Heathrow Airport Limited

2012-13 Actuals to Table 6-3 Variance Analysis

Year ended 31 March 2013



Introduction

This report provides users with explanations of variances between actual results in the Trading Statement to those included within the CAA forecast for activities identified as 'Specified Activities' within Table 6-3 of the 'Economic Regulation of Heathrow and Gatwick Airports 2008-2013', CAA decision dated 11th March 2008 for the year ending 31st March 2013.

The CAA forecast for Specified Activities lists the revenue that is forecast to be generated by Heathrow Airport (ie. third party revenue) for the fifth quinquennium (Q5). This forecast is based on certain assumptions and any derivation from this forecast is required to be explained and justified to users and the CAA.

The specified activities are:

- Baggage, Check-in desks and Common Use Self Service Machines (CUSS)
- Other Desk Licences
- Staff Car Parking
- Airside Licences
- Electricity
- Fixed Electrical Ground Power (FEGP)
- Heating and Ventilation
- Water and Sewerage
- Security Documentation
- Bus and Coach Services

The variance analysis has been made against third party elements of the actuals for the period 1st April 2012 to 31st March 2013.

This paper includes Table 6-3 for Q5 and an update showing this table uplifted to nominal prices using RPI for 2012/13 from The Office for National Statistics (ONS), and Oxford Economic Forecast (OEF) for future years. The RPI uplift is applied to provide a consistent comparison between CAA forecast and actuals in nominal prices (ie. current year prices). These variances are explained on the following sheets.

As charges for Passengers with Reduced Mobility (PRMs) were not included in the Q5 Settlement they have not been analysed in this report.



Index						2.97% 1.030	0.46% 1.034	4.96% 1.086	4.70% 1.138	3.09% 1.173	Trading	Statement 2012-2013	Variance to Table 6-3
£m	00/00		Table 6.3 i		40/40	00/00		Table 6.3 in		40/40			
Baggage, Check-in & CUSS Income	08/09 89.081	09/10 86.720	10/11 87.721	11/12 87.361	12/13 89.472	08/09 91.727	09/10 89.703	10/11 95.242	11/12 99.402	12/13 104.949		126.372	21.423
Direct Cost	82.3	79.1	79.4	78.3	79.8	84.703	81.852	86.196	89.126	93.581		117.350	(23.770)
Annuity	0	0	0	0	0	-	-	-	-	-		0.000	0.000
Allocated Costs Total costs	6.8 89.081	7.6 86.720	8.3 87.721	9.0 87.361	9.7 89.472	7.024 91.727	7.851 89.703	9.045 95.242	10.276 99.402	11.369 104.949	-	8.202 125.552	3.167 (20.603)
Total (Under) / Over Recovery at 31	March 2013											0.820	
Staff Car Parking	08/09	09/10	10/11	11/12	12/13	08/09	09/10	10/11	11/12	12/13			
Income	19.510	19.570	19.550	19.530	19.500	20.089	20.243	21.226	22.222	22.873		22.074	(0.799)
Direct Costs Annuity	7.853 7.453	7.871 7.480	7.857 7.476	7.843 7.472	7.826 7.464	8.086 7.674	8.142 7.737	8.531 8.117	8.925 8.502	9.180 8.755		11.525 5.762	(2.345) 2.993
Allocated Costs	4.204	4.219	4.217	4.215	4.210	4.329	4.364	4.579	4.796	4.939		4.939	0.000
Total costs	19.510	19.570	19.550	19.530	19.500	20.089	20.243	21.226	22.222	22.873		22.226	0.647
Total (Under) / Over Recovery at 31	March 2013											(0.151)	
Airside Licences	08/09	09/10	10/11	11/12	12/13	08/09	09/10	10/11	11/12	12/13		4 000	
Income	0.780	0.780	0.780	0.780	0.780	0.803	0.807	0.847	0.888	0.915		1.029	0.114
Direct Costs Annuity	0.378 0.041	0.378 0.041	0.378 0.04087	0.378 0.04087	0.378 0.041	0.390 0.042	0.391 0.042	0.411 0.044	0.431 0.04651	0.444 0.048		0.625 0.048	(0.181) 0.000
Allocated Costs	0.361	0.361	0.36068	0.36068	0.361	0.371	0.373	0.392	0.41039	0.423		0.423	0.000
Total costs	0.780	0.780	0.780	0.780	0.780	0.803	0.807	0.847	0.888	0.915		1.096	(0.181)
Total (Under) / Over Recovery at 31	March 2013											(0.067)	
Electricity Income	08/09 29.490	09/10 28.750	10/11 28.420	11/12 27.920	12/13 28.970	08/09 30.366	09/10 29.739	10/11 30.859	11/12 31.774	12/13 33.981		30.561	(3.421)
Direct Costs	22.212	21.478	21.375	20.957	21.754	22.871	22.217	23.208	23.846	25.517		18.011	7.506
Annuity	4.771	4.764	4.618	4.565	4.727	4.913	4.928	5.014	5.195	5.545		5.545	0.000
Allocated Costs Total costs	2.510 29.493	2.507 28.749	2.430 28.422	2.402 27.925	2.487 28.968	2.585 30.369	2.593 29.737	2.638 30.859	2.733 31.774	2.917 33.980		2.917 26.473	0.000 7.506
Total (Under) / Over Recovery at 31	March 2013											4.087	
Fixed Electrical Ground Power	08/09	09/10	10/11	11/12	12/13	08/09	09/10	10/11	11/12	12/13			
Income	7.180	7.160	7.120	7.090	7.060	7.393	7.406	7.730	8.067	8.281		7.266	(1.015)
Direct Costs Annuity	3.094 2.078	3.085 2.072	3.055 2.089	3.042 2.079	3.038 2.054	3.186 2.140	3.191 2.143	3.317 2.268	3.461 2.365	3.563 2.409		4.281 2.409	(0.717) 0.000
Allocated Costs Total costs	2.008 7.180	2.003 7.160	1.977 7.120	1.969 7.090	1.968 7.060	2.067 7.393	2.072 7.406	2.146 7.730	2.241 8.067	2.309 8.281		2.309 8.998	0.000 (0.717)
Total (Under) / Over Recovery at 31		7.100	7.120	7.030	7.000	7.555	7.400	7.750	0.007	0.201		(1.732)	(0.717)
		00/40	40/44	44/40	40/40	00/00	00/40	40/44	44/40	40/40		(1.732)	
Heating and Ventilation Income	08/09 0.980	09/10 0.950	10/11 0.930	11/12 0.910	12/13 0.890	08/09 1.009	09/10 0.983	10/11 1.010	11/12 1.035	12/13 1.044		1.388	0.344
Direct Costs	0.702	0.681	0.666	0.652	0.638	0.723	0.704	0.724	0.742	0.748		1.096	(0.348)
Annuity Allocated Costs	0.565 0.299	0.548 0.290	0.536 0.284	0.525 0.278	0.513 0.272	0.582 0.308	0.567 0.300	0.582 0.308	0.597 0.316	0.602 0.319		0.602 0.319	0.000 0.000
Total costs	1.567	1.519	1.487	1.455	1.423	1.613	1.571	1.614	1.655	1.669		2.017	(0.348)
Total (Under) / Over Recovery at 31	March 2013											(0.629)	
Water & Sewerage	08/09	09/10	10/11	11/12	12/13	08/09	09/10	10/11	11/12	12/13		0.000	(0.450)
Income	0.950	0.930	0.930	0.930	0.930	0.978	0.962	1.010	1.054	1.091		0.938	(0.153)
Direct Costs Annuity	0.598 0.163	0.597 0.156	0.600 0.152	0.605 0.149	0.610 0.146	0.616 0.167	0.617 0.161	0.651 0.165	0.688 0.169	0.715 0.171		0.927 0.171	(0.211) 0.000
Allocated Costs	0.189	0.181	0.176	0.173	0.170	0.195	0.187	0.192	0.197	0.199		0.199	0.000
Total costs	0.950	0.934	0.928	0.927	0.926	0.978	0.966	1.008	1.055	1.086		1.297	(0.211)
Total (Under) / Over Recovery at 31											-	(0.359)	
Security ID Income	08/09 2.730	09/10 2.750	10/11 2.780	11/12 2.800	12/13 2.730	08/09 2.811	09/10 2.845	10/11 3.018	11/12 3.186	12/13 3.202		5.661	2.458
Direct Costs	1.327	1.337	1.351	1.361	1.327	1.366	1.383	1.467	1.548	1.556		1.564	(0.008)
Annuity Allocated Costs	0.079 1.324	0.080 1.334	0.081 1.348	0.081 1.358	0.079 1.324	0.081 1.363	0.082 1.379	0.088 1.464	0.092 1.545	0.093 1.553		0.093 1.553	0.000 0.000
Total costs	2.730	2.750	2.780	2.800	2.730	2.811	2.845	3.018	3.186	3.202		3.210	(0.008)
Total (Under) / Over Recovery at 31	March 2013											2.450	
Bus and Coach	08/09	09/10	10/11	11/12	12/13	08/09	09/10	10/11	11/12	12/13			
	1.390	1.390	1.390	1.390	1.390	1.431	1.438	1.509	1.582	1.630		1.477	(0.153)
Income		0.109	0.109	0.109	0.109	0.113	0.113	0.119	0.124	0.128		1.758	(1.630)
Direct Costs	0.109			0.700	0.700		0.040	0.050	0.004	0.040			(0.000)
Direct Costs Annuity Allocated Costs	0.783 2.523	0.783 2.523	0.783 2.523	0.783 2.523	0.783 2.523	0.806 2.598	0.810 2.610	0.850 2.739	0.891 2.870	0.919 2.959		0.919 2.959	(0.000) (0.000)
Direct Costs Annuity	0.783	0.783	0.783			0.806						0.919	



Baggage, Check-In & CUSS 2012-13					
3rd Party Element only Revenue per 12/13 Trading Statement	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£,000
London 2012 Olympic and Paralympic Games adjustment 11/12 bfwd (under) / over recovery	3,856 2,711				
Total Revenue	126,372	104,949	21,423	Actuals reflect pricing increase to cover cost changes below	
				Additional scope - Inter Terminal Operation (assumed reduced due to opening of T1-T5 Tunnel) Additional scope - T1 - T4 Tunnel operating at fuller capacity than previously assumed Additional scope - T1 Out of Gauge assumed closed Additional scope - Terminal 4 Ancilliary Baggage Facility Additional scope- T4 following transfer of responsibilities from BA Additional scope - T4IB Under estimated T5 Operating & Maintenance costs, now based on actuals and reflecting extended scope. Additional scope - Baggage Recovery Facility Check-in & CUSS - check-in under estimated and CUSS fully recovered Other	(4,600) (1,000) (900) (400) (1,400) (1,100) (6,000) (900) (3,600) (14)
Direct Expenditure	113,495	93,581	(19,914)		(19,914)
Allocated costs	8,202	11,369	3,167	Agreed efficiency savings incorporated in allocated costs	
London 2012 Olympic and Paralympic Games adjustment	3,856		(3,856)	London 2012 Olympic and Paralympic Games adjustment	
Net (under) / over recovery at 31 March 2013	820	0	820		
Note: Due to the predominantly fixed nature of the total cost: Conversely, usage volume increases will result in a decrease			vill lead to an inc	crease in the price per unit.	



Staff Car Parking 2012-13					
3rd Party Element only	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'00
Revenue per 12/13 Trading Statement London 2012 Olympic and Paralympic Games adjustment 11/12 bfwd (under) / over recovery Total Revenue	19,369 975 1,730 22,074	22,873	(799)	London 2012 Olympic and Paralympic Games adjustment Pricing adjusted primarily to reflect cost decreases driven by lower annuity Increase in 3rd party share from 81% per Table 6-3 to 83% per Actuals	975 (2,339 565 (799
Direct Expenditure	10,550	9,180	(1,370)	Coaching & Fuel - additional schedules and increased fuel costs. Rent & Rates Increase in 3rd party share from 81% per Table 6-3 to 83% per Actuals Other	(1,240 140 (226 (45 (1,370
Allocated costs and Annuity London 2012 Olympic and Paralympic Games adjustment	10,701 975	13,694	2,993	The annuity for terminal adjacent car parks has been adjusted in accordance with the release of spaces London 2012 Olympic and Paralympic Games adjustment	
Net (under) / over recovery at 31 March 2013	(151)	0	(151)		



Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
1,591 (562) 1,029	915	114	Pricing primarily adjusted to reflect prior year under-recovery Decrease in 3rd party share from 100% per Table 6-3 to 93% per Actuals	178 (64) 114
			Higher staff costs to reflect agreed focus on airside safety and compliance General Costs - Unit Load Device Management Other	(309) (120) 93
779	444	(335)		(335)
471	471	0		
(154)		154	Trading Statement Adjustment	
(67)	0	(67)		
	Statement £'000 1,591 (562) 1,029 779 471 (154)	Statement Table 6-3 £'000 1,591 (562) 1,029 915 779 444 471 (154)	Statement £'000 Table 6-3 £'000 Table 6-3 £'000 1,591 (562) 1,029 915 114 779 444 (335) 471 471 0 0 (154) 154	Statement £'000 £'000 £'000 1,591 (562) 1,029 915 114 Pricing primarily adjusted to reflect prior year under-recovery Decrease in 3rd party share from 100% per Table 6-3 to 93% per Actuals Higher staff costs to reflect agreed focus on airside safety and compliance General Costs - Unit Load Device Management Other 1,591 (562) Higher staff costs to reflect agreed focus on airside safety and compliance General Costs - Unit Load Device Management Other 779 444 (335) 471 471 0 (154) 154 Trading Statement Adjustment

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit. Conversely, usage volume increases will result in a decrease in the price per unit.



Electricity 2012-13					
3rd Party Element only	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'00
Revenue per 12/13 Trading Statement	27,122				
Backbilling Income Adjustment	4,246				
11/12 bfwd (under) / over recovery	(807)			Additional backbilled income relating to prior years	4,24
				Pricing adjusted to reflect cost decreases and lower total airport consumption Decrease in 3rd party share from 39.5% per Table 6-3 to 34.1% per Actuals	(3,02 (4,64
Total Revenue	30,561	33,981	(3,421)	Decrease in 3rd party share norm 39.3% per Table 6-3 to 34.1% per Actuals	(3,42
	,	,	<u>, , , , , , , , , , , , , , , , , , , </u>	-	
				Decreased total airport consumption and costs	6,87
				Decrease in 3rd party share from 39.5% per Table 6-3 to 34.1% per Actuals	3,48
Direct Expenditure	15,155	25,517	10,362	-	10,36
Allocated costs and Annuity	8,462	8,462	0		
				Direct costs related to the adjustment for additional revenue for backbilled 3rd party	
Backbilling Cost Adjustment	2,856		(2,856)	consumption in the period prior to 12/13	
Net (under) / over recovery at 31 March 2013	4,087	0	4,087		



Fixed Electrical Ground Power (FEGP) 2012-13 3rd Party Element only Trading Variance Table 6-3 Statement Table 6-3 £'000 £'000 £'000 Commentary on variance £'000 Revenue per 12/13 Trading Statement 9,490 11/12 bfwd (under) / over recovery (2,224)Reduced consumption (1,015)Total Revenue 7.266 8.281 (1,015)(1,015)Higher electricity cost driven by Electricity NRC pricing (1,206)Reduced maintenance costs 322 Direct Expenditure (885)4,449 3,563 (885) Allocated costs and Annuity 4,718 4,718 0 Ash cloud rebate (168)168 Ash Cloud Rebate Net (under) / over recovery at 31 March 2013 (1,732) (1,732)0 Income is charged per qtr hour periods, whereas Electricity costs represents the actual cost of the electricity supplied.

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.

Conversely, usage volume increases will result in a decrease in the price per unit.



Heating & Ventilation				
2012-13				
3rd Party Element only	Trading Statement £'000		Variance Table 6-3 £'000	Commentary on variance
Revenue per 12/13 Trading Statement	1,388			T5 Energy Centre costs were not included in the Table 6-3 submission, neither was the reduction in the other boiler houses caused by the relocated usage. The additional
Total Revenue	1,388	1,044	344	costs and revenue reflect the net increase in the provision of H&V facilities.
Direct Expenditure Allocated costs and Annuity	1,096 921	748 921	(348 <u>)</u> 0	T5 Energy Centre costs were not included in the Table 6-3 submission, neither was the reduction in the other boiler houses caused by the relocated usage. The additional costs and revenue reflect the net increase in the provision of H&V facilities.
		(00=)		
Net (under) / over recovery at 31 March 2013	(629)	(625)	(4)	
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Note: Heating & Ventilation income is based upon rents agreed by the AOC rents group, therefore any (under)/over recoveries are not rolled forward into the following year's price setting.



Water & Sewerage 2012-13					
3rd Party Element only	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 12/13 Trading Statement Backbilling Income adjustment 11/12 bfwd (under) / over recovery Total Revenue	1,296 110 (468) 938	1,091	(153)	Additional backbilled income relating to prior years Pricing adjusted to reflect cost decreases and lower total airport consumption Increase in 3rd party share from 16% per Table 6-3 to 31% per Actuals	110 (1,276) 1,013
		,		Reduced Water supply costs	(153) 453
Direct Expenditure	927	715	(211)	Increase in 3rd party share from 16% per Table 6-3 to 31% per Actuals	(664) (211)
Allocated costs and Annuity	371	371	0		
Backbilling Cost Adjustment	81		(81)	Direct costs related to the adjustment for additional revenue for backbilled 3rd party	
Cap backbilling to CAA decision 3rd party share	(81)		81	Direct costs related to the adjustment for additional revenue for backbilled 3rd party consumption in the period prior to 12/13	
Net (under) / over recovery at 31 March 2013	(359)	5	(364)		



Security Documentation 2012-13					
3rd Party Element only	Trading Statement Τ £'000	able 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 12/13 Trading Statement 11/12 bfwd (under) / over recovery	3,562 2,099				
, ,				Significant increase in volume of passes issued without incurring an increase in costs plus introduction of new tariffs to ensure greater compliance with security standards	2,635
Total Revenue	5,661	3,202	2,458	Decrease in 3rd party share from 85% per Table 6-3 to 80% per Actuals -	(176) 2,458
				Staff savings Purchase of ID issue cards, card holders and lanyards	456 (576)
				Other	112
Direct Expenditure	1,564	1,556	(8)		(8)
Allocated costs and Annuity	1,646	1,646	0		
Net (under) over / recovery at 31 March 2013	2,450	0	2,450		
Note: Due to the predominantly fixed nature of the total of Conversely, usage volume increases will result in a decr	-		will lead to an in	crease in the price per unit.	



Bus & Coach					
2012-13					
3rd Party Element only	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'00
Revenue per 12/13 Trading Statement	1,477			Underlying decrease in income Increase in 3rd party share from 73% per Table 6-3 to 86% per Actuals	(452 29
Total Revenue	1,477	1,630	(153)	increase in ord party share norm 70% per rable 0 0 to 00% per Actuals	(153
Direct Expenditure	1,758	128	(1,630)	Staff Property Related Maintenance & Equipment Management fees Increase in 3rd party share from 73% per Table 6-3 to 86% per Actuals	(28 (6 (121 (1,452 (23 (1,630
Allocated costs and Annuity	3,878	3,878	0		
Net (under) / over recovery at 31 March 2012	(4,159)	(2,376)	(1,783)		
Note: Bus and Coach income is based upon commercial agree	ments with suppliers, there	efore any (uno	der)/over recove	ries are not rolled forward into the following year's price setting.	



