allowance for the growth incentive scheme within in the structure of charges for 2020. The allowance built into the 2020 Airport Charges is £8 million which represents a capped growth incentive reward equivalent to an additional 0.8 million departing passengers.

The incentive scheme rewards airlines that grow with a £10.00 incentive rebate per incremental departing passenger in 2020 above the 2019 actual passenger volumes. In order for an airline to receive the rebate, Heathrow's total passenger numbers must also increase from 2019 to 2020. In the event that the total growth incentive reward would exceed £8 million, the reward will be paid proportionally to all qualifying Airlines. The full terms and conditions are laid out in Schedule 5 of the 2020 Conditions of Use.

## **Future Airport Charges**

Heathrow recognises the value in early and constructive engagement on the longer-term trajectory of airport charges. As part of the 2020 consultation we shared an indicative proposal for reforming movement charges in 2021. Respondents welcomed this early engagement and expressed a desire to engage with shaping the proposal.

Heathrow will engage with airlines in the coming months to begin developing the proposal together.

## **Airport Charges - Airline and airline representative body responses**

### **Calculation of Allowable Yield**

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

A: Having considered the feedback we consider that Heathrow'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 which has helped to transform the airport.

### **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 sufficient 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 and new connections feed; (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.

### **Seasonal Passenger Charge**

Q: Several airlines provided feedback on the seasonal passenger charge. Airline feedback was that:

- The proposed seasons were too granular and therefore too complex to manage;
- Airlines will not price differently as a result of seasonal charges;
- The passenger charge is not cost reflective; and
- Not all markets follow the same seasons.

A: We consider that the low season discount will attract additional passengers during a period when capacity is available, and fares are low, as laid out in the Seasonal discount section above. It is a reasonable expectation that such a discount will have a positive impact on passenger numbers. Airlines have seen load factors grow as a result of discounts introduced to the passenger charge at Heathrow. We have considered feedback regarding the periods of the seasons and have revised these periods as set out in the Seasonal Passenger Charge 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, 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.

The nature of the passenger charge is such that in the majority of cases, it flows through directly to the end ticket price paid by passengers. Therefore, if airlines do not price any differently, the changes will automatically flow through to the passenger and low season benefits will be seen.

Though there are varying seasons across markets, the published seasonality reflects the periods where there are most empty seats flying to and from Heathrow.

Q: One airline stated that the low season EU charges were funded by RoW passenger charges.

A: This is not the case, the seasonality for each market is funded solely within that individual market i.e. high season RoW passenger charges fund reductions to low season RoW charges and high season EU passenger charges fund reductions to low season EU chargers.

Q: One airline highlighted that if seasonal passenger charges are introduced, the Minimum Departure Charge also needs to be revised to reflect seasonality.

A: We have now added seasonality to the Minimum Departure Charge as shown in the Final Prices appendix.

### **Passenger Growth Incentive**

Q: Some airlines stated that the Growth Incentive should be funded outside of the regulatory cap.

A: The 2020 Airport Charges includes a rebate value of £8 million. 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. The growth incentive rewards all carriers for growth, regardless of destination, and is transparent, fair and available to all.

### **Environmental Charges**

Q: Some airlines stated that if Heathrow is increasing the number of flights that will be charged for night movements, then this revenue should be forecast into the prices calculation.

A: Having considered this feedback, we have included a £2.5m revenue forecast for night flights. This revenue has been used to reduce the standard, day-time noise charges.

Q: Though airlines were mainly supportive of reducing night operations, some stated that the new charging structure would be unfair to those airlines with slots closer to the Night Quota Period than those with operations during the day.

A: Increased focus on reducing night operations is a recommendation by the CAA, and has been signalled within the Heathrow sustainability document, Heathrow 2.0 as part of our environmental objectives. All operations in the night period have the same impact on the local community. Therefore, Heathrow will charge the multiplier to all unscheduled flights with the

night quota period. In exceptional circumstances, these may be waived (at Heathrow's sole discretion).

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.

Q: Some respondents, though not unsupportive, stated that they did not understand the rationale behind creating a per movement charge.

A: By only charging for noise on landing, no disincentive can be applied to departing movements inside the Night Quota Period. In charging per movement, Heathrow will now apply the disincentive multiplier to unscheduled landings and departures within that period in line with Heathrow's community objectives set out in Heathrow 2.0 and the CAA recommendations set out in CAP 1576, 6.13.

### **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 our core objectives (to optimise the use of scarce resources, support UK growth and promote sustainability and improvements in environmental performance), Heathrow seeks to set charges in a fair and transparent manner for 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.

## Appendix 2

### Consultation Process Summary

During summer 2019, Heathrow Airport was planning for potential industrial action. As a result of the planned industrial action, Heathrow diverted significant head office resources to contingency planning and operational support roles. This affected the timing of some business as usual processes. This resulted in Heathrow commencing the consultation on 2020 aeronautical tariffs and Conditions of Use with the publishing of the consultation document on 30 August 2019. Although this was later than Heathrow ordinarily publishes the document it remains compliant with the Airport Charges Regulations in order to effect a change to tariffs from 1 January 2020.

To bridge this delay, Heathrow published Airport Charges Principles Document on 7 August 2019 which set out the choices around the key changes to the tariffs for 2020 and some outline 'in principle' proposals for 2021.

A consultation meeting was held on 11 September. We requested that the airline community formally respond to the consultation proposal by 11 October and we received twenty-three formal responses to the proposal.

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

- Simplification of the passenger charge seasons
- Forecasting of revenue for night movements
- Applying seasonality to the minimum departure charge

We have also made changes to the 2020 Conditions of Use as a result of feedback. The summary of this is contained in Appendix 4 in this document. We are carefully considering the feedback on Condition 13 (Liability) and will be issuing a further update to the Conditions of Use in due course.

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 Airport Charges – 2020**

<b>Charges on Movement</b>	
Peak - Landings	
Chapter 3	£5,737.66
Chapter 4 High	£1,967.20
Chapter 4 Base	£1,475.40
Chapter 14 High	£1,147.53
Chapter 14 Base	£819.67
Chapter 14 Low	£491.80
Peak - Departures	
Chapter 3	£5,737.66
Chapter 4 High	£1,967.20
Chapter 4 Base	£1,475.40
Chapter 14 High	£1,147.53
Chapter 14 Base	£819.67
Chapter 14 Low	£491.80
Super Night Peak - Landings	
Chapter 3	£28,688.30
Chapter 4 High	£9,836.00
Chapter 4 Base	£7,377.00
Chapter 14 High	£5,737.65
Chapter 14 Base	£4,098.35
Chapter 14 Low	£2,459.00
Super Night Peak - Departures	
Chapter 3	£28,688.30
Chapter 4 High	£9,836.00
Chapter 4 Base	£7,377.00
Chapter 14 High	£5,737.65
Chapter 14 Base	£4,098.35
Chapter 14 Low	£2,459.00
Emissions charge	£16.84

<b>Charges on aircraft parking</b>	
Narrow bodied	£25.47
Wide bodied	£61.13

Charges on Departing Passengers	
Origin and Destination – High	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	£18.06
European charge with single discount <i>(with EU load factor discount)</i>	£23.06
Other	£55.64
Origin and Destination – Medium	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	£15.53
European charge with single discount <i>(with EU load factor discount)</i>	£19.83
Other	£47.85
Origin and Destination – Low	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	£13.00
European charge with single discount <i>(with EU load factor discount)</i>	£16.60
Other	£40.06
Transfer and Transit – High	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	£13.55
European charge with single discount <i>(with EU load factor discount)</i>	£17.30
Other	£41.73
Transfer and Transit – Medium	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	£11.65
European charge with single discount <i>(with EU load factor discount)</i>	£14.88
Other	£35.89
Transfer and Transit – Low	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	£9.76
European charge with single discount <i>(with EU load factor discount)</i>	£12.46
Other	£30.05
Remote Stand Rebate	-£4.00
Minimum charge - UK destinations - High	£938.60
Minimum charge - UK destinations - Shoulder	£807.04
Minimum charge - UK destinations - Low	£676.00
Minimum charge - Other destinations - High	£1,705.70
Minimum charge - Other destinations - Shoulder	£1,466.68
Minimum charge - Other destinations - Low	£1,228.40



#### Appendix 4

### Heathrow Conditions of Use 2020 – 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 2020. 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>			
Conditions 1.1 and 1.2	No substantive comments received.	N/A	Proposed change will be made.
Condition 3.5 and 3.6 - addition of provision stating that it is an airline responsibility to notify Heathrow of changes to configuration relevant to charges and providing additional information as to how changes will be processed, and charges amended.	A number of respondents queried why seat numbers had been referred to in this provision. One respondent commented that Heathrow should not levy a chapter 3 noise charge where there has been a failure to notify a change in configuration, for example in the number of seats.	<p>The majority of the wording in Condition 3.5 is not new, it has been moved from “old” 4.6. The intention of this provision is to set out that Heathrow will only make changes to the numbers recorded in our charging system after they have been notified, and that no refunds will be given where changes to aircraft have not been notified. It remains at all times an airline responsibility to notify Heathrow of a change, for example in the type or number of engines – which could affect noise categorisation.</p> <p>We have amended the wording of condition 3.5 to be clear that Chapter 3 charging applies where an airline has failed to notify configuration in general, and to clarify what will be done where a change to configuration has not been notified. Condition 3.6 explains what is meant by a change to configuration.</p>	Condition has been amended and will be implemented in the amended form.

Proposal	Feedback	Response	Decision
<p>Conditions 3.7, 4 and 5.6 - minor update to cross refer to the correct provision and ensure consistency. Amended to make it clear that the confidentiality provision applies to information provided by airlines to Heathrow but also to information provided by Heathrow to airlines.</p>	<p>A number of respondents queried why Condition 4 had been "widened". One respondent queried what information was provided under the COU and outside of the requirements of Schedule 1.</p>	<p>Airlines already had an obligation to keep Heathrow information confidential under condition 5.6 ("old" 4.7) in the Conditions of Use. The scope of this obligation is not changed by the amendments proposed: the provision has moved position in the document and the changes have been made to align all confidentiality provisions, and make them mutually beneficial.</p> <p>This provision covers all and any exchanges or disclosure of confidential information by Heathrow and/or individual airlines that may occur during course of an airline's operation at Heathrow. We consider that this condition functions appropriately.</p>	<p>Proposed changes will be made.</p>
<p>Condition 6.1 - Addition of references to applicable operational/legal documentation.</p>	<p>A number of respondents queried why a reference had been added to the Byelaws and ID Scheme rules, and where these are available.</p> <p>One respondent proposed that additional wording to be added to qualify the application of the Byelaws.</p>	<p>The Byelaws were made by Heathrow in exercise of the powers conferred on it by sections 63 and 64 of the Airports Act 1986 and section 37 of the Criminal Justice Act 1982, and of all other powers enabling it in that behalf ("<b>Heathrow Byelaws</b>"). The Heathrow Byelaws were enacted pursuant to the approval of Parliament, regulate the use and operation of the airport, and the conduct of all persons (natural and corporate) while within airport land.</p> <p>As the Heathrow Byelaws are a form of statutory instrument, they cannot be qualified or limited in any way by adding wording to the COU. A copy of the Heathrow Byelaws is available on Heathrow's website<sup>2</sup> and physical copies can be requested from reception at the Heathrow Head Office at Compass Centre.</p>	<p>Proposed change will be made.</p>

<sup>2</sup> [Heathrow Byelaws](#)

Proposal	Feedback	Response	Decision
		<p>The ID Scheme rules, are accepted at the point at which the scheme is joined by any airline and other organisation, and apply to the issue and use of all Heathrow Airport ID's. The ID Scheme rules are restricted to Authorised Signatories and Nominated Officer for each organisation.</p>	
<p>Condition 6.2</p>	<p>No substantive comments received.</p>	<p>N/A</p>	<p>Proposed change will be made.</p>
<p>Condition 6.3 - Addition to make clear that airlines can only operate where HAL has confirmed that there is sufficient capacity.</p>	<p>A number of respondents provided feedback on this proposal, which can be summarised as:</p> <ul style="list-style-type: none"> <li>• Airlines should not have to check with Heathrow that there is capacity before each flight arrives or leaves; it is not practicable;</li> <li>• ACL should check airport capacity (terminal and runway) before allocating slots;</li> <li>• The drafting could allow Heathrow to select flights for cancellation, which should be left to the relevant Airline;</li> <li>• This condition should only apply in exceptional circumstances where there can be a reasonable demonstration of insufficient capacity.</li> </ul> <p>A number of respondents suggested alternative wording and rules, which could apply to this provision, including wording stating that such cancellations would be exempt from the "80% rule" and would be considered exceptional circumstances for the purpose of the European Regulation on passengers compensation and assistance in</p>	<p>We welcome the respondent airlines' acknowledgement of the issue that the amendment to Condition 6.3 aims to address and the statement of intention to work constructively with Heathrow on this issue. We are grateful for airline cooperation in situations of capacity restrictions and welcome the collaborative approach that has been taken by the community, which has been particularly demonstrated this year.</p> <p>In adding this provision, there is no intention to introduce a new requirement to gain explicit consent from Heathrow before each and every flight arrives and departs, that is unnecessary and clearly would be impractical. This proposed change, however, has been included to record and make clear what is already known and agreed between us: airlines cannot operate if they do not have a slot, or if there is no capacity at the airport due to a disruptive event.</p> <p>There have at times been issues in securing full community compliance with the community agreed DvC and HADACAB procedures.</p>	<p>We have amended the drafting of this provision and will implement the amended wording.</p>

Proposal	Feedback	Response	Decision
	<p>the event of delays, cancellations or denied boarding (EU261).</p>	<p>We would always use DvC or HADACAB and work constructively with Airlines in the first instance, but the Airport will withdraw consent, if potential use of the airport could create serious safety or operational risk. We hope that the use of this provision will not become necessary, and that the community will continue to work jointly to ensure the safe operation of the airport.</p> <p>We have amended the drafting of this provision to add further clarity.</p>	
<p>Condition 7 - Update to groundhandling provisions regarding handler compliance with IATA Audits and the IGOM</p>	<p>One respondent stated that the definition of groundhandler was not sufficiently clear and that a full definition should be added.</p> <p>A number of respondents stated that matters relating to groundhandling should be dealt with in the relevant Ground Operations Licence, and not in the COU.</p> <p>One respondent queried why Heathrow was asking for IATA IOSA and ISAGO audit results.</p> <p>One respondent queried the meaning of "primary handler".</p> <p>One respondent commented that Condition 7.3 should be qualified with a reference to use of Heathrow Airport.</p> <p>One respondent queried the impact of ISAGO accreditation.</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>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</p>	<p>Proposed change will be made with amendments described.</p> <p>A definition of "Groundhandling Assistance" has been added to make clear who is captured.</p> <p>The amendment requested to refer to Heathrow Airport has been made.</p>

Proposal	Feedback	Response	Decision
		<p>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>	
<p>Condition 8 - Addition made for clarity on the role and responsibility of airlines putting forward third-parties for the Heathrow ID Scheme or Ground Operations Licence.</p>	<p>A number of respondents commented on this and objected to providing a warranty that companies which airlines put forward for the ID Scheme or for a Ground Operations Licence are reputable and that appropriate and reasonable due diligence has been performed.</p> <p>A number of respondents thought that Heathrow was attempting to shift any burden of due diligence onto Airlines.</p>	<p>As airlines will all be aware, it is in the interest of all airlines, the airport community, passengers and the public interest that we all work together to maintain the integrity, efficiency and security of the Airport.</p> <p>In doing so, we will always seek to comply with our own requirements and carry out our own due diligence on any companies being sponsored by an airline (or any other third party) to either get a Ground Operations Licence (GOL), or to gain access to membership of the ID Scheme, and this will not change. We continue to have standards which must be met before any company can be approved</p>	<p>Proposed change will be made.</p>

Proposal	Feedback	Response	Decision
		<p>for access and will always retain the sole right to deny access should there be reason to do so.</p> <p>There have been examples of parties sponsoring access to the Airport either for a GOL or for the ID Scheme (as an example: various meet &amp; assist or travel companies), and then taking no responsibility for the poor behaviour and conduct of those parties.</p> <p>It is in all of our interests that we work together to address this, and to ensure that high standards of due diligence are conducted and maintained by all parties and that only reputable companies with legitimate reasons for access are sponsored into the GOL and ID Scheme.</p>	
<p>Condition 9 - Addition of provision regarding emissions and fuel burn.</p>	<p>One respondent stated that they would like to see an amendment to allow non-RNAV 1 compliant aircraft use the airport should there be unforeseen events.</p> <p>One respondent queried whether "reasonable endeavours" included commercial considerations.</p> <p>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.</p>	<p>We welcome the various responses stating that Airlines wish to work with Heathrow to improve their performance on ground-based emissions and fuel burn.</p> <p>Heathrow does not generally allow use of the Airport by non-RNAV 1 compliant aircraft and does not wish to see multiple aircraft operating into airport which are not RNAV 1 compliant. We have however made an amendment to this provision to allow for these to use used on limited occasions where airport permission has been obtained beforehand. It should remain clear however that our policy remains that all aircraft should be RNAV 1 compliant and that only in very limited circumstances will approval be given to operate non-compliant aircraft.</p>	<p>We have amended the drafting of this provision and will implement the amended wording.</p>

Proposal	Feedback	Response	Decision
		<p>The meaning of “reasonable endeavours” is well recognised term under English law and would be interpreted by the court accordingly.</p> <p>The use of FEGP and PCA are not intended to be subject to the “all reasonable endeavours” wording, this applies to “reduce on-stand emissions”. The inclusion of the wording “which could include” makes it clear that these are suggested alternatives to running APU, rather than mandated.</p>	
Condition 10 - Amendments of definitions and for clarity to wording and obligations.	No substantive comments received.	N/A	Proposed change will be made.
Condition 11.4 - Minor amendment to wording.	No substantive comments received.	N/A	Proposed change will be made.
Condition 11.6 - Amendment to wording regarding deposits.	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.	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.	Proposed change will be made.
Condition 13.2 - Move of, and amendment to provision regarding pre-payment where there are repeated payment issues. Addition of provision regarding failure to pay.	No substantive comments received.	N/A	Proposed change will be made.
Condition 13.4 – minor amendment to wording	No substantive comments received.	N/A	Proposed change will be made.

Proposal	Feedback	Response	Decision
Condition 13.6 – addition of new wording regarding services not paid for	One respondent asked for clarity as to the meaning of “service” in this provision.	<p>Service means any service which Heathrow provides to the Airlines as part of the “Facilities and Services” under the COU, for example items such as (but not limited to): use of the airport infrastructure, WIFI, telecommunications, and utilities.</p> <p>The provision has been added so it is clear to Airlines that Heathrow is entitled to withdraw access to services which are not paid for in accordance with the payment requirements set out in the COU.</p>	Proposed change will be made.
Condition 19.4 - Addition of provision summarising options where there are failures to comply with the COU.	No substantive comments received.	N/A	Proposed change will be made.
Condition 21 - Minor amendments to wording.	No substantive comments received.	N/A	Proposed change will be made.
Condition 22 - Addition of condition regarding third parties.	<p>One respondent commented on the reference to NATS and suggested it may be more appropriate to refer to NERL.</p> <p>One respondent commented that Heathrow contracts with a variety of third parties and that it should not disclaim responsibility for those third parties. One respondent suggested that Heathrow should explicitly carve out subcontractors, employees, agents and representatives from this condition.</p>	<p>It is and remains the case that Heathrow cannot be held liable for the actions, omissions and decisions of third parties and we intend to maintain this provision with a clear statement of this fact.</p> <p>We have made an amendment to this provision to add further clarity.</p>	Proposed change will be made with amended wording.
Condition 23 - Addition and amendment to definitions and addition of generic conditions regarding interpretation.	One respondent suggested that European Destinations should include Gibraltar.	We have amended the provision to clarify that Gibraltar is a European destination. Gibraltar has historically been charged as a European destination, so this is not a change to charging.	Amended condition will be used.

Proposal	Feedback	Response	Decision
<p>Schedule 5 - Update to charges and addition of fixed rebate provisions from the iH7 commercial deal for the benefit of those airlines that did not sign up to the commercial deal pursuant to the CAA's view, as set out in its document CAP 1825, that the terms should be accessible to all airlines using the airport</p>	<p>Comments and responses on airport charges are covered in the body of this decision document.</p>		
<p>Schedule 7 - Minor update to parties named.</p>	<p>No substantive comments received.</p>	<p>N/A</p>	<p>Proposed change will be made.</p>
<p><b>OTHER ISSUES RAISED IN CONSULTATION</b></p>			
<p>Condition 1.1 and unilateral nature of COU</p>	<p>Various respondents expressed the view that a unilateral contract is not an appropriate mechanism for determining the acceptance of the COU.</p> <p>One respondent stated that they did not accept the COU by virtue of landing an aircraft at Heathrow after the date of application of the new COU.</p> <p>AOC members stated that they intend to operate at Heathrow as of 1 January 2020 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>	<p>Provision to remain as is.</p>

Proposal	Feedback	Response	Decision
Condition 2.1.e	One respondent suggested Heathrow was seeking information which may not be provided due to GDPR rules, although they did not state why the provision of the contact information requested was of specific concern.	<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 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 the provision of names, office addresses and contact details of Airline colleagues. We expect these to continue to be provided. Should any Airline have any concerns over this, we invite them to contact us directly to discuss.</p>	Provision to remain as is.
Condition 3.14.c	A number of respondents commented that there should be a provision allowing for refund of any overpayment.	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.	Provision to remain as is.
Condition 5.6	A number of respondents commented that this provision should be made mutual.	Confidentiality requirements as between Heathrow and the Airlines are included in Condition 4 so we have deleted this provision.	Provision removed.
Condition 7.5 – 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 (although it has been moved) and it has been previously consulted on, and it is our view that the condition continues to function appropriately.</p> <p>We do not wish to be prescriptive to airlines on what or how policies and procedures are implemented to facilitate the prioritisation of time-sensitive transfer passenger baggage and so do not propose to change this provision.</p>	No change to this provision.

Proposal	Feedback	Response	Decision
<p>Schedule 8 – Airline Welfare Protocol</p>	<p>One respondent queried why the airline welfare protocol is referred to as a “Rule of Conduct” .</p>	<p>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.</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 at Condition D 2.13 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>	<p>No change to this provision.</p>