

# General Notice

Tariffs with effect from 1 January 2016

Date: 30 September 2015

Reference: 01/15

## **Tariffs affected**

**From 1 January 2016**

- **Airside licences**
- **Baggage**
- **Check-in desks and Common use self-service (CUSS)**
- **Electricity**
- **Fixed electrical ground power (FEGP)**
- **Gas**
- **Passengers with reduced mobility (PRMs)**
- **Pre conditioned air (PCA)**
- **Staff car parking**
- **Staff identity cards and vehicle apron passes**
- **Waste services**
- **Water**
- **Airline Operators Committee (AOC)**
- **Common IT Infrastructure**

## 1.0 INTRODUCTION

This General Notice (GN) sets out the charges for the services listed above at Heathrow Airport effective 1 January 2016. Prices from 1 January 2015 to 31 December 2015 will remain as currently advised and can be found in the attached schedule to this GN.

Heathrow Airport Ltd (HAL) has sought to provide full transparency on the costs to the Other Regulated Charges Group (ORCG) as well as at monthly governance, which has membership from across those operating at the airport, including airlines, the Airline Operators Committee (AOC) and other users of the listed Other Regulated Charges (ORC) services.

The economic regulator of Heathrow, The Civil Aviation Authority (CAA) has reflected Heathrow's Other Regulated Charges<sup>1</sup> revenues that are based on applying jointly agreed principles, as agreed at Governance and reflected in the Other Regulated Charges Protocol. Pricing is based on applying these principles and transparency arrangements as follows:

- Prices are set to enable only the recovery of costs (no profit margin is included);
- Costs consist of allocated costs, annuities and direct costs;
- Annuities reflect the cost of infrastructure investment;
- No cross-subsidisation of income between categories;
- Where income is greater than the costs in the previous year, this “over recovery” will be returned by a reduction in the prices in the following year, the opposite is true where an “under recovery” has been generated;
- Pricing must be supported by transparency on costs and revenues and externally audited Trading Statements.

If you have any questions concerning the new charges or require further information relating to other regulated charges or Heathrow's Other Regulated Charges Group, please contact HAL's Commercial Team on 0208 745 7072, [halorc@heathrow.com](mailto:halorc@heathrow.com) or visit [www.heathrowairport.com/orc](http://www.heathrowairport.com/orc).

Any reference to “Q6” (quinquennium 6) in this notice relates to the 9 month and 4 year period starting 1 April 2014 ending 31 December 2018.

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<sup>1</sup> CAA adjusted Heathrow's Alternative Business Plan

## 2.0 BACKGROUND

The prices in this GN cover the 12 months from 1 January 2016 and is the third price notification within Q6. The forecast costs are consistent with a) the annuities and allocated costs in the CAA's Decision<sup>2</sup> and b) reflect the regulated year end as December.

HAL and the ORCG have continued to review costs via the Governance Groups. The input of these groups formed the basis of the pricing consultation which was concluded at the ORCG. Key elements are as follows:

- Annuities and allocated costs are being recovered at the levels set out in the CAA's Decision, subject to inflation (RPI);
- All prior year over or under recoveries (as agreed at Governance) are accounted for in the prices effective 1 January 2016.
- Across all of the ORC prices in this GN, a prior year over recovery of net £5.4m is being returned and therefore, the net impact, is to reduce the prices that are effective 1 January 2016;
- New pricing categories for Q6 continue – they are a contribution to AOC costs and Common IT Infrastructure (Passive LAN);
- Other Common IT infrastructure charges (Wireless LAN and Active LAN) will continue to be notified in a separate notice;
- Fixed Electrical Ground Power (FEGP) and Pre Conditioned Air (PCA) are now being invoiced based on metered consumption (effective 1 June 2014);
- Hold Baggage Screening (HBS) maintenance is no longer recovered through aeronautical charges and is instead built into the “price per bag” within this GN.

The annuities and allocated costs are consistent with those agreed during the Q6 consultation and with the CAA's Decision.

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<sup>2</sup> “Economic regulation at Heathrow from April 2014: Notice granting the licence, 13<sup>th</sup> February 2014”

### **3.0 PRICING**

All prices exclude VAT.

The prices set out in this Notice will be effective 1 January 2016 and are intended to continue until updated by a further General Notice – it is anticipated that the ORCG will review the 2016 cost base early in 2016 with a view to updating the prices within this GN if necessary. HAL reserves the right to amend prices during the year, where a material change occurs which significantly impacts the assumptions upon which these prices were initially based. Prior to implementing any changes, HAL will consult with the ORCG.

The prices take into account any under or over recoveries shown in the Trading Statements for 2014, not previously included in the pricing for 2015 and also any forecasted over or under recovery relating to the current pricing period 2015 (covering the 12 months from 1 January 2015 to 31 December 2015).

HAL has worked with the ORCG to understand and manage the cost base within these ORC categories. The drivers of cost base increases and decreases have been described below.

#### **Airside licences**

Airside licence costs consist of allocated costs, annuities and the operating and maintenance costs of the ramp operations' team.

These costs have been consulted upon with the Airport Users' Committee (AUC).

The licence price within this GN has been increased to reflect an increase in staff costs due to additional resource.

A forecast over recovery of £0.03m is being returned within the 1 January to 31 December 2016 price.

The price will be £2,606 per licence per annum.

#### **Baggage**

Baggage costs consist of allocated and direct costs. Direct costs include: operations and maintenance of the infrastructure, business rates and utilities. For the avoidance of doubt, the price per departing bag recovers the cost of managing the departing, arriving and transferring of bags.

The unit rate is based on 36.6m departing bags in the 1 January to 31 December 2016 pricing period.

The bag price has been reduced to take into account the forecast over recovery of £2.4m being returned within the 1 January to 31 December 2016 price. The over recovery is a result of savings against the cost base in operating and maintenance, business rates and cleaning.

Baggage prices will continue to be charged on a “per departing bag” basis. This charge will be invoiced monthly in arrears against each airline’s actual number of direct and transferring departing bags as shown in Merlinlite.

The price will be £3.47 per departing bag.

### **Check-in desks and Common Use Self Service (CUSS)**

Check-In and CUSS costs consist of allocated costs, annuities and direct costs. Direct costs include: site fees, maintenance, operating costs and business rates.

The check-in price in this GN reflects the closure of T1 on the 30 June 2015 and a forecast over recovery from 2015 of £0.1m. The net impact is that the recoverable cost reduces by £0.3m in 2016 compared to the 2015 GN cost. The guideline price for 2016 reduces from £3.23 to £3.10 per hour.

There will be no change to the combined Check-In and CUSS charge model. Check-In desk charges will continue to be based upon actual use of desk time and therefore could vary from the above price. These charges are assessed and invoiced monthly in arrears. CUSS is included within the Check-In desk charges.

Airline-owned self-service kiosks will remain outside of the scope of the above price.

### **Electricity**

Electricity costs consist of annuities, allocated and direct costs. Direct costs include: purchase costs for the provision of high and low voltage electricity at the airport. Forecast consumption is then used to calculate average unit prices for electricity.

An over recovery of £1.3m forecast in the period 1 January – 31 December 2015 is being returned to the community in the 1 January to 31 December 2016 pricing period.

The annuities and allocated costs have been taken through the Q6 consultation and are consistent with the CAA’s Decision. CRC charges are no longer levied upon the majority of Heathrow consumption, resulting in the removal of this charge to customers.

Only High Voltage users pay the Capacity Charge.

Individual prices are as set out in the attached schedule to this GN.

## **Fixed Electrical Ground Power (FEGP)**

FEGP costs consist of annuities, allocated and direct costs. Direct costs include: staff, maintenance, parts and electricity costs. Electricity costs are calculated using the airport rate set out in the attached schedule.

A forecast over recovery of £0.4m is being returned within the 1 January to 31 December 2016 price.

Consumption will continue to be billed on a per kilowatt hour (kwh) basis. Automatic Meter Reading (AMR) meters have been installed on the FEGP equipment enabling electricity consumption to be measured at five minute intervals. Meter data is cross referenced with aircraft on stand data to create an invoice showing the number of kwh consumed. There is no maximum cap per day, the actual kwh used are invoiced.

The 2016 price for one kilowatt hour is £0.46.

Improved quality of data resulting from this project will be shared appropriately in order to jointly work with airlines to reduce costs.

## **Gas**

Gas costs consist of annuities, allocated and direct costs. Direct costs include: purchase costs, staff costs and maintenance costs. Forecast consumption is then used to calculate an average unit price for gas.

The gas price will increase to £0.02 per kwh.

## **Passengers with reduced mobility (PRMs)**

The cost of the PRM service consists of the direct operating cost, which is primarily the contracted service provider, and allocated costs.

The contract for the provision of the PRM service was due to end on the 31 July 2015. HAL formed a PRM Steering Group consisting of AOC and airline representatives to decide on the contracting strategy for the service which has now been executed and reflected in 2016 pricing. Average prices are falling whilst handling a significant increase in the forecast number of PRM journeys.

The basis of the charges introduced in GN 02/12 issued in December 2012 will remain for 2016. The pre-notification threshold will remain at 30 hours and it should be noted that a valid pre-notification must include the following:

- Passenger name (first initial and full last name)
- Flight details into or out of LHR (including date)
- Full Special Service Request (SSR) code
- Type of assistance and/or equipment required

As per the Regulation (EC) No.1107/2006 Article 6, an airline has an obligation to pre-notify the airport with the assistance information concerned with the relevant PRM. The above PRM information is required by HAL in order to provide assistance in accordance with the Regulation. The pre-notification performance is important in that it facilitates the most efficient use of resources and therefore cost.

A forecast over recovery of £0.02m is being returned within the 1 January to 31 December 2016 price.

The charges for PRMs have been revised as follows:

**Category 1** – at 65%+ pre-notification at 30 hours shall be £0.50 per departing passenger

**Category 2** – between 50% and 64.99% pre-notification at 30 hours shall be £1.17 per departing passenger (consisting of £0.50 base price + £0.67 supplement)

**Category 3** – less than 50% pre-notification at 30 hours shall be £2.40 per departing passenger (consisting of £0.50 base price + £1.90 supplement)

### **Pre conditioned air (PCA)**

PCA costs consist of annuities, allocated and direct costs. Direct costs include: staff, maintenance, parts and electricity costs. Electricity costs are calculated using the rate set out in the attached pricing schedule.

PCA charges are invoiced based on kilowatt hours (kwh) used. Automatic Meter Reading (AMR) meters have been installed on the PCA equipment enabling electricity consumption to be measured at five minute intervals. Meter data will be cross referenced with aircraft on stand data to create an invoice showing the number of kwh consumed.

Improved quality of data resulting from this project will be shared appropriately in order to jointly work with airlines to reduce costs. HAL has been working to improve the performance of PCA, which, together with savings versus running the APU should result in increased adoption, which in turn will further reduce the price. HAL will engage directly with any airlines that could benefit from using PCA.

£0.2m of the forecast under recovery in the period 1 January – 31 December 2015 will be carried forward and recovered in the 1 January to 31 December 2016 pricing period.

The price effective 1 January 2016 for one kilowatt hour is £1.77.

### **Staff car parking**

Staff car parking costs consist of annuities, allocated costs and direct costs, which include bussing, car park management and business rates. A £14 levy is also included in the perimeter pass price to help fund public transport initiatives.

From the 1 January 2016 the perimeter pass price will be £596.70 per annum. This price reflects the return of a forecast £0.7m over recovery from 2015.



It has been identified that a number of companies on airport are paying for passes that are no longer in use. In order to ensure maximum efficiency we would ask all airport users to remind their pass controllers to verify the number of passes on issue via <https://parking.airbuild.co.uk>. If utilisation reports are required for passes please contact [employeeeparking@heathrow.com](mailto:employeeeparking@heathrow.com). The accuracy of passes on issue will support improvements in operational planning and performance across the airport and may result in cost savings for individual companies.

For further information on car parking products please contact [travel\\_services@heathrow.com](mailto:travel_services@heathrow.com)

## **Staff identity cards and vehicle apron passes**

The cost of the staff identity card and vehicle apron pass service consists of annuities, allocated and direct costs which include control and administrative costs.

From the 1 January 2016 the charge for a permanent machine readable pass will be £13.72, a reduction of 3%. This price includes the return of £0.4m forecast over recovery from 2015.

HAL with the Staff ID Governance Group has reviewed all the ID pass charging categories and decided on a simplified approach. From January 2016 there will be one price for a permanent machine readable pass (incorporating new and re-issued passes), and one price for a temporary pass covering the period 1-30 days. As part of this simplification, a number of changes to a current pass will be actioned free of charge. The changes to the unit tariffs are designed to incentivise compliance and to simplify the pricing structure and are detailed in the schedule at the back of this GN.

The charges for vehicle apron passes remain unchanged for 2016.

The non surrender of passes represents a compliance issue for the airport. Therefore a charge for un-surrendered passes was introduced which has been effective in reducing the volume of these passes. The ID Centre write to companies to notify them of un-surrendered passes prior to levying charges. However there remain a number of companies with persistent volumes of un-surrendered passes. Ultimately the airport reserves the right to suspend the issuance of further passes to companies with persistent issues.

## **Waste services**

Waste services costs consist of annuities, allocated and direct costs. Direct costs include: waste contracts and staff costs.

An over recovery of £0.24m forecast in the period 1 January – 31 December 2015 will be carried forward and returned in the 1 January to 31 December 2016 pricing.

Tiered prices are calculated to reflect the greater use of the service by some operators and are set out in the attached schedule.

There are two types of waste charge:

- Refuse Area Charge
- Refuse Bin Room Charge

The Refuse Area base charge will reduce by 16% to £60.43 per assessed unit per quarter. Refuse Area prices will continue to be charged on a “per assessed unit basis” where one unit equals 250 sq ft.

The Refuse Bin Room base charge (only applicable in Terminal 2 and Terminal 5) will reduce by 16% to £336 per outlet per quarter. Refuse Bin Room prices will continue to be charged on a “per outlet basis”.

## **Water**

Water costs consist of annuities, allocated and direct costs. Direct costs include: purchase costs, staff costs and maintenance costs. Forecast consumption is then used to calculate average unit prices for water.

An over recovery of £0.15m forecast in the period 1 January – 31 December 2015 will be carried forward and returned in the 1 January to 31 December 2016 pricing.

The Water and Sewerage charge effective 1 January 2016 is £10.58 per cubic metre.

A breakdown of the individual water prices is set out in the attached schedule to this GN.

In circumstances where a user has a separate trade effluent consent from Thames Water, HAL levies charges for the supply of water only i.e. the sewerage proportion of the charge is removed.

## **Airline Operators Committee (AOC)**

AOC costs consist of allocated and direct costs. Direct costs are made up of facilities and resource costs. The cost and resulting charge is not intended to fund all of the AOC operating costs.

A forecast under recovery of £0.03m has been included within the 1 January to 31 December 2016 price. This was largely driven by updating the applicable rental charges.

The price will be £0.0139 per departing passenger.

## **Common IT Infrastructure**

Common IT infrastructure consists of three separate categories and therefore prices. They are; “common use” of the Passive local area network (LAN), the Active LAN and the Wireless LAN. The price stated within this GN is for the Passive LAN component only and will be an ORC for the duration of Q6.

The two further IT prices, for the “common use” of both the Active LAN and Wireless LAN, whilst not part of the ORC income forecast in the CAA’s Decision and therefore not officially an ORC, will

be priced using ORC principles. The income for these two prices remains within Heathrow's commercial revenues and therefore will be communicated in a separate notice to this GN.

Users of Common Passive LAN can be defined as any organisation using either Common Use or dedicated Common Use equipment (whether or not provided by means of a service provider), where the service is delivered over the HAL Managed LAN Service.

"Common Use" Passive LAN costs consist of annuities, allocated and direct costs. Direct costs include staff costs. Forecast number of ports are then used to calculate an average unit price.

£0.06m of the forecast under recovery in the period 1 January – 31 December 2015 will be carried forward and recovered in the 1 January to 31 December 2016 pricing period.

The price has increased due to the already agreed annuity cost being distributed over fewer ports following the closure of Terminal 1.

The Common Passive price per port per annum is £211.26.

#### **4.0 FURTHER INFORMATION**

If you have any questions concerning the new charges or require further information relating to other regulated charges or Heathrow's Other Regulated Charges Group, please contact HAL's Commercial Team on 0208 745 7072, at [halorc@heathrow.com](mailto:halorc@heathrow.com) or visit Heathrow's website [www.heathrowairport.com/orc](http://www.heathrowairport.com/orc).

Brian Woodhead  
Commercial Director  
For and on behalf of Heathrow Airport Limited



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## HEATHROW AIRPORT LIMITED

### Pricing Schedule

<b>Product/ service</b>		<b>Effective 01-01-2015</b>	<b>Effective 01-01-2016</b>
	<b>units charged</b>	<b>unit price</b>	<b>unit price</b>
<b>Airside Licences</b>	per licence	£2,250.00	£2,606.00
<b>Baggage</b>	per bag	£3.53	£3.47
<b>Check-in desks &amp; CUSS†</b>	guideline price per hour	£3.23	£3.10
<b>Electricity</b>			
Carbon Reduction Commitment (CRC)	per kwh	£0.009	£0.000
Electricity Low Voltage - supply	per kwh	£0.094	£0.081
Electricity Low Voltage - infrastructure	per kwh	£0.136	£0.139
Electricity High Voltage - supply	per kwh	£0.094	£0.081
Electricity High Voltage - infrastructure	per kwh	£0.077	£0.079
Electricity (Capacity)	per kva/ month	£3.59	£3.10
<b>Fixed electrical ground power (FEGP)</b>	per kwh	£0.49	£0.46
<b>Gas</b>	per kwh	£0.01	£0.02
<b>Passengers with reduced mobility (PRMs)</b>			
Category 1 (Above 65% at 30 hours)	per departing passenger	£0.52	£0.50
Category 2 (50% to 64.99% at 30 hours)	per departing passenger	£1.17	£1.17
Category 3 (less than 50% at 30 hours)	per departing passenger	£2.40	£2.40
<b>Pre conditioned air (PCA)</b>	per kwh	£1.81	£1.77
<b>Staff car parking (SCP)</b>			
Perimeter passes ▲	per pass	£635.41	£596.70
Lost passes	per disc or per card	£30.00	£30.00
<b>Staff identity cards (SID)</b>			
Temporary photographic ID pass (1 to 5 days)	per pass	£1.93	£2.56
Temporary photographic ID pass (1 to 30 days)	per pass	£3.85	
32k machine readable ID pass - issue	per pass	£14.19	£13.72
32k machine readable ID pass - re-issue	per pass	£12.23	
Penalty charge for lost or	per pass	£4.88	

stolen pass - 32k				
64k machine readable ID pass - issue	per pass		£18.48	
64k machine readable ID pass - re-issue	per pass		£16.79	
Penalty charge for lost or stolen pass -64k	per pass		£5.91	£13.72
Machine readable ID pass - landside	per pass		£2.44	
32k machine readable ID pass amendment	per pass		£4.88	
64k machine readable ID pass amendment	per pass		£5.91	FREE
Application "no show"	per "no show"		£62.26	£62.00
All unsurrendered passes (60 days+ from expiry)	per pass		£50.00	£150.00
All unsurrendered passes (120 days+ from expiry)	per pass		£150.00	N/A
<b>Vehicle apron passes (VAP)</b>				
Liveried vehicle airside pass - annual	per pass		£32.26	£32.26
Liveried vehicle airside pass - temporary	per pass		£7.93	£7.93
Private vehicle airside pass - annual	per pass		£1,654.50	£1,654.50
Private vehicle airside pass - temporary	per pass		£31.63	£31.63
All unsurrendered passes (60 days+ from expiry)	per pass		£50.00	£50.00
All unsurrendered passes (120 days+ from expiry)	per pass		£150.00	£150.00
<b>Waste Services</b>				
<b>Refuse Area Charge:</b>				
Low Waste Use (eg Services)	per assessed unit per quarter		£72.30	£60.43
Medium Waste Use (eg Shops)	per assessed unit per quarter		£83.15	£69.50
High Waste Use (eg Food & Beverage outlets)	per assessed unit per quarter		£93.99	£78.56
<b>Refuse Bin Room Charge: Δ</b>				
Low Waste Use (eg Services)	per outlet per quarter		£399	£336
Medium Waste Use (eg Shops)	per outlet per quarter		£1,302	£1,098
High Waste Use (eg Food & Beverage outlets)	per outlet per quarter		£2,409	£2,032
<b>Water</b>				
Water & sewerage	per cubic metre		£11.42	£10.58
Water supply only	per cubic metre		£8.83	£8.19
Waste water only	per cubic metre		£3.42	£3.17
Low Temperature Hot Water	per cubic metre		£10.17	N/A
Chilled Water	per cubic metre		£10.17	N/A
Domestic Hot Water	per cubic metre		£13.50	£12.51

<b>Airline Operators Committee (AOC)</b>	per departing passenger	£0.0131	£0.0139
<b>IT Common Passive</b> □	per port	£147.44	£211.26

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**Notes:**

- † The actual invoice will be based on actual time logged on to a check-in desk and will vary slightly from the “guideline” price shown here. Rates in T2, T3 and T4 differ from T5.
- ▲ Price shown represents an annualised price, 1/12<sup>th</sup> of which will be used when calculating a monthly charge when invoicing.
- △ The refuse bin room charge is only applicable in Terminal 2 and Terminal 5.
- Price shown is for Common Passive LAN only. Other “Common IT Infrastructure” prices are not ORC’s but will be priced using ORC principles and will therefore be subject to a separate notification.

**END.**