

Heathrow Airport Limited

Airport Charges for 2026

Consultation Document

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Context and Executive Summary

In the first half of 2025 we welcomed a record 39.9 million passengers, underscoring Heathrow's role as the UK's Gateway to Growth. In addition to welcoming more passengers than ever before, Heathrow has consistently remained the most punctual major hub airport in Europe. Strong punctuality has complemented an enhanced customer experience; in the first half of the year, 98% of passengers waited less than five minutes for security, and circa 99% of bags travelled with their owners – demonstrating our commitment to service excellence.

The aeronautical charge at Heathrow has fallen by 19% in real terms since 2014, however it is shaped by the unique circumstances within which Heathrow operates. These include the high cost of construction in London, the specific tax regime that affects UK aviation, the choices we have made to increase our premium proposition and impact this has had on property and lounge provision, the space constrained nature of the airport, as well as the investment Heathrow has made under UK Surface Access policy in rail.

Despite this, airlines can expect unrivalled access to global connectivity in addition to the great service outlined above; Heathrow continues to be classed as the best-connected airport in the world¹. As the UK's hub airport, we connect passengers and cargo to 230 destinations through the operations of 77 airlines. The destinations we serve represent 92% of the world's GDP, in over 85 nations and regions across the globe.

We are also developing our plans for the future, which put customer needs at the heart of what we want to do. In July, we submitted two major proposals that will shape our future:

- H8 submission²: Our £10bn customer-led investment plan to make every journey better. This plan will improve service levels, boost reliability and unlock growth for airlines and the UK economy. This investment is delivered with stretching efficiency savings, meaning the airport charge remains lower than it was a decade ago in real terms.
- Expansion³ Proposal to Government: Our shovel-ready proposal to increase capacity, enhance consumer choice, boost UK economic growth, and improve operational resilience. The Airports Commission estimates that expansion could support at least 30 new daily routes by 2040, serving up to 150 million passengers on up to 756,000 flights each year.

The investment outlined in both proposals will ensure Heathrow continues to grow and deliver a necessary step-change in capacity critical for supporting our airline customers' own growth ambitions.

Growth is also a fundamental part of our aeronautical charging strategy. During this year's consultation, we are actively seeking feedback on how the future structure of our aeronautical charges can support sustainable and efficient growth at Heathrow. As we continue to grow, we remain committed to supporting our local communities and mitigating impacts on our neighbours.

Sustainability is the core focus on this year's consultation:

¹ [Megahubs 2024 | Most Connected Airports in the World | OAG](#)

² [Heathrow's H8 Business Plan: 2027-2031](#)

³ [Expanding-Heathrow-proposal-summary-31-07-25.pdf](#)

- Sustainable Aviation Fuel (SAF) - Heathrow's industry leading SAF incentive aims to actively support and accelerate SAF adoption at Heathrow and across the aviation industry. This reinforces collective efforts to reduce carbon emissions on a life cycle basis and combat climate change. The SAF landscape continues to evolve rapidly, and as we progress towards Jet Zero, SAF can be, alongside other measures, a vital enabler of future growth. Our plans for this year are designed to make our SAF Incentive Scheme future-proofed and aligned with the SAF market dynamics.
- Noise Action Plan (NAP) – Heathrow's noise action plan 2024-2028 sets out how Heathrow will manage and reduce the impact of noise, and this year's consultation contributes to delivering the actions within our noise action plan⁴.

Our approach to the aeronautical charges process for 2026 reflects the breadth of current debate and stakeholder engagement at Heathrow. To maintain focus and consistency, our goal has been to minimise any structural changes and, as always, to ensure that our aeronautical charge framework for 2026 and beyond is informed by meaningful consultation.

We would like to thank all the airlines and key stakeholders who participated in bilateral discussions, sharing their views and helping shape our approach to charging for 2026. We look forward to a constructive dialogue with the community throughout this year's consultation, ensuring we define our aeronautical charges for 2026 and continue to realise our vision of being an extraordinary airport fit for the future.

Our 2026 consultation proposals include:

- restructuring our SAF incentive to align with the recently introduced UK government mandate; and
- introducing a 50x multiplier for Chapter 3 aircraft to further discourage their operation, in line with our Noise Action Plan.

Publication of this consultation document initiates the consultation process required under the Airport Charges Regulations 2011 (ACR11). We are keen to listen to customer feedback throughout this process, and we thank those who have already expressed early views, following on from our invitation to engage as part of our pre-consultation engagement.

We will hold a consultation meeting on 2 September 2025 to present the details of our 2026 charging proposals and respond to any questions. Full details of our consultation programme are set out in section 1.4.4, below.

⁴ [Noise action plan | Heathrow](#)

1 Introduction and consultation programme

1.1 Purpose

- 1.1.1 The purpose of this document is to set out Heathrow's proposal for the level and structure of airport charges for 2026 and invite the airline community to provide their feedback.
- 1.1.2 We are proposing to set the level of airport charges for 2026 consistent with our Economic Licence (Licence), which was set by the Civil Aviation Authority (CAA) through the H7 Final Decision (FD) in March 2023⁵, and as updated through the CAA's CAP3001⁶ decision in July 2024.

1.2 Economic regulation

- 1.2.1 In December 2012, the Civil Aviation Act 2012 (Act) came into force. The Act allows the CAA to set the maximum yield per passenger that Heathrow may levy through the application of a price control condition under an economic licence. The H7 FD introduced a new version of the Licence, which came into force in September 2024⁷ (building on the previous versions of the Licence and incorporating the changes outlined in CAP3001). This includes the price control conditions for 2023 – 2026, along with other provisions such as the Outcomes Based Regulation (OBR).
- 1.2.2 Airport charges are levied on operators of aircraft in connection with the landing, parking, take-off of aircraft, or use of the facilities and services at Heathrow Airport (including charges that are to any extent determined by reference to the number of passengers on board the aircraft).
- 1.2.3 Under the terms of the Licence granted to us, the CAA incentivises us to meet service quality conditions through the MTI scheme and its rebates/bonus mechanism on key service quality metrics as well as requiring us to consult airport users on key decisions, such as airport charges, other regulated charges, and capital investment.
- 1.2.4 The Licence conditions specific to service quality require us to make payments to the airline community if we do not meet the assigned targets. The service quality measures subject to financial incentives include: cleanliness, way-finding, helpfulness / attitude of security staff, Wi-Fi performance, security queue times (for direct and transfer passengers, as well as Control Posts), availability of equipment (lifts, escalators, travelators, baggage carousels), availability of infrastructure (check-in, stands, jetties, fixed electrical ground power, stand entry guidance, pre-conditioned air, pier-served stands), track transit system,

⁵ <https://www.caa.co.uk/commercial-industry/airports/economic-regulation/h7/consultations/final-and-initial-proposals-for-h7-price-control/>

⁶ CAP3001 is the CAA's decision on a number of outstanding items which were either not resolved at the time of the H7 FD, or were remitted to the CAA following the CMA appeal of the H7 FD.

⁷ <https://www.caa.co.uk/commercial-industry/airports/economic-regulation/licensing-and-price-control/economic-licensing-of-heathrow-airport/>

hygiene safety testing and runway operational resilience. We publish the monthly scores on service quality measures and the full details of the MTI scheme on our website⁸.

1.2.5 Details of the measures can be found in sections D1 and Schedule 1 of our Licence.⁹

1.2.6 Monthly performance information is published on our website¹⁰.

1.2.7 Details of Heathrow's capital investment plan can be found on the Heathrow website¹¹, alongside a list of other regulated facilities and services¹² and a list of property accommodation¹³. In addition, the full schedule of airport charges is listed in the Conditions of Use¹⁴.

1.3 Approach to setting the 2026 airport charges

1.3.1 The most recent Licence published by the CAA has been in force since March 2023 and sets out the price control condition that determines the Maximum Allowable Yield (MAY) for each year from 2024 to 2026. For this consultation, we have calculated the airport charge based on the price control condition C1 contained in our H7 Licence (September 2024 version¹⁵). Chapter 2 of this document sets out the overall calculation of the MAY for 2026, and Chapters 3 – 12 set out the individual building block calculations.

1.4 Airport charges consultation programme

1.4.1 In response to community feedback and following successful engagement during the 2025 airport charges consultation process, we again invited interested parties to participate in bilateral discussions with Heathrow prior to the formal launch of the 2026 airport charges consultation.

1.4.2 This early bilateral engagement articulated the high-level strategic objectives that we were seeking to achieve through 2026 airport charges and sought input on how we might deliver against them. The intention was to shape the final consultation proposal through initial airline community feedback. These sessions took place throughout May and June this year, with 20 interested parties.

1.4.3 We are now formally consulting with the airline community on the level of charges for 2026 and we plan to announce our final decision by 31 October 2025, in accordance with the requirements of the ACR11. The publication of this consultation document represents the start of our formal consultation on the annual setting of airport charges.

⁸ <https://www.heathrow.com/company/about-heathrow/performance/airport-operations/quality-rebate-and-bonus-scheme>

⁹ <https://www.caa.co.uk/media/tmzmc45t/heathrow-licence-01may2023.pdf> - D1 (page 31) and Schedule 1 (pages 77 to 83)

¹⁰ See link in footnote 4.

¹¹ <https://www.heathrow.com/company/about-heathrow/economic-regulation/h7-update>

¹² www.heathrow.com/orc

¹³ www.heathrow.com/property

¹⁴ www.heathrow.com/cou

¹⁵ Heathrow Licence – September 24 version ([heathrow-licence-01sep2024-final.pdf](https://www.heathrow.com/media/tmzmc45t/heathrow-licence-01sep2024-final.pdf))

1.4.4 The airport charges consultation programme is as follows:

Table 1 - Consultation programme

Date	Milestone
22 Aug 2025	Publication of our airport charges consultation document
02 Sep 2025	Consultation meeting
26 Sep 2025	Airline written response deadline
31 Oct 2025	Publication of 2026 prices
1 Jan 2026	2026 Prices and updated Conditions of Use in force

- 1.4.5 The consultation meeting will be held on 2 September 2025, which will provide the airline community with the opportunity to comment on the pricing and Conditions of Use proposals, in addition to providing any written feedback by close of business on 26 September 2025. The consultation meeting will be open to all airlines and their representative bodies.

Date: Tuesday, 2 September 2025
 Time: 10:00 to 14:00
 Location: The Compass Centre, Nelson Road, Hounslow, TW6 2GW

Please let us know if you would like to attend the consultation meeting using the **email address provided below**.

1.5 How to respond

- 1.5.1 We invite interested parties to submit written responses to the proposals set out in this document by **close of business on 26 September 2025**. Responses should be sent to: airline.relations@heathrow.com. You should also use this email address in the event you have any questions on the consultation document, associated process or would like to arrange a bilateral session to further engage on the proposals.
- 1.5.2 Please clearly mark any information that should be treated as confidential in responses to this consultation.

2 Calculating the forecast Maximum Allowable Yield (MAY)

2.1 Price control MAY formula and proposed 2026 MAY

2.1.1 Based on the CAA's H7 Final Decision price control licence condition, the following price formula has been used for the calculation of the 2026 forecast MAY:

$$M_{2026} = Y_{2025} \times (1 + CPI_{2026} + X_{2026} + B_{2024}) + \frac{AC_{2026}}{Q_{2026}} - \frac{T_{2026}}{Q_{2026}} + \frac{TDO_{2026}}{Q_{2026}} + \frac{TRS_{2026}}{Q_{2026}} - AK_{2026} + H7_{2026} - K_{2026}$$

Where:

- a) M_{2026} is the maximum revenue yield per passenger using the Airport in Regulatory Year 2026 expressed in pounds sterling;
- b) Y_{2025} is the average revenue yield per passenger using the Airport in Regulatory Year 2025, as defined in the Licence Condition C1.6;
- c) CPI_{2026} represents expected inflation over 2026 and is defined in the Licence Condition C1.5 (c) as the percentage change between the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Years 2026 and 2025;
- d) X_{2026} represents the efficiency factor as defined in the Licence Condition C1.6 (c); and is set at 0% for 2026;
- e) B_{2024} is the bonus factor in Regulatory Year 2026, based on Heathrow's service quality performance in Regulatory Year 2024, as defined in Condition C1.9;
- f) AC_{2026} is the allowed capex adjustment in the Regulatory Year 2026, as defined in Conditions C1.10 to C1.15;
- g) Q_{2026} is the forecasted number of passengers using the Airport in the Regulatory Year 2026;
- h) T_{2026} is the capital trigger factor in the Regulatory Year 2026, as defined in Conditions C1.16 to C1.17;
- i) TDO_{2026} is the terminal drop-off charge factor in Regulatory Year 2026, as defined in Conditions C1.18 to C1.19;
- j) TRS_{2026} is the Traffic Risk Sharing adjustment factor in Regulatory Year 2026, as defined in Conditions C1.20 to C1.21.
- k) AK_{2026} is the additional correction factor for Regulatory Year 2026, as defined in Conditions C1.22;
- l) $H7_{2026}$ is the H7 Factor term for Regulatory Year 2026, as defined in C1.23; and
- m) K_{2026} is the correction factor in Regulatory Year 2026, as defined in Condition C1.24.

2.1.2 The Regulatory Year 2026 means the period of twelve months from 1 January 2026 to 31 December 2026.

- 2.1.3 The combined impact of all the elements of the formula results in a forecast 2026 MAY of £26.092 (passenger only flights). The building blocks of the formula are summarised below in sections 2.2 – 2.13 and full details for the calculation are shown in chapters 3 - 12.

2.2 Y_{2025} – average revenue yield for 2025

- 2.2.1 Y_{2025} , the Average Revenue Yield for 2025, is the starting point for the forecast 2026 MAY calculation.
- 2.2.2 Further detail on the calculation of the average revenue yield term is found in Chapter 3.

2.3 CPI_{2026} – forecast inflation for 2026

- 2.3.1 For the 2026 inflation, Heathrow is using the D7BT CPI index¹⁶ up to Q1 2025 as a starting point in the inflation calculation and applied the Bank of England's CPI forecast between Q2 2025 – Q4 2026 to calculate the CPI forecast for each quarter in 2025. This results in a 2.4% inflation expectation during 2026.
- 2.3.2 Further detail on the calculation of the inflation term is found in Chapter 4.

2.4 B_{2024} – Bonus factor for 2024 performance

- 2.4.1 The price control formula includes a bonus factor that allows the airport to recover a bonus when performance on certain service quality measures exceed the specified service standard. The bonus term in any given year is based on actual service quality performance of the period preceding the relevant year by two years, which for the 2026 airport charges is 2024. Heathrow achieved a bonus in 2024. Further detail is provided in Chapter 5.

2.5 AC_{2026} - Allowed capex adjustment factor for 2026

- 2.5.1 The allowed capex adjustment adjusts the MAY to account for the cumulative difference between the capex allowance included in the H7 settlement, as set out in the CAA's H7 Final Decision, and the forecast capex spend until the end of 2026 as of May 2025.
- 2.5.2 As of March 2025, Heathrow forecasts to transition the full amount of cumulative capex up to 31 December 2026 relative to the H7 Final Decision allowance (this excludes the 5% headroom allowance). The capex is catching up on a cumulative basis, which increases the MAY for 2026. Further detail is provided in Chapter 6.

2.6 T_{2026} - Capital trigger factor for 2026

- 2.6.1 Trigger projects are key projects that form part of Heathrow's capital investment portfolio. Triggers reduce the MAY in the cases when Heathrow has not delivered the trigger projects on time.
- 2.6.2 As of May 2025, no project falling into 2026 is forecast to not meet its trigger milestone date. Therefore, the MAY is not impacted due to the Trigger factor. Further detail about the calculation is provided in Chapter 7.

¹⁶ CPI Index – Office of National Statistics: <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt/mm23>

- 2.6.3 Any trigger payment which may arise in 2026 due to new triggered projects or any deviation in actual completion dates will be corrected through the K Factor when setting 2028 airport charges.

2.7 TDO₂₀₂₆ - Terminal drop-off charge factor for 2026

- 2.7.1 The Terminal Drop-Off Charge (TDOC) mechanism includes a risk sharing mechanism under which Heathrow bears 35% of any differences between the actual revenue and the CAA forecast for drop-off charge revenues in each year.
- 2.7.2 Heathrow forecasts to recover more in 2026 than set out in the CAA's H7 FD following an increase in the TDOC charge. Therefore, there will be a downward adjustment applied to the 2026 MAY from TDOC. Further detail about the calculation is provided in Chapter 8.
- 2.7.3 Any differences between the actual and forecast TDOC revenues which may arise in 2026 will be corrected through the K Factor when setting the 2028 airport charges.

2.8 TRS₂₀₂₆ – Traffic Risk Sharing factor for 2026

- 2.8.1 The Traffic Risk Sharing (TRS) factor is a risk-sharing element introduced by the CAA as part of the H7 Final Decision.
- 2.8.2 The TRS factor influences the MAY value for H7 starting from 2025. For each of the applicable years, the TRS factor is calculated retrospectively, comparing Heathrow's actual revenues, with Heathrow's theoretical revenues if the CAA's H7 passenger forecast had applied. The TRS applies a 50% risk sharing mechanism for passenger volume differences of up to $\pm 10\%$ of the CAA forecast, and an additional 105% risk sharing for differences of more than $\pm 10\%$ of the CAA forecast.
- 2.8.3 Heathrow's actual number of passengers was higher than the CAA forecast for the Regulatory Year 2024, by less than 10%, and the TRS factor is expected to reduce the MAY for 2026 slightly, sharing the benefits of additional revenue with the airline community.
- 2.8.4 Only part of the TRS mechanism is implemented through the Airport Charges during H7, with the majority of TRS being implemented through a RAB adjustment at the beginning of H8.
- 2.8.5 This is discussed further in Chapter 9.

2.9 **AK₂₀₂₆ - Additional correction factor for 2026**

- 2.9.1 The Additional correction Factor (AK Factor) is a formula term introduced as part of the H7 Licence to compensate for the unanticipated over-recovery against the MAY in 2020 and 2021. This is further explained in Chapter 10.

2.10 **H7₂₀₂₆ - H7 factor for 2026**

- 2.10.1 The H7 Factor in the price control formula takes account of the removal of the index-linked debt premium, adjustment in respect to the Pension Deficit Repair Contribution (PDRCs), and adjustment in respect of the Pod parking revenue.
- 2.10.2 The value of the H7 Factor for 2026 is **H7₂₀₂₆ = -0.825**.

2.11 **K₂₀₂₆ – Correction factor for 2026**

- 2.11.1 The K Factor in the formula adjusts the MAY in a Regulatory Year to account for any under- or over-recovery against the allowed revenue two years prior, together with an allowance for interest rates.
- 2.11.2 The MAY in 2026 is increased due to an under-recovery in 2024. The K Factor calculation is shown in Chapter 11.

2.12 **Q₂₀₂₆ - Passengers forecast for 2026**

- 2.12.1 The Heathrow passenger forecast for 2026 is 84.8m for the twelve months – January 2026 to December 2026. This is discussed further in Chapter 12.

2.13 **Application of the regulatory pricing formula**

- 2.13.1 Based on the regulatory pricing formula, the 2026 forecast maximum allowable yield is set out below.

$$M_{2026} = Y_{2025} \times (1 + CPI_{2026} + X_{2026} + B_{2024}) + \frac{AC_{2026}}{Q_{2026}} - \frac{T_{2026}}{Q_{2026}} + \frac{TDO_{2026}}{Q_{2026}} + \frac{TRS_{2026}}{Q_{2026}} - AK_{2026} + H7_{2026} - K_{2026}$$

Where:

Term	Value	Detailed calculation reference
Y_{2025}	£26.882	Chapter 3
CPI_{2026}	2.4%	Chapter 4
X_{2026}	0%	Chapter 2; Paragraph 2.1.1 d)
B_{2024}	0.129%	Chapter 5
AC_{2026}	£2,237 (k)	Chapter 6
T_{2026}	£0	Chapter 7
TDO_{2026}	-£1,104 (k)	Chapter 8
TRS_{2026}	- £18,157 (k)	Chapter 9
Q_{2026}	84,811 (k)	Chapter 12
AK_{2026}	£0.776	Chapter 10
$H7_{2026}$	- £0.825	Chapter 2; Paragraph 2.10
K_{2026}	-£0.333	Chapter 11

2.13.2 Using the above values, the MAY calculation becomes:

$$M_{2026} = £26.882 \times (100\% + 2.4\% + 0\% + 0.129\%) + \frac{£2,237 (k)}{84,811 (k)} - \frac{£0 (k)}{84,811 (k)} + \frac{(-£1,103 (k))}{84,811 (k)} + \frac{(-£18,157 (k))}{84,811 (k)} - £0.776 + (-£0.825) - (-£0.333)$$

2.13.3 Applying the above formula results in a 2026 forecast MAY of £26.092.

2.13.4 Heathrow proposes to set charges up to the levels that recover the full forecast MAY for 2026.

3 Average Revenue Yield factor

3.1.1 The Average Revenue Yield for 2025, Y_{2025} , is the starting point for calculating the 2026 MAY value. The Y_{2025} calculation methodology is defined in the Licence as:

$$Y_{2025} = Y_{2024} \times (1 + CPI_{2025} + X_{2025}) + S_{2025}, \text{ where:}$$

- a) Y_{2024} is the average revenue yield for 2024 and its value is $Y_{2024} = £26.036$, as calculated in line with the Licence;
- b) CPI_{2025} is the percentage change between the average value of the ONS' monthly D7BT Consumer Price Index for 2024 and 2025. This has the value $CPI_{2025} = 3.249\%$, following the methodology and values set out in Chapter 4 and Table 2;
- c) X_{2025} is the efficiency factor for 2025 and has the value of $X_{2025} = 0.00\%$, as defined in the September 2024 Licence;
- d) S_{2025} is the allowable security and/or health and safety cost per passenger in Regulatory Year 2025 and has the value 0.

3.1.2 Using the above values, Y_{2025} has the value:

$$Y_{2025} = £26.036 \times (1 + 3.249\% - 0.00\%) + 0 = £26.882$$

4 CPI factor

- 4.1.1 The price control condition requires Heathrow to use the quarterly D7BT time series produced by the Office for National Statistics (ONS), which represents actual CPI inflation. In setting the airport charges for 2026, actual inflation for this year is not yet known, with the latest actual inflation used until Q1 2025.
- 4.1.2 The CAA's Final Proposals¹⁷ provide guidance on the use of forecast inflation, requiring Heathrow to use an up-to-date and publicly available forecast.
- 4.1.3 For this consultation on MAY's calculation, Heathrow is using the 2026 CPI forecast provided in the Bank of England (BoE) May 2025 Monetary Policy Report¹⁸. This is an inflation forecast that is both a publicly available and is published quarterly, making it more up to date than other comparable forecasts (e.g. OBR forecast is published half-yearly).
- 4.1.4 Heathrow has used the actual D7BT CPI index¹⁹ up to Q1 2025 as a starting point in the inflation calculation and applied the Bank of England's CPI forecast (Mode aggregation, Market scenario) between Q2 2025 – Q4 2026 to calculate the CPI forecast for each quarter in 2025. The table below shows the calculations used to calculate forecast inflation for 2026.

Table 2 – 2025 and 2026 CPI calculations

Year / Quarter	BoE Yearly inflation (Median)	CPI Index (Quarterly)	Actual or Forecast	CPI Index - Average of last 4 quarters	Forecast CPI
2024 Q1		132.3	Actual	131.7	
2024 Q2		133.8	Actual	132.4	
2024 Q3		134.1	Actual	133.1	
2024 Q4		135.2	Actual	133.9	
2025 Q1		136.0	Actual	134.8	
2025 Q2	3.40%	138.3	Forecast	135.9	
2025 Q3	3.50%	138.8	Forecast	137.7	
2025 Q4	3.30%	139.7	Forecast	138.2	3.249%
2026 Q1	2.70%	139.7	Forecast	139.1	
2026 Q2	2.40%	141.7	Forecast	139.9	
2026 Q3	2.40%	142.1	Forecast	140.8	
2026 Q4	2.10%	142.6	Forecast	141.5	2.400%

- 4.1.5 The calculation above results in a forecast CPI of 2.400% over 2026.
- 4.1.6 By the time of the Airport Charges Decision, the ONS D7BT series of actual inflation will be updated and Heathrow plans to integrate the updated D7BT data as part of its revised MAY calculation at the time of the Airport Charges Decision.
- 4.1.7 Any difference between the forecast and outturn CPI will be corrected through the K Factor when setting the 2028 airport charges.

¹⁷ See p. 132 of the CAA H7 Final Proposals, Section 3, paragraph 12.52 (CAP2365D): [Economic regulation of Heathrow Airport Limited - H7 Final Proposals Section 3: Financial issues and implementation](#)

¹⁸ [Monetary Policy Report - May 2025 | Bank of England](#)

¹⁹ <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt/mm23>

5 Bonus factor

- 5.1.1 The price control licence condition for the MAY includes a bonus component for performance of certain service quality measures. A service quality bonus can be achieved when performance for certain measures exceeds the specified target levels. Full details of the bonus methodology can be found in Heathrow's Licence.
- 5.1.2 For the purposes of the 2026 forecast MAY, the service quality bonus can be recovered for the Regulatory Year 2024 from 1 January 2024 to 31 December 2024.
- 5.1.3 During the 2024 Regulatory Year, the Licence included different bonus measures, as follows:
 - i) Cleanliness,
 - ii) Wayfinding,
 - iii) Central Search Security Time (5 minutes),
 - iv) Transfer Search Security (10 minutes).
- 5.1.4 Heathrow has achieved the service quality bonus for 2024 at 0.129%. This is shown below in Tables 3 and included in the 2026 forecast MAY formula.

Table 3 – Heathrow Airport Bonus performance for the period January 2024 – December 2024

Cleanliness (QSM)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Terminal 2 (actual)	4.36	4.37	4.38	4.38	4.38	4.37	4.36	4.35	4.36	4.36	4.35	4.34
Terminal 3 (actual)	4.25	4.26	4.27	4.27	4.27	4.26	4.26	4.26	4.26	4.25	4.25	4.25
Terminal 4 (actual)	4.36	4.36	4.36	4.36	4.35	4.36	4.36	4.34	4.34	4.32	4.32	4.31
Terminal 5 (actual)	4.29	4.30	4.31	4.31	4.31	4.31	4.30	4.30	4.30	4.30	4.29	4.29
BNS(T2)KJ	0.0011%	0.0022%	0.0027%	0.0031%	0.0026%	0.0016%	0.0006%	0.0003%	0.0010%	0.0005%	0.0002%	- 0.0006%
BNS(T3)KJ	- 0.0099%	- 0.0093%	- 0.0080%	- 0.0080%	- 0.0082%	- 0.0087%	- 0.0086%	- 0.0090%	- 0.0093%	- 0.0098%	- 0.0100%	- 0.0095%
BNS(T4)KJ	0.0006%	0.0006%	0.0009%	0.0008%	0.0002%	0.0007%	0.0007%	- 0.0009%	0.0015%	0.0025%	0.0030%	0.0042%
BNS(T5)KJ	- 0.0059%	- 0.0051%	- 0.0044%	- 0.0041%	- 0.0042%	- 0.0044%	- 0.0046%	- 0.0046%	- 0.0047%	- 0.0053%	- 0.0059%	- 0.0057%
Calculated	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

Way finding (QSM)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Terminal 2 (actual)	4.38	4.38	4.39	4.39	4.39	4.38	4.37	4.37	4.38	4.38	4.37	4.36
Terminal 3 (actual)	4.32	4.32	4.33	4.34	4.33	4.32	4.32	4.31	4.31	4.31	4.31	4.31
Terminal 4 (actual)	4.37	4.37	4.37	4.38	4.37	4.37	4.37	4.36	4.35	4.35	4.35	4.35
Terminal 5 (actual)	4.29	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.29	4.29	4.30
BNS(T2)KJ	- 0.0022%	- 0.0018%	- 0.0014%	- 0.0010%	- 0.0013%	- 0.0017%	- 0.0026%	- 0.0027%	- 0.0021%	- 0.0024%	- 0.0026%	- 0.0035%
BNS(T3)KJ	- 0.0082%	- 0.0078%	- 0.0067%	- 0.0064%	- 0.0067%	- 0.0076%	- 0.0082%	- 0.0085%	- 0.0090%	- 0.0093%	- 0.0091%	- 0.0090%
BNS(T4)KJ	- 0.0032%	- 0.0033%	- 0.0030%	- 0.0025%	- 0.0034%	- 0.0032%	- 0.0029%	- 0.0043%	- 0.0045%	- 0.0051%	- 0.0047%	- 0.0051%
BNS(T5)KJ	- 0.0107%	- 0.0103%	- 0.0101%	- 0.0097%	- 0.0095%	- 0.0099%	- 0.0102%	- 0.0104%	- 0.0104%	- 0.0107%	- 0.0110%	- 0.0105%
Calculated	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

Central search security < 5 mins	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Terminal 2 (actual)	0.98	0.99	0.99	0.98	0.98	0.97	0.97	0.99	0.98	0.97	0.97	0.95
Terminal 3 (actual)	1.00	1.00	1.00	0.99	1.00	0.99	0.99	0.99	0.98	0.99	1.00	0.97
Terminal 4 (actual)	0.99	0.99	0.99	0.99	1.00	0.99	0.97	0.98	0.99	0.98	0.99	0.99
Terminal 5 (actual)	0.98	0.99	0.96	0.97	0.98	0.96	0.97	0.97	0.96	0.98	0.97	0.95
BNS(T2)KJ	0.0302%	0.0342%	0.0353%	0.0331%	0.0270%	- 0.0045%	- 0.0072%	0.0374%	0.0225%	0.0092%	0.0052%	- 0.0353%
BNS(T3)KJ	0.0450%	0.0450%	0.0450%	0.0450%	0.0450%	0.0450%	0.0450%	0.0405%	0.0311%	0.0362%	0.0450%	- 0.0020%
BNS(T4)KJ	0.0374%	0.0430%	0.0450%	0.0450%	0.0450%	0.0450%	0.0104%	0.0124%	0.0416%	0.0198%	0.0450%	0.0425%
BNS(T5)KJ	0.0218%	0.0414%	- 0.0191%	0.0043%	0.0135%	- 0.0248%	- 0.0068%	- 0.0027%	- 0.0317%	0.0254%	- 0.0038%	- 0.0353%
Calculated	0.0218%	0.0342%	0.0000%	0.0043%	0.0135%	0.0000%	0.0000%	0.0000%	0.0000%	0.0092%	0.0000%	0.0000%

Transfer search security < 10 mins	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Terminal 2 (actual)	0.99	0.99	0.98	0.99	0.99	1.00	1.00	0.99	1.00	1.00	0.99	0.99
Terminal 3 (actual)	0.99	1.00	0.98	1.00	0.98	0.98	0.98	0.97	0.97	0.97	0.97	0.98
Terminal 4 (actual)	1.00	1.00	1.00	1.00	0.99	0.99	1.00	1.00	1.00	1.00	0.99	1.00

Terminal 5 (actual)	0.99	0.99	0.98	0.97	0.96	0.95	0.98	0.98	0.96	0.98	0.96	0.97
BNS(T2)KJ	0.0150%	0.0147%	0.0083%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%
BNS(T3)KJ	0.0150%	0.0150%	0.0110%	0.0150%	0.0104%	0.0096%	0.0093%	0.0000%	- 0.0032%	0.0000%	0.0003%	0.0104%
BNS(T4)KJ	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%
BNS(T5)KJ	0.0150%	0.0132%	0.0051%	0.0031%	- 0.0048%	- 0.0147%	0.0095%	0.0075%	- 0.0038%	0.0098%	- 0.0094%	- 0.0035%
Bonus term =	0.0150%	0.0132%	0.0051%	0.0031%	0.0000%	0.0000%	0.0093%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

B2024 = 0.129%	0.037%	0.047%	0.005%	0.007%	0.014%	0.000%	0.009%	0.000%	0.000%	0.009%	0.000%	0.000%
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6 Allowed capital adjustment factor

- 6.1.1 H7 continues with capital investment being classified as either Development or Core. This requires Heathrow to forecast the amount of capital that will transition from Development to Core.
- 6.1.2 Core capital represents firm investment commitments where scope and cost estimates can be reasonably certain. Core capital investment is estimated at a P50 level (where the likelihood of the cost being higher than the estimate is equal to the likelihood being lower). Development capital projects have a lower definition of scope and cost estimations than Core projects (and are estimated at a P80 level).
- 6.1.3 Development and Core capital investment are subject to the Gateway process with the airline community. The Gateway process has a number of Gateway events. The first two Gateways are where the scope and cost estimates are developed. The project is transitioned to Core after Gateway 3 when the scope and cost estimates are well defined. The project is then progressed through the remaining Gateways.
- 6.1.4 This two-tier approach to capital investment is designed so that Heathrow does not earn a return on any Development capital allowance that has not been used. The mechanism to take this into effect is the allowed capex adjustment in the Maximum Allowable Yield. This requires Heathrow to make an estimate on a cumulative basis of how much Development capital allowance will be spent or transitioned to Core. This adjustment only applies to Development capital investment.
- 6.1.5 The H7 FD sets out the AC term calculation methodology. These are shown in the Table 4 below.

Table 4 – Allowed capex adjustment calculation for Regulatory Year 2026

For projects in Regulatory Year	Adjustment for revenue requirement in Regulatory Year 2026	Value
2022	$\frac{P_{2026}}{P_{2022}} \times d_{2022}$	$\frac{415.54}{340.33} \times £43,488k = £53,098k$
2023	$\frac{P_{2026}}{P_{2023}} \times d_{2023}$	$\frac{415.54}{373.32} \times -£40,359k = -£44,923k$
2024	$\frac{P_{2026}}{P_{2024}} \times d_{2024}$	$\frac{415.54}{386.70} \times £261,478k = £280,978k$
2025	$\frac{P_{2026}}{P_{2025}} \times d_{2025}$	$\frac{415.54}{402.52} \times -£239,552k = -£247,297k$
2026	$0.5 \times d_{2026}$	$0.5 \times £27,868k = £13,934k$
	Sum Rows × RWACC	$(£53,098k + (-£44,923k) + £280,978k + (-£247,297k) + 13,934k) \times 4.01\% = £2,237,712$

where:

- P_t is the average value of the Office for National Statistics monthly CHAW Retail Price Index (RPI) over Regulatory Year t ;
- d_t is the allowed capex adjustment in Regulatory Year t , further defined below; and
- RWACC is the pre-tax RPI-real weighted average cost of capital which has a value of 4.01%.

6.1.6 The allowed capex adjustment (d_t) in Regulatory Year t is further defined as an amount equal to the difference between the capex allowance included in the H7 settlement and the total capex associated with capex projects in Regulatory Year t , and is calculated as follows:

$$d_t = IC_t - AV_t \times \frac{P_t}{P_{2018}} + AddC_t \times InfAddC_t, \text{ where:}$$

- (a) IC_t is the total capex incurred by Heathrow in Regulatory Year t in accordance with the governance arrangements as of May 2025;
- (b) AV_t is the available capex allowance in Regulatory Year t in 2018 RPI-real prices; and is given by: £339.643 million (2022), £509.400 million (2023), £625.871 million (2024), 902.806 million (2025) 850.509 million (2026);
- (c) P_{2018} is the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year 2018 and is equal to 281.58; P_t has the same meaning as in the paragraph above;
- (d) $AddC_t$ is additional capex allowance for Regulatory Year t determined by the CAA through the Capex Adjustment Mechanism. It has the value zero unless otherwise directed by the CAA; and
- (e) $InfAddC_t$ is the inflation adjustment applicable to $AddC_t$ for Regulatory Year t .

6.1.7 The d_t calculation is shown in Table 5 below.

Table 5 – Calculation of the dt term

t	2022	2023	2024	2025	2026
IC_t	454,000k	635,000k	1,121,000k	1,050,000k	1,283,000k
AV_t	339,643k	509,400k	625,871k	902,086k	850,509k
P_t	340.33	373.32	386.70	402.52	415.54
P_{2018}	281.58	281.58	281.58	281.58	281.58
$AddC_t$	0	0	0	0	0
$InfAddC_t$	0	0	0	0	0
d_t	£43,488k	-£40,359k	£261,478k	-£239,552k	-£27,868k

6.1.8 Using the calculations in tables above, the cumulative adjustment for 2026 is £2,237,172, therefore increasing the MAY for 2026 by £0.026 per passenger.

7 Capital triggers factor

7.1.1 The CAA's MAY formula for H7 continues to include a trigger element for projects that commenced in Q6, which means that if a trigger project is not complete by a specified project trigger date, then the allowable yield is reduced.

7.1.2 Triggers are set for a subset of "key projects" and are set at the Gateway 3, through governance with the airline community.

7.1.3 The Licence defines the Trigger factor calculation as:

$$T_{2026} = \sum_i (TM_{i,2026} \times TF_{i,2026})$$

, where for any specific trigger i :

- a) $TF_{i,2026}$ is the number of months between the milestone month and either (i) for capex projects completed later than the milestone month, the earlier of the project completion date or the end of Regulatory Year 2026; or (ii) for capex projects completed earlier than the milestone month, the later of the project completion date or the start of Regulatory Year 2026. In either case, $TF_{i,2026}$ shall bear a maximum value of 12.
- b) $TM_{i,2026}$ is the trigger payment associated with each trigger in Regulatory Year 2026 and is defined as:

$$TM_{i,2026} = MTP_i \times \frac{P_{2026}}{P_{2018}},$$

where MTP_i represents the monthly trigger payment for each project, and P_t represents the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year t .

7.1.4 As of May 2025, no project is forecast to not meet its trigger milestone during the Regulatory Year 2026.

7.1.5 As a consequence, the Maximum Allowable Yield for 2026 will not be modified due to the T_{2026} term.

7.1.6 Any difference in Trigger payments which may arise in 2026 due to deviations in actual completion dates will be adjusted through the Correction Factor when setting 2028 airport charges.

8 Terminal Drop-Off Charge factor

8.1.1 The CAA has added a TDOC mechanism to the Licence which includes a risk sharing mechanism under which Heathrow would bear 35% of any differences between the actual revenue and the CAA forecast for drop-off charge revenues in each year. In the case of a change in legislation which prevents Heathrow from recovering the full amount of the forecast, the risk sharing mechanism allows Heathrow to recover 100% of the difference between forecast and outturn.

8.1.2 **TDO_t** is the TDOC factor that:

- i) implements risk sharing; and
- ii) provides protection to Heathrow from the risk that a change to legislation prevents it from recovering revenue from TDOC in Regulatory Year t.

8.1.3 **TDO_t** is calculated in accordance with the formula below:

If $w_t = 0$	If $w_t = 1$
$-0.65 \times (OTDO_t - FTDO_t)$	$-1.00 \times (OTDO_t - FTDO_t)$

where:

- i) $w_t = 1$ if a change to legislation comes into force in Regulatory Year t that prevents the Licensee from recovering the full amount of the Forecast, and $w_t = 0$ otherwise;
- ii) $OTDO_t$ is the outturn revenue collected by Heathrow from TDOC in Regulatory Year t. For 2026, it has the value $OTDO_{2026} = £45,490(k)$; and
- iii) $FTDO_t$ is CAA's forecast of the revenue that Heathrow is expected to collect from TDOC in Regulatory Year t and is set out in the CAA's final decision setting the price control applicable to the Licensee for H7.²⁰ For 2026, it has the value $FTDO_{2026} = £43,792 (k)$

8.1.4 At the time of consultation $w_{2026} = 0$, since new legislation has not come into force.

8.1.5 For the regulatory year 2026, Heathrow expects to recover more TDOC revenue than set out in the CAA H7 Final Decision, as follows:

$$TDO_{2026} = -0.65 \times (OTDO_t - FTDO_t)$$

$$TDO_{2026} = -0.65 \times (£45,490(k) - £43,792(k))$$

$$TDO_{2026} = -£1,104(k),$$

8.1.6 Based on the above calculation, the **TDO₂₀₂₆** term reduces the Maximum Allowable Yield for 2026 by £0.013.

9 Traffic Risk Sharing factor

- 9.1.1 In accordance with the Licence definition, TRS_{2026} is the Traffic Risk Sharing adjustment in Regulatory Year 2026, which adjusts the maximum revenue yield per passenger in Regulatory Year 2026 to take account of the number of passengers using the airport in previous Regulatory Years being either higher or lower than the number forecast by the CAA and set out in the Table C.8 in Condition C1.21 of the Heathrow Licence.
- 9.1.2 The Licence defines the TRS calculation for 2026 as shown in table 6 below, where:
- (a) ARS_{2026} is the annual risk share with respect to traffic outturns in Regulatory Year 2026, as defined in the Licence Condition C1.21;
 - (b) P_t bears the same meaning as in the Licence Condition C1.10(a), with $P_{2026} = 415.54$ and $P_{2024} = 386.70$; and
 - (c) $RWACC$ bears the same meaning as in the Licence Condition C1.10(c), with $RWACC = 4.01\%$.

Table 6 - Traffic Risk Sharing adjustment calculation

Adjustment for outturn in:	Regulatory Year 2026
à Regulatory Year 2023	$\frac{ARS_{2023}}{10} \times \frac{P_{2026}}{P_{2023}} \times (1 + RWACC)^3$
à Regulatory Year 2024	$\frac{ARS_{2024}}{10} \times \frac{P_{2026}}{P_{2024}} \times (1 + RWACC)^2$
TRS_{2026}	Sum Rows

- 9.1.3 ARS_t is the annual risk share with respect to traffic outturns in Regulatory Year t, which is calculated in accordance with the formula below:

$$ARS_t = \sum_{i=1}^{i=4} RS_{i,t}$$

- 9.1.4 RS_{it} represents four scenarios of Actual vs Forecast traffic, considering the possible under- or over-performance, as well as the magnitude of this difference (below or above 10%). RS_{it} is calculated in accordance with the table 7 below, where:

- (a) OAR_t is the outturn allowed revenue in Regulatory Year t calculated in accordance with the formula:

$$OAR_t = MY_t \times Q_t, \text{ where}$$

$MY_{2023} = £31.570$, and $Q_{2023} = 79,218 (k)$ representing the actual number of passengers during the Regulatory Year 2023.

$MY_{2024} = £26.051$, and $Q_{2024} = 83,913 (k)$ representing the actual number of passengers during the Regulatory Year 2024.

- (b) FAR_t is the forecast allowed revenue in Regulatory Year t calculated in accordance with the formula below:

$$FAR_t = MY_t \times Q_t^f, \text{ where:}$$

MY_t has the same meaning as above and $Q_{2023}^f = 73,008 (k)$ and $Q_{2024}^f = 78,891 (k)$

Table 7 - Annual Risk Share calculation

	If	Then	Otherwise
$RS_{1,t}$	$OAR_t < 0.9 \times FAR_t$	$(0.9 \times FAR_t - OAR_t) \times 1.05$	0
$RS_{2,t}$	$OAR_t < FAR_t$	$\{FAR_t - \max[(0.9 \times FAR_t), OAR_t]\} \times 0.5$	0
$RS_{3,t}$	$OAR_t > FAR_t$	$\{FAR_t - \min[(1.1 \times FAR_t), OAR_t]\} \times 0.5$	0
$RS_{4,t}$	$OAR_t > 1.1 \times FAR_t$	$(1.1 \times FAR_t - OAR_t) \times 1.05$	0

- 9.1.5 Using the above values for $RS_{i,t}$, and given that the actual number of passengers is less than 10% higher than the forecast, all $RS_{i,t}$ terms have the value zero, with the exception of $RS_{3,2023}$, which has the value of $-\text{£}98,004 (k)$ and $RS_{3,2024}$, which has the value of $-\text{£}50,607 (k)$. Therefore, ARS_{2023} also has the same value, $ARS_{2023} = -\text{£}98,004 (k)$ and $ARS_{2024} = -\text{£}50,607 (k)$.

- 9.1.6 The value for TRS_{2026} is therefore calculated through the following formulae:

$$TRS_{2026} = \frac{ARS_{2023}}{10} \times \frac{P_{2026}}{P_{2023}} \times (1 + RWACC)^3 + \frac{ARS_{2024}}{10} \times \frac{P_{2026}}{P_{2024}} \times (1 + RWACC)^2$$

$$TRS_{2026} = \frac{-\text{£}98,004(k)}{10} \times \frac{415.5}{373.3} \times (1 + 0.0401)^3 + \frac{-\text{£}50,607(k)}{10} \times \frac{415.5}{386.7} \times (1 + 0.0401)^2$$

$$TRS_{2026} = -\text{£}18,157 (k)$$

- 9.1.7 The Maximum Allowable Yield for 2026 will be decreased by **£0.214** due to the TRS_{2026} term.

10 Additional correction factor

10.1.1 The CAA included an additional correction factor AK_t as part of the H7 Licence.

10.1.2 AK_t is calculated as follows:

$$AK_{2026} = \frac{0.5}{Q_{2026}} \times \left[OR_{2020} \times \frac{P_{2026}}{P_{2020}} \times (1 + RWACC)^{2026-2020} + OR_{2021} \times \frac{P_{2026}}{P_{2021}} \times (1 + RWACC)^{2026-2021} \right]$$

where:

- Q_{2026} is the number of passengers using the Airport in the Regulatory Year 2026 and has the value $Q_{2026} = 84,811,001$;
- OR_t is the over-recovered airport charges revenue and has the following values:
 - OR_{2020} is equal to £29 million in 2020 RPI-real prices; and
 - OR_{2021} is equal to £48 million in 2021 RPI-real prices
- P_t is the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year t . For the purposes of this consultation, the values of P_t are:
 $P_{2026} = 415.54$, $P_{2021} = 305.00$, and $P_{2020} = 293.14$;
- $RWACC$ bears the same meaning as in the Licence Condition C1.10(c) and has the value $RWACC = 4.01\%$.

10.1.3 The value of the 2026 AK factor is set out below.

$$AK_{2026} = \frac{0.5}{84.8m} \times \left[29m \times \frac{415.54}{293.14} \times (1 + 4.01\%)^6 + 48m \times \frac{415.54}{305.00} \times (1 + 4.01\%)^5 \right] = £0.776$$

11 Correction Factor

11.1.1 The K Factor sets out the level of over recovery or under recovery on a per passenger basis. The over recovery is when Heathrow exceeds the maximum allowable yield on a per passenger basis. The under recovery is when Heathrow does not achieve the maximum allowable yield on a per passenger basis. This over/under recovery generally reflects a change in mix of actual passengers and movements compared to the forecasts used to set the airport charges for that relevant year.

11.1.2 The K Factor formula has a component to calculate the actual allowable yield in the Regulatory Year t-2. The K Factor formula is shown below:

$$K_{2026} = \frac{1}{Q_{2026}} \times (R_{2024} - Q_{2024} \times M_{2024}) \times \left(1 + \frac{I_{2024}}{100}\right)^2, \text{ where:}$$

where:

- (a) R_{2024} is the total revenue from airport charges in respect of relevant air transport services levied at the Airport in Regulatory Year 2024 expressed in pounds sterling;
- (b) Q_{2024} is the number of passengers using the Airport in Regulatory Year 2024;
- (c) M_{2024} is the maximum revenue yield per passenger using the Airport in Regulatory Year 2024 expressed in pounds sterling.
- (d) I_{2024} is the appropriate interest rate for Regulatory Year 2024, which is equal to:
 - (i) the specified rate plus 3% where K_{2026} is positive; or
 - (ii) the specified rate where K_{2026} is negative.

11.1.3 The calculation for I_{2024} is specified in the Final Decision as the average of the three-month Treasury Bill Discount Rate published by the UK Debt Management Office during the 12 months from the beginning of May in Regulatory Year 2024 to the end of April in Regulatory Year 2025. This is shown in the table 8 below.²¹

Table 8 – Treasury Bill Discount Rates

Tender Date	Average Yield (%)
07-May-2024	5.211046%
13-May-2024	5.199030%
20-May-2024	5.196180%
28-May-2024	5.195434%
03-Jun-2024	5.203122%
10-Jun-2024	5.199300%
17-Jun-2024	5.228351%
24-Jun-2024	5.215969%
01-Jul-2024	5.225100%
08-Jul-2024	5.202532%

²¹ Data originates from the UK Debt Management Office's Treasury Bill Tender results between 1st May 2024 and 30th April 2025: ([Treasury Bill Tender Results - Time series Report](#))

15-Jul-2024	5.189014%
22-Jul-2024	5.191679%
29-Jul-2024	5.164771%
05-Aug-2024	5.012993%
12-Aug-2024	5.006914%
19-Aug-2024	5.001076%
27-Aug-2024	4.967066%
02-Sep-2024	4.994358%
09-Sep-2024	4.981813%
16-Sep-2024	4.957376%
23-Sep-2024	4.947384%
30-Sep-2024	4.929443%
07-Oct-2024	4.913484%
14-Oct-2024	4.852758%
21-Oct-2024	4.809603%
28-Oct-2024	4.773370%
04-Nov-2024	4.746813%
11-Nov-2024	4.711775%
18-Nov-2024	4.730661%
25-Nov-2024	4.728880%
02-Dec-2024	4.764660%
09-Dec-2024	4.729793%
16-Dec-2024	4.706987%
23-Dec-2024	4.699981%
06-Jan-2025	4.695595%
13-Jan-2025	4.660241%
20-Jan-2025	4.642652%
27-Jan-2025	4.591902%
03-Feb-2025	4.500144%
10-Feb-2025	4.419287%
17-Feb-2025	4.403357%
24-Feb-2025	4.385330%
03-Mar-2025	4.353470%
10-Mar-2025	4.335756%
17-Mar-2025	4.351168%
24-Mar-2025	4.397672%
31-Mar-2025	4.349005%
07-Apr-2025	4.378201%
14-Apr-2025	4.334088%
22-Apr-2025	4.285967%
28-Apr-2025	4.220310%
Average Yield	4.80%

11.1.4 The following components support the calculation of K_{2026} :Table 9 – K_{2026} calculation

Term	Value
Q_{2026}	84.811m
R_{2024}	£2,208m
Q_{2024}	83.918m
M_{2024}	£26.62
I_{2024}	4.80
K_{2026}	$\frac{1}{84.811m} \times (£2,208m - 83.913m \times £26.62) \times \left(1 + \frac{4.80}{100}\right)^2 = -£0.333$

12 Passenger Demand Outlook for 2026

- 12.1.1 The passenger demand outlook for 2026 has been generated using a bottom-up Heathrow-specific capacity supply approach that considers key metrics that influence passenger volumes such as levels of flying (number of flights), aircraft capacity (number of seats), seat factors and transfer share.
- 12.1.2 The approach takes into account the 480,000 limit on Heathrow ATMs, the current slot utilisation rules, the historic flight schedule, flights on sale, future fleet (including densification, upgaging and reconfigurations) and airline growth aspirations, ultimately focusing on the growth potential through passengers per flight.
- 12.1.3 The forecasts are generated based on the best information available at the time.
- 12.1.4 Passenger growth is expected to grow predominantly through increasing seat capacity which is achieved through aircraft upgaging and slots moving from short-haul to long-haul.
- 12.1.5 In 2026, seats per movement are forecast to grow as per the latest fleet plans and aircraft delivery timetables, and seat factors are expected to at least maintain, thus balancing the improving economic outlook against increasing seat capacity. Movements are expected to be suppressed whilst supply-chain issues continue alongside significant maintenance commitments.
- 12.1.6 In terms of connecting passengers, the transfer share is expected to continue to decline in line with pre-covid-19 trends with the share for 2026 forecast to be lower than 2025 at 20.7%. The decline in connecting traffic is largely driven by the capacity constraints at Heathrow, with strong leisure and VFR point-to-point demand utilising most of the available capacity.
- 12.1.7 The current outlook for 2026 is 84.8 million passengers.

13 Proposals for changes to the charging structure

13.1 Introduction

13.1.1 Heathrow's 2026 proposals are guided by our overarching strategic priorities: growth, sustainability, and encouraging the efficient use of airport infrastructure. This year, our primary focus is on sustainability-led initiatives. Below, we set out the proposals we are bringing forward for consultation.

Table 10 - 2026 aeronautical charging table of proposals

Strategic Objective	Proposed Changes
Sustainability	a. In line with the Noise Action Plan 2024-2028 (NAP) Heathrow proposes to increase the multiplier for Chapter 3 aircraft movements from 10x to 50x. b. Following the introduction of the UK SAF mandate, Heathrow proposes to align the 2026 SAF Incentive Scheme by incentivising up to a 3% mix of voluntary contributions over and above the UK government mandate.

13.1.2 In addition to our proposals outlined above, during early engagement airlines raised areas they would like us to consider for the 2026 consultation. Whilst we have reflected on the areas identified, we are not putting forward proposed changes, however we welcome any additional evidence for change and feedback submitted as part of the formal consultation process. All such input will be carefully considered as part of finalisation of 2026 charges and may inform further changes. Details of the specific subjects we are looking for further feedback on are outlined in sections 13.5 – 13.8.

13.2 Sustainability – Overview of noise chapters

13.2.1 Heathrow does not propose any changes to the structure of our noise charges in 2026, in that the number of bands and their noise span will remain unchanged. Heathrow continues to experience an improving trend towards quieter aircraft, as shown in Table 11 below.

Table 11 - Noise performance per chapter 2016-2025²²

	EPNdB Banding	2018	2019	2020	2021	2022	2023	2024	2025 H1
Maximum	<10	0.08%	0.11%	0.10%	0.04%	0.06%	0.01%	0.01%	0.01%
Ultra-High	<14	8.75%	8.85%	6.61%	4.63%	3.68%	1.38%	1.18%	0.85%
Super High	<17	28.55%	25.68%	22.44%	17.50%	17.20%	16.34%	13.17%	12.36%
High	<20	7.61%	8.40%	8.58%	10.32%	7.49%	7.14%	6.23%	5.73%
Base	<23	33.96%	30.43%	25.21%	23.36%	28.71%	28.63%	29.67%	27.56%
Low	<26	21.05%	26.53%	37.05%	44.16%	5.50%	5.87%	5.14%	4.60%
Super Low	<29					37.36%	17.00%	19.37%	21.17%
Ultra Low	29 & >						23.63%	25.24%	27.73%

13.3 Sustainability – Chapter 3 Noise Multiplier Increase

13.3.1 **Proposal** - In line with the NAP, Heathrow is proposing an increase in the noise charge differential for Chapter 3 aircraft. This measure is designed to accelerate the transition to quieter fleets and support our commitment to our local community to reduce the number of people highly annoyed, or sleep disturbed by aircraft noise by 2030, compared to 2019.

13.3.2 Heathrow's noise footprint has significantly reduced over the past two decades. Between 2006 and 2023, the area within the 55 dB Lden contour shrank by 41%, from 244.7 km² to 144.5km².

13.3.3 Chapter 3 aircraft, while once standard, are now among the noisiest in operation. Their continued use is inconsistent with Heathrow's ambition to be a better neighbour and global leader in noise management. Local communities have consistently called for the rapid phase-out of Chapter 3 aircraft (as per NAP action 1B), urging stronger financial incentives to accelerate their removal from operations.

Figure 1- Noise Action Plan, Action 1B, Chapter 3 consideration

1B	Phase out	We will work with the FFF to determine dates that the airport could expect to be fully Chapter 14 compliant, to inform and update our targets. Beginning in 2025, we will adjust the differential on charges for Chapter 3 significantly to further incentivise the removal of these aircraft. If required, from summer 2026, we will seek to ban Chapter 3 aircraft movement (see Action 8B). We will publish the distribution mix of our fleet annually.	2025	% of Chapter 3, 4 and 14 aircraft	To increase the % of Chapter 14 aircraft year on year throughout the plan	Communities within and beyond the 55 dB Lden and 50 dB Lnight
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In 2015, Chapter 3 aircraft accounted for 1% of total movements. By 2024, following the introduction of a 10x noise charge multiplier relative base rate, this had dropped to less than 0.1%. Despite this progress, a small number of Chapter 3 aircraft continue to operate at Heathrow Airport, and as such the current financial disincentive hasn't been effective in reducing such movements to zero as is our stated target.

²² Heathrow system data

The table below illustrates the declining presence of Chapter 3 aircraft in Heathrow's fleet mix.

Table 12 – Percentage of Chapter 3 Movements 2006 – 2025 H1

Year	% of Total Movements (Chapter 3)
2006	99.18%
2007	99.20%
2008	99.51%
2009	41.81%
2010	11.02%
2011	4.99%
2012	3.05%
2013	2.14%
2014	1.00%
2015	1.00%
2016	0.56%
2017	0.09%
2018	0.08%
2019	0.11%
2020	0.10%
2021	0.04%
2022	0.06%
2023	0.01%
2024	0.01%
2025 H1	0.01%

To further incentivise their reduction, Heathrow proposes increasing the noise charge multiplier from 10 times to 50 times the rate applied to Base chapter aircraft, effective from 2026.

Table 13 - Pricing Proposal by Chapter and Ratio

Chapter	Current Ratio	2025 Price	Proposed Ratio	Proposed 2026 Price
Maximum	10.0	14,114	50	75,807.5
Ultra-High	5.0	7,057	No changes proposed to multipliers	
Super High	2.5	3,528		
High	1.5	2,117		
Base	1.0	1,411		
Low	0.70	988		
Super Low	0.55	776		
Ultra Low	0.50	706		

13.4 Sustainability – Sustainable Aviation Fuel (SAF) incentive

13.4.1 **Proposal** - Heathrow proposes that the 2026 SAF incentive will maintain the current 3% target but will focus exclusively on voluntary SAF purchases over and above the UK Government mandate²³. Heathrow proposes to retain the SAF Premium at £920 with a 50% contribution.

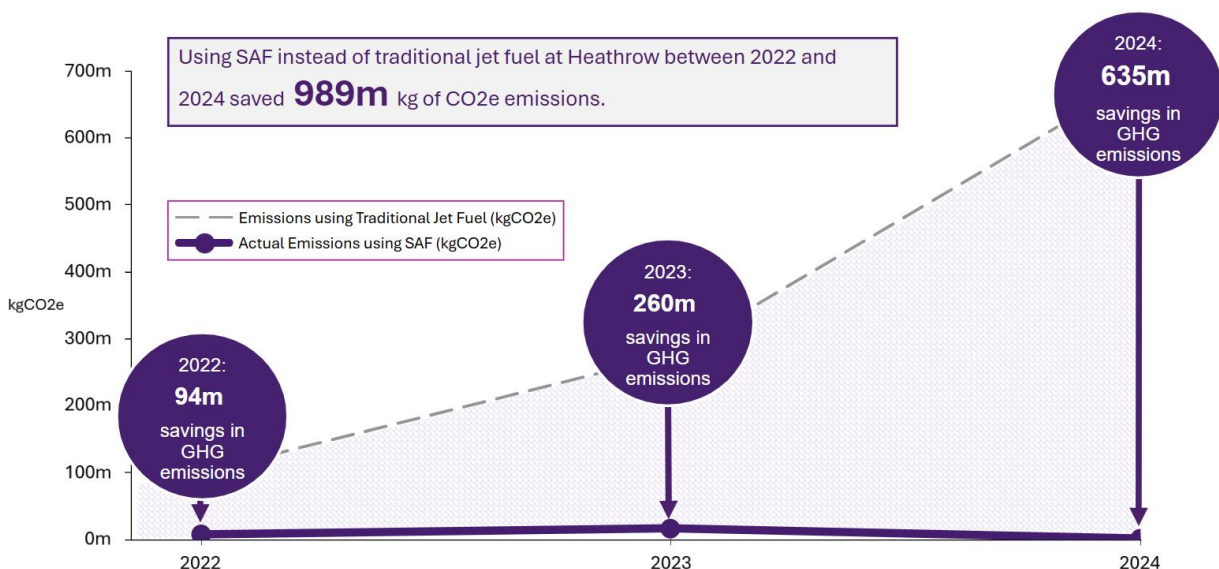
13.4.2 Following consideration of the new UK Government mandate, airline community feedback, and the increased supply of SAF in key supplier markets, Heathrow set the 2025 SAF incentive target at 3% (equating to an incentive pot value of £85.8m), supporting the achievement of the UK mandate, in line with Heathrow's 2030 ambition to have a SAF mix of 11% (which is 1% ahead of the UK Government target).

Table 14 - SAF incentive evolution

	2022	2023	2024	2025
SAF Mix	0.5%	1.5%	2.5%	3%
Incentive pot	£10m	£37m	£71m	£85.8m
SAF Premium	£920	£920	£920	£920
Contribution	50%	50%	50%	50%

13.4.3 Between 2022-2025, Heathrow's SAF Incentive Scheme has been fully subscribed, with positive feedback from airlines and wider industry. The scheme continues to demonstrate its effectiveness in encouraging SAF adoption among airlines. The graph below highlights the emissions savings achieved through SAF usage at Heathrow between 2022 and 2024, compared to conventional jet fuel.

Figure 2 – SAF usage carbon savings 2022 – 2024 ²⁴

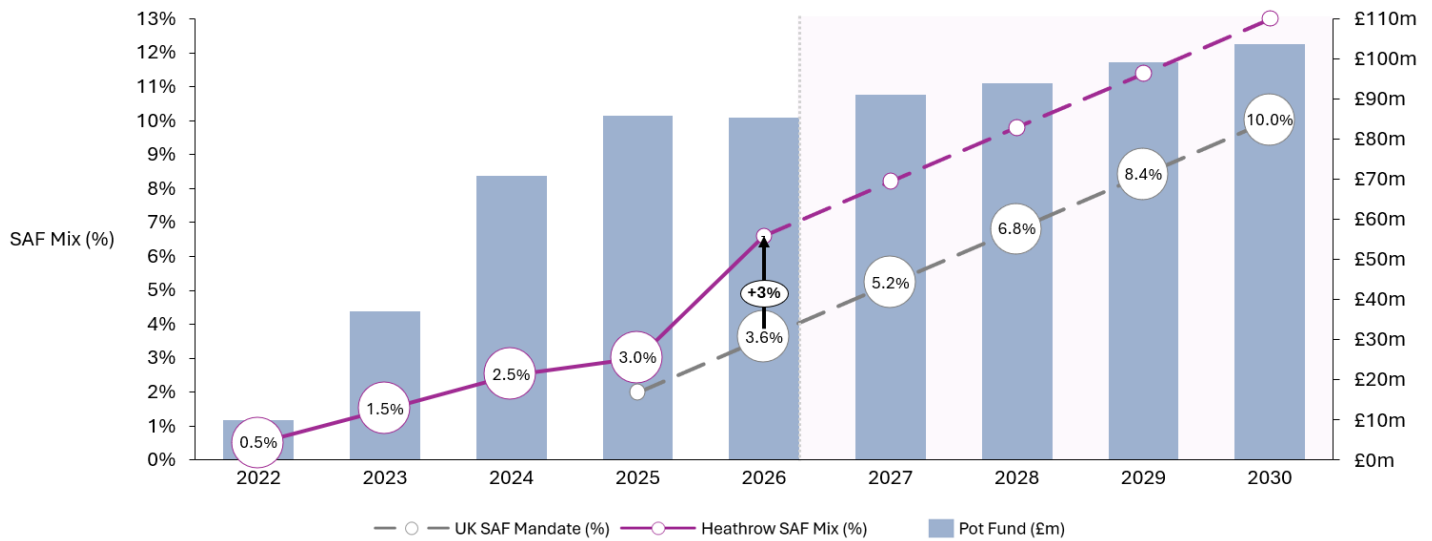


²³ [Sustainable Aviation Fuel \(SAF\) Mandate - GOV.UK](https://www.gov.uk/government/policies/sustainable-aviation-fuel)

²⁴ [Source: Heathrow Sustainability Report 2024](#)

- 13.4.4 Previously, the SAF Incentive pot was recovered via an increase to the NOx emissions charge. In 2025, following airline community feedback, we decided to recover the SAF incentive pot as part of the Departing Passenger Charge. This change recognised the interplay between NOx emissions and decarbonisation in engines, and the relative impact on tariffs.
- 13.4.5 In October 2024, Heathrow wrote to the airline community to begin engagement on the SAF incentive framework for 2026 to 2030. This followed feedback from previous airport charges consultations, where airlines expressed a desire for a longer-term approach to SAF incentives. Our aim in doing so was to get to a point where we could provide airlines with greater certainty to support the transition to more advanced forms of SAF. Airline feedback has informed this consultation and the proposed approach from 2026-2030. Although the engagement focused on setting a five-year framework, Heathrow will continue to consult on the SAF incentive annually to comply with consultation obligations and ensure it remains aligned with airline needs and evolving policy and market circumstances.
- 13.4.6 The engagement invited views on several key areas, including whether the incentive should apply to SAF volumes above the mandate, within it, or both, how to manage administrative processes, the appropriate level of financial support, how to benchmark the SAF Premium and whether to include second and third generation SAF with differentiated incentives.
- 13.4.7 By the close of the engagement period on 29 November 2024, several clear themes had emerged. Most respondents supported focusing the incentive on SAF volumes above the UK Government mandate, rather than including mandated volumes. During bilateral meetings, some airlines expressed concerns about the increased cost of SAF in the UK and Europe since the introduction of the UK Government mandate. There was also strong support for standardising documentation related to compliance with the scheme through a standard template, which would simplify the administrative burden for both airlines and fuel suppliers. Most airlines favoured maintaining the incentive at 50% of the SAF Premium, though views varied on whether the pot size should remain fixed or scale with SAF volumes, overall, feedback favoured keeping the pot a similar size as it currently is. There was consensus that a fixed SAF Premium for the 2026–2030 period would improve ‘bankability’ and planning. Finally, there was unanimous support for including advanced SAF, with interest in using multipliers to reflect their greater environmental benefits.
- 13.4.8 In response to this feedback, Heathrow proposes that the 2026 SAF incentive will maintain the current 3% target but will focus exclusively on voluntary SAF purchases above the UK Government mandate. In future years, Heathrow intends to propose incorporating 2nd and 3rd generation SAF within the scheme, in line with the HEFA cap and PtL sub-mandate. This approach would align with UK Government policy, support the uptake of new generation SAF and ensure the scheme remains financially sustainable. This will be subject to annual consultation through our Aeronautical consultation process.

Figure 3 – 2026-2030 SAF incentive potential trajectory, including the UK SAF Mandate



13.4.9 Heathrow will publish an updated Guidance Document for the 2026 SAF Incentive Scheme by or on 3 November 2025. As the UK Government mandate applies to fuel suppliers, not airlines, the Guidance Document will outline a practical mechanism to help airlines understand how their SAF usage will be treated by the SAF Incentive Scheme. It will also set out the criteria for SAF Incentive Scheme eligibility at Heathrow, explain how the SAF Incentive Scheme operates and provide a timeline for the 2026 SAF Incentive Scheme process. We welcome any airline community suggestions on this, particularly regarding proof of deliveries (e.g., Product Transfer Documents) and sustainability (e.g., Proof of Sustainability – PoS and Proof of Compliance – PoC) for the Incentive.

- 13.4.10 Heathrow proposes, based on a review of updated EU market data showing the traded price of SAF remaining generally stable over the past 12 months to retain the SAF Premium at £920 with a 50% contribution. We welcome airline feedback and evidence on this approach, especially considering the end of the RTFO credit since the UK SAF mandate came into force in January 2025 and the recent SAF market circumstances in the UK.
- 13.4.11 The Incentive pot will also continue to be apportioned between passenger airlines using Revenue Passenger Kilometres (RPK) and cargo airlines using Freight Tonnes Kilometres (FTK), both using 12 months of operational data. These are universal measures which allow us to apportion the incentive pot fairly. It also benefits carriers with fuller aircraft, which is in line with Heathrow's sustainability and efficiency objectives.
- 13.4.12 For 2026, Cargo ATMs will continue to have a separate incentive pot for cargo operations. Recognising that there are no passengers on cargo ATMs, the cargo incentive pot will continue to be recovered via the cargo Minimum Departure Charge.
- 13.4.13 We welcome airline community views on any aspects of our proposed approach and whether the scheme aligns with airline sustainability strategies. All feedback is welcomed to help ensure the scheme remains effective, practical, and supports long-term SAF adoption.

13.5 Structure of recovering the Maximum Allowable Yield (MAY)

- 13.5.1 We do not propose any changes to the proportions in which we recover the MAY as outlined within table 15 below. We however welcome feedback and evidence on the current ratios of passenger, movement and parking charges, specifically any evidence of the impact this has on our airline customers' business. We will take all feedback into account when reviewing consultation responses and coming to our final charge's decision for 2026.

Table 15 - MAY recovery structure

Charge	2025 proportion	2026 proportion
Passenger	58%	58%
Movement	37%	37%
Parking	5%	5%

13.6 Passenger charges – domestic and common travel area

- 13.6.1 The UK Government has consistently maintained a policy of enhancing domestic connectivity and introduced a new domestic band of Air Passenger Duty in 2023²⁵, effectively cutting the levy by 50%, which helps to support greater connectivity within the UK. Supporting domestic connectivity is in the public and general interest and the Government has stated its expectation that Heathrow plays its part. Ministers have been clear that they will hold Heathrow *"to account on how it has worked constructively with airlines and regional airports to protect and strengthen the domestic connections"*²⁶.
- 13.6.2 In 2017, Heathrow introduced a departing passenger charge reduction of £5.00 to the existing European Destination passenger charge for passengers travelling to UK destinations (including the nations and Crown Dependencies). This UK connectivity discount was introduced in direct response to the National Connectivity Task Force (NCTF) report which identified the need to make routes to regional airports more attractive. It was subsequently increased to £7.50 in 2022.
- 13.6.3 In 2021, a new category of passenger charge was introduced for those destinations defined as the Common Travel Area (CTA) Destinations, being the Crown Dependencies (the Bailiwick of Jersey, Bailiwick of Guernsey and the Isle of Man) and Ireland. Since that time, the UK connectivity discount has applied to passengers travelling to Domestic or CTA Destinations. Recognising variations in the customs arrangements for these passengers and associated infrastructure requirements, a £0.25 differential was included in the charges for CTA passengers.
- 13.6.4 Alongside Passenger charge discounts, to further stimulate UK domestic connectivity and cognisant of the investment needed to establish new routes, in 2023, we introduced a noise discount for aircraft that operate on a new scheduled domestic route. In 2024, we extended the duration of the discount to 4 years with a 50% discount lasting for years 1 and 2 of operations and 25% for years 3 and 4 of operations.

²⁵ Air Passenger Duty: banding reforms from April 2023 - GOV.UK (www.gov.uk)

²⁶ Airports National Policy Statement - Hansard - UK Parliament - <https://hansard.parliament.uk/Commons/2018-06-07/debates/9BBC42DB-DBD6-4B94-A022-9A32AD45B823/AirportsNationalPolicyStatement>

Table 16 outlines the number of domestic routes since 2016 demonstrating that Heathrow's efforts to promote domestic connectivity are working but that maintaining a focus on domestic connectivity remains essential.

Table 16 - Domestic connections 2016 - 2025

Period	Total Number of Domestic Routes (Excl. Channel Islands)
2016	8
2017	8
2018	8
2019	9
2020	10
2021	9
2022	10
2023	12
2024	11
2025	11

- 13.6.5 Heathrow does not propose changes to Domestic and CTA connectivity discount levels for 2026; however, we will consider all feedback and evidence when making our final decision.

13.7 Passenger charges – Remote Stand Rebate

We have, over recent years, increased the Remote Stand Rebate (RSR) to reflect the increasing cost to airlines of remote stand operations at Heathrow.

Table 17 – Remote Stand Rebate 2023 - 2025

Year	RSR per Passenger
2023	£4.00
2024	£4.90
2025	£5.40

For 2026, Heathrow's proposal is to keep the RSR at £5.40, however, we welcome feedback and evidence on the current level of rebate, specifically regarding the cost of operations. We will consider all feedback and evidence provided when making our final decision.

13.8 Passenger charges – Other charges

- 13.8.1 Other than changes necessitated by the annual update of the MAY, we are not proposing changes to charges relating to the other elements of our passenger charges (below) but welcome any other specific feedback or evidence from the airline community to aid our final decision:

- European Destinations
- Rest of the World
- Transfer and Transit
- Minimum Departure Charge

14. Areas for airline community feedback and future consideration

14.1 Overview

In addition to the proposals outlined in Chapter 13, we are keen to gather further input from the airline community on several key topics that will help shape our broader charging strategy, aligned to airlines' desire for longer-term visibility of future proposals. Whilst we are not proposing changes related to the areas listed below for implementation in 2026, feedback remains valuable and will inform the development of future proposals.

Table 18 – Considerations for future consultation

Strategy Objective	Subject for Feedback
Growth	Heathrow proactively welcomes airline feedback regarding views on amending our aeronautical charging structure to drive growth. We are especially interested in views around balancing the Heathrow regulatory framework, which promotes volume, with the airline approach, which prioritises yield.
Sustainability	Re-enforcement as per Heathrow's Noise Action Plan of the importance of data compliance regarding A320 family vortex deflectors and gathering of feedback on a potential future differentiated pricing structure.
Efficient use of the airport	With the aim of improving towing performance, Heathrow is considering the future implementation of a tiered pricing structure for parking at pier-served stands. We have outlined our initial views and invite customer feedback.

14.2 Growth – Charging mechanisms to support future growth

- 14.2.1 Our recent submissions for the H8 regulatory period, alongside plans for Expanding Heathrow, highlight the importance to Heathrow of supporting aviation growth. We remain committed to leveraging mechanisms within our aeronautical charging structure to maximise aviation growth and the efficient use of scarce airport resources and capacity.
- 14.2.2 As part of this year's consultation, we welcome views from the airline community on potential opportunities within the charging structure that could help stimulate future growth. Feedback will be key in shaping our future approach.
- 14.2.3 In the 2025 charges consultation, Heathrow proposed the introduction of a class-of-travel-based charge. While we will not be proceeding with this proposal for 2026, we are keen to gather feedback from airlines on how best to balance the Heathrow regulatory framework, which promotes volume, with airline commercial strategies that prioritise yield.

14.3 Sustainability – A320 Family Vortex Noise Deflectors – Data Compliance and Future Charging Framework

- 14.3.1 The A320 family of aircraft is known to generate a distinctive transient sound phenomenon, often referred to as "vortex noise", during approach. To mitigate this, Airbus developed a

retrofit solution in the form of vortex generators (commonly called noise deflectors), which significantly reduce this tonal noise.

- 14.3.2 Heathrow has consistently encouraged the uptake of this modification and included a performance indicator in the NAP to identify those that have and have not been retrofitted and using the movement data of each registration to determine the relative proportion over a moving annual average.
- 14.3.3 It is an existing requirement of operating at Heathrow Airport (as set out in our Conditions of Use (CoU)) that airlines must provide details of all A320 family aircraft that have not been retrofitted with a vortex deflector generator. In 2026, Heathrow will work more closely with operators to ensure they comply with the existing reporting requirements to ensure consistent monitoring of retrofit progress and to support the delivery of Heathrow's commitments under the NAP.
- 14.3.4 By the end of August 2025, Heathrow intends to contact airlines with an A320 fleet, requesting an update on retrofit status.
- 14.3.5 To assist operators in meeting this requirement, Airbus can provide official documentation verifying the retrofit status of individual aircraft, at no cost. This process offers a straightforward and standardised method for compliance, reducing administrative burden while ensuring data accuracy.
- 14.3.6 Heathrow may consider, in future, introducing differential charging based on retrofit status whereby aircraft not equipped with vortex deflectors or where relevant information has not been provided may be subject to higher movement charges. We may bring this proposal forwards in a future aeronautical charging consultation and welcome any feedback from the airline community at the current time.

14.4 Efficient use of Airport – Potential future tiered structure for parking charges

- 14.4.1 Heathrow does not propose changes to the parking charges structure for 2026, which will remain as follows (with updates to the charge amounts as necessitated by the MAY):

Table 19 – Parking charges at Heathrow

Aircraft type	Free period - pier	Free period - remote	Proposed charge 2026
Narrow Body	30min	Up to 240min (combined)	£49.22
Wide Body	90min	Up to 240min (combined)	£103.56

- 14.4.2 We set out within this section a future potential proposal on which we are seeking feedback from the airline community. The intention of this is to improve towing performance at pier served stands, releasing capacity and improving overall airport efficiency.
- 14.4.3 To incentivise a quick turnaround, the current tariff structure includes free parking periods of 90 minutes and 30 minutes for wide and narrow body aircraft, respectively. Recognising that there has been a year-on-year drop in on-time towing performance, extended free parking periods were introduced in 2024 for parking on remote stands. This initiative was

designed to incentivise the prompt towing off pier served stands, which in turn reduces lost stand capacity minutes and increases stand capacity, benefiting all parties.

Table 20 – Tow movements and performance

Year	Number of ATMs Towed	On-Time Towing Performance
2020	14,853	57.68%
2021	12,274	44.77%
2022	16,394	35.92%
2023	16,546	46.95%
2024	18,285	53.20%
2025 H1	9057	37.99%

As Table 20 above shows, towing performance continues to lag below prior levels, and the number of aircraft parked on pier served stands has remained high for an extended period.

14.4.4 The tables below illustrate the percentage of aircraft parked on pier served stands in 2024.

Table 21 – Aircraft ground time distribution for narrow-body on pier served stands in 2024

Ground Time (Hours)	0-0.5h	0.5-1h	1-1.5h	1.5-2h	2-2.5h	2.5-3h
% of Aircraft Parked	2.16%	36.92%	37.01%	11.37%	5.15%	3.04%

Table 22 – Aircraft ground time distribution for wide-body on pier served stands in 2024

Ground Time (Hours)	0-1.5h	1.5-3h	3-4.5h	4.5-6h	6-7.5h	7.5-9h	9-10.5h	10.5-12h
% of Aircraft Parked	5.36%	47.88%	26.93%	10.98%	5.39%	1.58%	0.87%	0.42%

14.4.5 As shown in the above tables, there are a significant number of extended parking sessions at pier-served stands. Maximising efficient use of pier-served stands is key to ensuring Heathrow's capacity is being used appropriately.

14.4.6 To encourage more efficient towing operations from pier-served stands, Heathrow is considering bringing forward future proposals to introduce a tiered pricing structure. The

current flat-rate pricing would be replaced by a time-based model, offering a discounted rate at the start of the stand occupancy period, gradually increasing the longer the aircraft remains on stand. This approach would aim to reward airlines with strong towing performance with lower prices, whilst encouraging better compliance amongst others. The proposal would also see a potential reduction in Remote stand prices.

14.4.7 Based on the 2026 forecast, and MAY, Table 23 shows an example of how prices could change should this model be implemented.

Table 23 – Indicative projected pricing impact under a tiered parking approach

Parking Charges	2025 price per unit	2026 price per unit	Structure considered for the future	price per unit	% Variance vs 2025
Pier served stand:					
Narrow Body	£48.87	£49.22	0-0.5h	Free	
			0.5h -1h45min	£22.48	-54%
			1h 45min – 2h15min	£44.96	-8%
			over 2h15min	£89.92	+84%
Wide Body	£102.63	£103.36	0-1.5h	Free	
			1.5-3h	£47.21	-54%
			3h – 3h 45min	£94.41	-8%
			over 3h45min	£188.83	+84%
Remote stand:					
(if 240 min exceeded)					
Narrow Body	£48.87	£49.22	>240 min combined	£29.97	-39%
Wide Body	£102.63	£103.36	>240 min combined	£62.94	-39%

Figures 4 and 5 below show what the price could look like overlaid on top of current towing performance.

Figure 4 – Aircraft ground time distribution (2024) vs proposed tier-based parking charges on pier served stands for narrow body

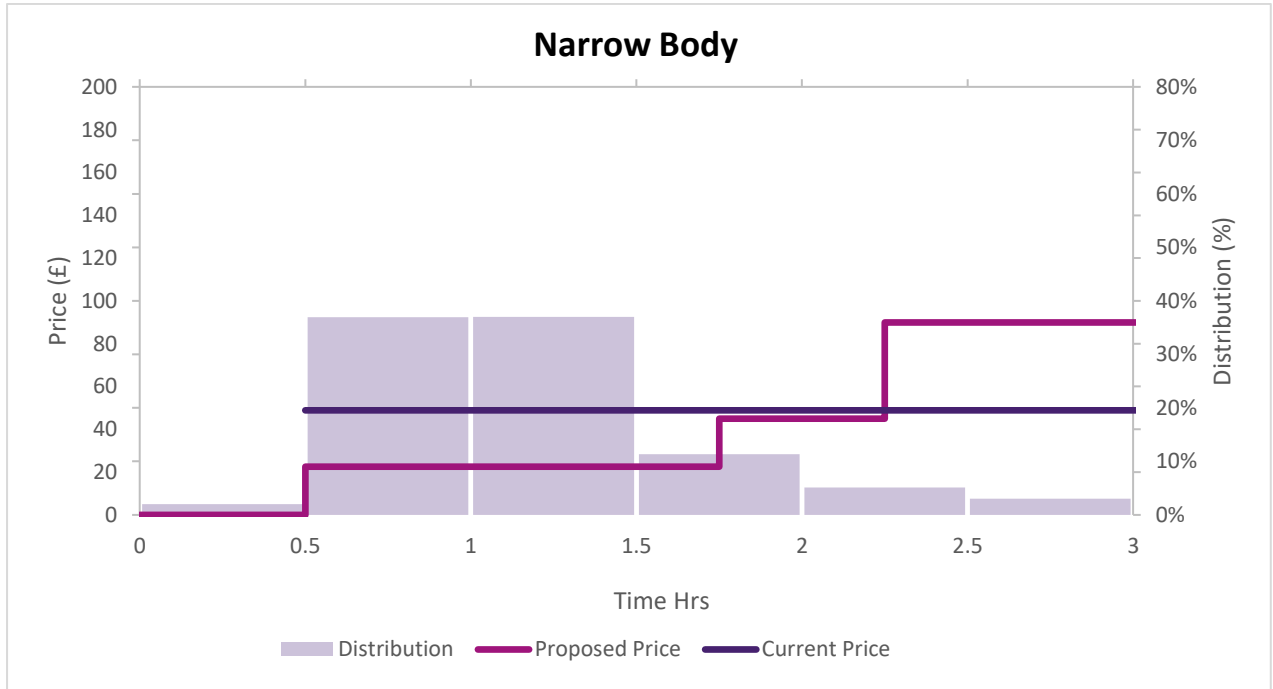


Figure 5 – Aircraft ground time distribution (2024) vs proposed tier-based parking charges on pier served stands for wide body



- 14.4.8 To additionally simplify our parking charge structure, Heathrow also welcomes feedback on the principle of removing the free period on the pier served stands and replacing it with charging a lower rate during the initial parking session. The free period on the remote stands would likely remain, as would overnight free parking.

15 Calculating airport charges tariffs for 2026

15.2 Overview

- 15.2.1 The following section outlines the steps that have been applied to calculate the individual tariffs for 2026.
- 15.2.2 The forecast maximum allowable yield for 2026 is £26.092 per passenger.
- 15.2.3 Following the 2025 change to the charge proportions in which Heathrow recovers the maximum allowable yield (MAY), no adjustments are proposed for 2026 therefore the previous year's apportionment still applies: Passenger 58%, Movement 37% and Parking 5%.

15.3 Passenger charges

- 15.3.1 The 2026 MAY uses a passenger forecast of 84,811,001.
- 15.3.2 In common with previous years, the proposed 2026 passenger charges comprise charges for Origin & Destination and Transfer & Transit passengers which are then split by destination group (Domestic, Common Travel Area (CTA), Europe (EEA), and Rest of World (RoW)).
- 15.3.3 The departure charge is calculated by reference to a set baseline charge, then apportioned out based on transfer and transit discounts, UK connectivity discount and CTA differentiator.
- 15.3.4 Step 1 is to set the baseline charge which is determined by the departing passenger revenue required $[MAY \times \text{passenger forecast} \times 58\%]$, factoring in the forecast remote stand rebate impact and the funding for the SAF incentive. This baseline is then apportioned out based on a multiplier for the individual destination groups and includes the application of the CTA differentiator of £0.25 and the appropriate transfer and transit passenger discounts of 50% for Domestic flights and 40% for all other regions.
- 15.3.5 Step 2 is the application of a Domestic connectivity discount of £7.50 to UK-bound passengers. This Domestic connectivity discount is applied in full to O&D passengers and is reduced for transfer passengers as defined above to determine the final connectivity discount for the fare. This means that an O&D passenger receives the full £7.50 discount whereas transfer passengers receive 50% of the £7.50 discount, or £3.75.
- 15.3.6 Step 3 is to recalculate the RoW passenger charge to recover the balance.
- 15.3.7 The balance of environmental charges is not proposed to change. Therefore 80% of the total environmental charge is recovered through noise, 15% through NOx emissions and 5% through Carbon emissions.
- 15.3.8 The applicability of noise charges remains unchanged, where airlines will incur a noise charge for both take-off and landing.
- 15.3.9 The noise charge is calculated by initially setting the baseline charge which is determined by the total noise revenue expectation $[MAY \times 2026 \text{ passenger forecast} \times 37\% \times 80\%]$. This total is then apportioned out based on the multiplier for each individual noise chapter and reconciled back to the required revenue amount. There is one proposed change to the

multipliers that were set up and published in the 2023 Airport Charges Decision document, being a change to the Maximum (Chapter 3) category, from a multiplier of 10x to a multiplier of 50x the baseline charge.

- 15.3.10 The NOx charge is determined by dividing the total NOx revenue expectation [MAY x 2026 passenger forecast x 37% x 15%] by the forecast NOx emissions in kilograms for 2026 with charges applicable on landing only.
- 15.3.11 The Carbon charge is determined by dividing the total Carbon revenue expectation [MAY x 2026 passenger forecast x 37% x 5%] by the forecast carbon emissions in kilograms for 2026 with charges applicable on landing only.

15.4 Parking charges

- 15.4.1 The parking charge is calculated by initially setting the baseline charge which is determined by the parking revenue expectation [MAY x 2026 passenger forecast x 5%]. This baseline is then apportioned based on the multiplier for narrow and wide body aircraft and forecast chargeable parking periods for each type of aircraft. No changes are proposed to the multiplier or methodology for 2026.

16 Forecast revenue for 2026:

Movement Charge				
Noise Charge				
<u>Fixed wing aircraft exceeding 16 metric tonnes – outside Night Quota Period</u>				
Maximum	[Landings]	0	£75,807.50	£0
Ultra high	[Landings]	914	£7,580.77	£6,927,868
Super High	[Landings]	23,629	£3,790.38	£89,561,179
High	[Landings]	10,936	£2,274.23	£24,871,674
Base	[Landings]	60,519	£1,516.15	£91,755,852
Low	[Landings]	8,428	£1,061.31	£8,944,827
Super Low	[Landings]	56,056	£833.88	£46,743,775
Ultra Low	[Landings]	75,326	£758.08	£57,103,463
Total	[Landings]	235,808		£325,908,637
<u>Fixed wing aircraft exceeding 16 metric tonnes – outside Night Quota Period</u>				
Maximum	[Departures]	0	£75,807.50	£0
Ultra high	[Departures]	914	£7,580.77	£6,927,868
Super High	[Departures]	23,629	£3,790.38	£89,561,179
High	[Departures]	10,936	£2,274.23	£24,871,674
Base	[Departures]	60,519	£1,516.15	£91,755,852
Low	[Departures]	8,428	£1,061.31	£8,944,827
Super Low	[Departures]	56,056	£833.88	£46,743,775
Ultra Low	[Departures]	75,326	£758.08	£57,103,463
Total	[Departures]	235,808		£325,908,637
<u>Fixed wing aircraft exceeding 16 metric tonnes – Night Quota Period</u>				
Maximum	[Landings]	0	£379,037.50	£0
Ultra high	[Landings]	0	£37,903.85	£0
Super High	[Landings]	17	£18,951.90	£318,319
High	[Landings]	16	£11,371.15	£184,276
Base	[Landings]	0	£7,580.75	£0
Low	[Landings]	31	£5,306.55	£166,077
Super Low	[Landings]	96	£4,169.40	£398,378
Ultra Low	[Landings]	40	£3,790.40	£152,198
Total	[Landings]	200		£1,219,248
<u>Fixed wing aircraft exceeding 16 metric tonnes – Night Quota Period</u>				
Maximum	[Departures]	0	£379,037.50	£0
Ultra high	[Departures]	0	£37,903.85	£0
Super High	[Departures]	17	£18,951.90	£318,319
High	[Departures]	16	£11,371.15	£184,276
Base	[Departures]	0	£7,580.75	£0
Low	[Departures]	31	£5,306.55	£166,077
Super Low	[Departures]	96	£4,169.40	£398,378
Ultra Low	[Departures]	40	£3,790.40	£152,198
Total	[Departures]	200		£1,219,248
Emissions Charge on landing				
Total kg Nox rating	[kg]	6,022,380	£20.12	£121,170,282
Average kg Nox per landing	[kg]	25.4		£121,170,282
Carbon Charge on landing				
Total Carbon kg	[kg]	1,043,837,123	£0.04	£42,403,838
Average Carbon kg per Landing and Take-off Cycle	[kg]	4,423		£42,403,838
Total Movement Revenue	(a)			£817,829,892

	Traffic Volume Units	Traffic Volume	2026 Tariff	Forecast Revenue
Departing Passenger Charge				
Departing OD Passenger Charge				
Domestic	[Dep Pax]	1,229,644	£13.97	£17,178,130
Common Travel Area	[Dep Pax]	1,116,103	£14.22	£15,870,987
European	[Dep Pax]	12,019,807	£21.47	£258,065,254
Rest of World	[Dep Pax]	18,757,189	£49.32	£925,104,543
Total	[Dep Pax]	33,122,743		£1,216,218,913
Departing Transfer Passenger Charge				
Domestic	[Dep Pax]	985,319	£6.99	£6,887,383
Common Travel Area	[Dep Pax]	274,605	£8.53	£2,342,381
European	[Dep Pax]	2,428,922	£12.88	£31,284,513
Rest of World	[Dep Pax]	4,971,565	£29.59	£147,108,600
		8,660,411		£187,622,877
Remote Stand Rebate				
Remote Stand Rebate	[Dep Pax + Arr Pax]	6,788,995	-£5.40	-£36,660,571
SAF Incentive				-£85,272,121
Total Departing Passenger Charge Revenue	(b)			£1,281,909,098

Parking Charge				
Narrow bodied Chargeable Period	[Units of 15 minutes]	504,157	£49.22	£24,814,609
Wide bodied Chargeable Period	[Units of 15 minutes]	829,198	£103.36	£85,705,927
Total Parking Charge	(c)	1,333,355		£110,520,536

Terminal Pax Flights: Total Revenue	£2,210,259,526
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Non-Terminal Pax Flights (GA, Troops etc)				
Non-Terminal Pax Flights				
Movement Revenue	(e)			£951,323
Departing Passenger Revenue	(f)			£1,491,152
Parking Revenue	(g)			£128,561
Total Non-Terminal Pax Flights Revenue				£2,571,036

Total Regulated Revenue				
Total Regulated Revenue				
Movement Revenue	(a) + (e)			£818,781,215
Departing Passenger Revenue	(b) + (f)			£1,283,400,250
Parking Revenue	(c) + (g)			£110,649,097
Total Regulated Revenue				£2,212,830,562
Total Passengers				84,811,001
Total Regulated Yield				£26.09

17 Proposed airport charges tariffs effective 1 Jan 2026

	2025 £ GBP	2026 £ GBP
Charges on Movement		
Fixed wing aircraft exceeding 16 metric tonnes – outside Night Quota Period (Departures & Landing)		
Maximum	£14,113.50	£75,807.50
Ultra high	£7,056.76	£7,580.77
Super High	£3,528.38	£3,790.38
High	£2,117.03	£2,274.23
Base	£1,411.35	£1,516.15
Low	£987.95	£1,061.31
Super Low	£776.24	£833.88
Ultra Low	£705.68	£758.08
Fixed wing aircraft exceeding 16 metric tonnes – Night Quota Period (Departures & Landing)		
Maximum	£70,567.50	£379,037.50
Ultra high	£35,283.80	£37,903.85
Super High	£17,641.90	£18,951.90
High	£10,585.15	£11,371.15
Base	£7,056.75	£7,580.75
Low	£4,939.75	£5,306.55
Super Low	£3,881.20	£4,169.40
Ultra Low	£3,528.40	£3,790.40
Fixed wing aircraft exceeding 16 metric tonnes – Peak Night Quota Period (Departures & Landing)		
Maximum	£112,908.00	£606,460.00
Ultra high	£56,454.08	£60,646.16
Super High	£28,227.04	£30,323.04
High	£16,936.24	£18,193.84
Base	£11,290.80	£12,129.20
Low	£7,903.60	£8,490.48
Super Low	£6,209.92	£6,671.04
Ultra Low	£5,645.44	£6,064.64
Helicopters (Departures & Landing)	£975.66	£981.07
Fixed wing aircraft not exceeding 16 metric tonnes (Departures & Landing)	£1,930.46	£1,941.17
Emissions charge (Landing)	£19.90	£20.12
Carbon charge (Landing)	£0.04	£0.04
Charges on Departing Passengers		
Origin and Destination		
Domestic	£14.31	£13.97
Common Travel Area	£14.56	£14.22
European	£21.81	£21.47
Rest of World	£50.21	£49.32
Transfer and Transit		
Domestic	£7.16	£6.99
Common Travel Area	£8.74	£8.53
European	£13.09	£12.88
Rest of World	£30.13	£29.59
Remote Stand Rebate	-£5.40	-£5.40
Minimum charge - Domestic	N/A	N/A
Minimum charge - Common Travel Area	£873.60	£853.20
Minimum charge - European	£1,679.37	£1,653.19
Minimum charge - Rest of World	£4,016.80	£3,945.60
Charges on aircraft parking		
Narrow bodied	£48.87	£49.22
Wide bodied	£102.63	£103.36

18 Financial and traffic information

18.2 Traffic statistics and charging parameters

18.2.1 The actual traffic statistics from 2016 to 2024 are set out below to provide more detailed data on those elements of the traffic mix at Heathrow airport which affect the airport charges yield per passenger.

18.3 Regulatory accounting information

18.3.1 Heathrow is a privately-owned company, and a summary of its regulatory accounts are presented for the 12-month period between the 1st of January 2024 and the 31st of December 2024. These accounts compare the airport's financial performance for the Regulatory Year 2024 with the uplifted CAA forecast.

18.3.2 The regulatory accounts include revenue and cost comparison, and calculations of the Regulated Asset Base.

18.3.3 The full regulatory accounts are publicly available from:

<https://www.heathrow.com/company/about-heathrow/economic-regulation/regulatory-accounts>.

£million (unless otherwise stated)	Actual	CAA forecast	Variance	%
Total Passengers (thousands)	83,913	78,900	5,013	6
Revenue				
Airport Charges	2,208	2,042	166	8
Other Revenue	1,351	1,335	16	1
Total Revenue	3,559	3,377	182	5
Expenditure				
Operating costs	(1,571)	(1,462)	(109)	7
Assumed ordinary depreciation	(1,122)	(1,122)	-	-
Total expenditure	(2,693)	(2,584)	(109)	4
Regulatory operating profit	844	793	51	6
Capital expenditure	(1,122)	(865)	(257)	30
Opening RAB	19,804	19,883	(79)	-
Closing RAB	20,422	20,304	118	(1)
Average RAB	20,113	20,094	(20)	-
Return on average RAB	4.2%	3.9%	0.3%	8

18.4 Passenger only flights

Passenger only flights - actual and forecast

	Actual									Actual 2025 Jan-Jul	F1 2025 Jan - Dec
	2016 Jan - Dec	2017 Jan - Dec	2018 Jan - Dec	2019 Jan - Dec	2020 Jan - Dec	2021 Jan - Dec	2022 Jan - Dec	2023 Jan - Dec	2024 Jan - Dec		
Arriving Passengers	38,366,587	39,412,880	40,462,508	40,942,699	11,182,236	9,875,569	31,349,411	40,208,012	42,380,913	24,311,553	42,657,500
<i>Departing passengers</i>											
Origin and destination											
Europe	12,741,755	13,174,509	13,668,591	13,930,655	4,308,040	4,238,098	11,105,169	13,225,131	14,561,002	8,340,479	14,286,250
Other	14,903,829	15,695,509	16,105,068	16,805,579	4,356,843	3,731,841	13,161,550	16,950,485	18,027,644	10,312,026	18,551,297
Transfer passengers											
Europe	4,274,123	4,346,998	4,306,358	3,973,195	1,003,570	706,383	2,660,483	3,781,442	3,870,005	2,149,847	3,791,442
Other	5,389,922	5,358,837	5,559,489	5,234,538	1,259,014	841,254	3,322,568	4,986,699	5,020,165	2,776,763	4,958,886
Transit passengers											
Europe	3,757	1,258	2,617	1,371	476	319	1,419	1,901	1,463	1,091	n/a
Other	35,273	24,126	21,686	2,503	479	1,570	13,612	29,491	23,380	11,209	n/a
Departing passengers	37,348,659	38,601,237	39,663,809	39,947,841	10,928,422	9,519,465	30,264,801	38,975,149	41,503,659	23,591,415	41,587,875
Total passengers	75,715,246	78,014,117	80,126,317	80,890,540	22,110,658	19,395,034	61,614,212	79,183,161	83,884,572	47,902,968	84,245,375
PATMs	470,764	471,082	472,744	473,235	177,281	160,744	367,191	450,194	471,298	274,835	473,729
UK (departing - origin and destination)	1,340,789	1,367,353	1,345,333	1,440,158	464,594	606,054	901,758	1,129,087	1,274,727	717,785	1,240,090
UK (departing - transfers)	986,012	1,058,093	1,079,454	1,006,443	276,699	289,132	773,165	1,000,140	1,078,756	597,983	1,041,571
UK (departing - total)	2,326,801	2,425,446	2,424,787	2,446,601	741,293	895,186	1,674,923	2,129,227	2,353,483	1,315,768	2,281,661

