

# General Notice

Tariffs with effect from 1st April 2010

Date : 12th March 2010

Reference: GN 03/10

## **Tariffs affected**

**From 1st April 2010**

- **Airside licences**
- **Airport waste services**
- **Electricity**
- **Fixed electrical ground power (FEGP)**
- **Gas**
- **Pre conditioned air (PCA)**
- **Water and sewerage**
- **Low temperature hot water**
- **Domestic hot water**
- **Chilled water**
- **Baggage**
- **Check-in desks and Common use self service (CUSS)**
- **Passengers with reduced mobility**
- **Staff identity cards and vehicle apron passes**
- **Staff car parking**

## 1.0 INTRODUCTION

This Notice sets out revised charges for the services listed above at Heathrow Airport effective from 1st April 2010.

Some of these activities and services are “Specified Activities” as prescribed by the Civil Aviation Authority (CAA). In these cases, the CAA has stated the principles to be used to set prices:

- prices are set to enable full recovery of costs;
- costs consist of allocated costs, annuities and direct costs;
- pricing must be supported by transparency on costs and revenues and externally audited Trading Statements.

Other services are not designated as Specified Activities but a similar pricing methodology is used.

This Notice follows the completion of consultation by Heathrow Airport Limited (HAL) on 2010/11 prices for these activities and services through the Heathrow Non Regulated Charges Group (NRCG). The NRCG operates in accordance with the constructive engagement framework set out by the CAA and its membership includes airline representatives and the Heathrow Airline Operators Committee (AOC).

HAL has sought to provide full transparency on costs to the NRCG, focusing particularly on reasons for variance to the current year 2009/2010.

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

Any reference to “Q5” in this notice relates to the current 5 year pricing period (Quinquennium 5), 1st April 2008 to 31st March 2013.

## 2.0 BACKGROUND

HAL and the NRCG have been engaged in discussions regarding the level of and methodology for, pricing for 2010/11, since August 2009.

- HAL has confirmed that it will recover annuities and allocated costs at the levels agreed within the CAA decision dated 11 March 2008, subject to inflation.
- HAL is forecasting an estimated £953k under recovery of direct costs from 2009/10 to be carried forward into 2010/11.
- HAL and the NRCG have agreed a protocol that further defines the principles agreed for non regulated charges at Heathrow for 2010/11. HAL and the NRCG are committed to the existing joint fora to review issues such as contract placement, direct costs, scope, service and transparency for individual activities.

- In some instances substantial price variances have been implemented to address the impact of the previous year's under or over recoveries. Within this Notice, HAL has identified whether these variances are long or short term.

### **3.0 PRICING**

All prices exclude VAT.

The prices set out in this Notice are intended to apply for the entire period, 1st April 2010 through 31st March 2011. However, HAL reserves the right to amend prices during the year, where a material change arises which significantly impacts the assumptions upon which these prices were initially based. Prior to implementing any changes, HAL would consult with the NRCG.

The trading statements to be released in December 2010, will show any under or over recoveries of price against direct costs and these will be taken into account when setting prices for individual activities in the following year.

#### **Airside licences**

The prices for these licences have been recommended by the NRCG and will be sent to the Airport Users Committee (AUC) for final agreement. The next meeting of the AUC is scheduled for July 2010.

Airport licences will increase by 50% to £3,900 each per annum.

Note: This price increase is the direct result of previous years' under recoveries against costs. HAL anticipates a reduction in price for 2011/12, based on current cost forecasts.

#### **Airport waste services**

The costs for waste services predominantly consist of third party supplier costs for managing the airport waste contracts. An average airport rate is derived from an airport wide assessment of costs.

Waste charges will increase by 5% to £55.73 per assessed unit per quarter.

#### **Electricity**

The costs for electricity consist of allocated costs, annuities, and purchase costs. Forecast consumption is then used to calculate an average unit price for electricity.

The price of both high voltage and medium voltage electricity will decrease by 10% for 2010/11. Individual prices are as set out in the attached schedule.

Note: This price reduction is the direct result of prior years' over recovery against costs. For comparison purposes, prices would have reduced by 1% without the benefit of this over recovery. HAL anticipate a 5.5% increase in price next year based on current cost forecasts.

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

FEGP costs consist of allocated costs, annuity and electricity costs (using the airport rate set out in the matrix below).

The price of FEGP will decrease by 23% to £2.33 per quarter hour.

Note: This price reduction is the direct result of prior years' over recovery against costs. For comparison, prices would have reduced by 8% without the benefit of this over recovery. HAL anticipate a return to 2009/10 levels of pricing next year, based on current cost forecasts.

## **Gas**

For customers billed for gas supplied directly, the price of gas will increase by 14% to 5.16 pence per kwh. This price change does not relate to heating rents, which will continue to be reviewed and priced via the Airline Operating Committee Rents Group.

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

The price of pre-conditioned air will remain at 27 pence per kwh.

## **Water, sewerage, chilled and heated water**

Water costs consist of allocated costs, annuities, maintenance, staff and purchase costs. Forecast consumption is then used to calculate an average unit price.

The price of water will decrease by 56% for 2010/11. A breakdown of individual prices is set out in the attached matrix.

Note: This price reduction is the direct result of prior years' over recovery against costs. For comparison purposes, prices would have reduced by 30% without the benefit of this over recovery. HAL anticipate an increase in price for 2011/12 based on current cost forecasts.

Charges for low temperature hot water, domestic hot water and chilled water are calculated via an agreed escalator against the base water price. This reflects the additional cost incurred by HAL in heating or chilling water and has previously been agreed with the AOC. The escalators are 15% for low temperature hot water and chilled water and 48% for domestic hot water.

In circumstances where a user has a separate trade effluent consent from Thames Water, HAL levies charges the supply of water only ie. the sewerage proportion of the charge is removed. The price of water, on a supply only basis will reduce by 56%.

## **Baggage**

Baggage costs consist of allocated costs, business rates on baggage facilities, HAL maintenance and operating costs (mainly third party suppliers) for departing, arriving and transfer bags.

Baggage prices will continue to be charged on a per departing bag basis.

The charge per departing bag will decrease by 3% to £3.11. This charge will be invoiced monthly in arrears against each airline's actual number of direct and transferring departing bags processed.

This price calculation assumes 34.5 million departing bags during the period. In the event that bag volumes deviate significantly from this assumption, HAL following consultation with the NRCG, will revise the charge per departing bag. Such variance would be the forecast outturn divided by the forecast volume of bags at the time of forecast, taking into account the impact of any under/ over recoveries, incurred to date and would be applicable for the period 1st October 2010 to 31st March 2011.

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

The costs for Check-in and CUSS consist of allocated costs, amortisation, business rates, maintenance, operating costs and site fees.

A new provider has been jointly selected by HAL and the NRCG for the supply and support of CUSS kiosks from 1st April 2010.

There will be no change to last year's combined Check-in and CUSS charge model. Check-in desk charges will continue to be based upon use of desk time. These charges are assessed monthly and invoiced monthly in arrears. CUSS is included within the Check-in charges.

The average unit price will increase by 15% to £20.40 per desk per day. This increase is due to a 40% increase in the number of kiosks. As per General Notice 03/09, last year's price was capped at 2008/09 price levels and included an agreement by HAL to write off 50% of the predicted £2.8m under recovery. HAL anticipates that unit rates will decrease once CUSS becomes more prevalent across the airport.

Note: This unit price is based on full utilisation. In practice charging rates vary monthly depending on utilisation.

Airline self service kiosk machines will remain outside of the above structure.

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

General Notice 12/09 was issued on 21st December 2009. This introduced a variable charging model depending on levels of pre-notification of PRMs. Further improvements are anticipated in airline pre-notification and classification. A new supplier contract will be introduced during summer 2010. Revised prices will be introduced from 1st October 2010, indicative revised prices have been provided for information. Any airlines affected by changes in classification will be notified in writing.

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

Staff identity card costs and vehicle apron pass costs consist of allocated costs and costs associated with control and administration activities.

Due to the current economic situation, pass volumes have decreased substantially and cost savings have been made and whilst the historical under recovery has reduced this has not been eradicated as yet. The prices of all staff identity cards and vehicle apron passes will increase by 20% to address this under recovery situation.

## **Staff car parking**

Staff car parking costs consist of allocated costs, annuity, business rates and operating costs. A £12 levy per pass is also included in each parking pass price to help fund public transport initiatives.

The total number of car parking passes has reduced significantly over the past few years and this trend is forecast to continue. Historically the price split between terminal adjacent parking (CTA & T4) and perimeter parking has not reflected the considerably higher costs incurred in providing parking within the terminal adjacent areas. Following consultation with the NRCG, HAL will introduce, in phases, a revised pricing model that reflects the true cost allocation of terminal adjacent and perimeter parking. The reduction in perimeter pass prices and corresponding increase in terminal adjacent parking (CTA & T4) pass prices are the first step to implementing this intention.

Perimeter passes will reduce by 5% to £664 per pass. The terminal adjacent parking (CTA & T4) pass prices will increase by 71% to £1,900 per pass.



For and on behalf of  
Commercial Director, Heathrow Airport Limited

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## HEATHROW AIRPORT LIMITED

### PRICING MATRIX

EFFECTIVE FROM 1ST APRIL 2010

Product/ service	2009/10 price	Price change	2010/11 proposed price
<b>Airside licences</b>	£2,590 per annum	+ 50%	£3,900 per annum
<b>Airport waste services</b>	£52.78 per assessed unit per quarter	+ 5%	£55.73
<b>Electricity (medium voltage)</b>	16.39 pence per kwh	- 10%	14.74 pence per kwh
<b>Electricity (high voltage)</b>	11.18 pence per kwh	- 10%	10.06 pence per kwh
Availability	£2.61 per month per kva available capacity	- 10%	£2.35 per month per kva available capacity
<b>Maximum demand</b>			
Nov & Feb	£6.88 per kva per month	- 10%	£6.18 per kva per month
Dec & Jan	£22.21 per kva per month	- 10%	£19.98 per kva per month
<b>FEGP per 1/4 hour</b>	£3.04 per 1/4 hour	- 23%	£2.33 per 1/4 hour
<b>Gas</b>	4.51 pence per kwh	+ 14%	5.16 pence per kwh
<b>Pre-conditioned air</b>	27 pence per kwh	Nil	27 pence per kwh
<b>Water &amp; sewerage</b>	£2.98 per cubic metre	- 56%	£1.31 per cubic metre
<b>Low temperature hot water</b>	£2.65 per cubic metre		£1.16 per cubic metre
<b>Chilled water</b>	£2.65 per cubic metre		£1.16 per cubic metre
<b>Domestic hot water</b>	£3.52 per cubic metre		£1.54 per cubic metre
<b>Water supply only</b>	£2.30 per cubic metre		£1.01 per cubic metre
<b>Baggage</b>	£3.22 per departing bag*	3%	£3.11 per departing bag**
<b>Check-in desks &amp; CUSS</b>	£17.81 per desk per day***	+ 15%	£20.40 per desk per day****

Product/ service	2009/10 price	Price change		2010/11 proposed price	
		1/4/10 to 30/9/10	1/10/10 to 31/3/11 Indicative	1/4/10 to 30/9/10	1/10/10 to 31/3/11 Indicative
<b>Passengers with reduced mobility (PRMs)</b>					
Category 1 (Above 85%)	42 pence per departing passenger	Nil	- 5%	42 pence per departing passenger	40 pence per departing passenger
Category 2 (65>84.99%)	46 pence per departing passenger			46 pence per departing passenger	44 pence per departing passenger
Category 3 (55>64.99%)	52 pence per departing passenger			52 pence per departing passenger	50 pence per departing passenger
Category 4 (less than 54.99%)	83 pence per departing passenger			83 pence per departing passenger	80 pence per departing passenger
<b>Staff identity cards</b>					
32k machine readable ID pass ▲ - issue	£95.76 per pass	+ 20%		£114.91 per pass	
32k machine readable ID pass ▲ - re-issue	£82.55 per pass	+ 20%		£99.06 per pass	
32k machine readable ID pass ▲ - amendment	£32.95 per pass	+ 20%		£39.54 per pass	
Penalty charge for lost or stolen pass - 32k ▲	£32.95 per penalty	+ 20%		£40.00 per penalty	
64k machine readable ID pass * - issue	£95.76 per pass	+ 20%		£114.91 per pass	
64k machine readable ID pass * - re-issue	£124.65 per pass	+ 20%		£99.06 per pass	
64k machine readable ID pass * amendment	£113.29 per pass	+ 20%		£39.54 per pass	
Penalty charge for lost or stolen pass -64k *	£39.96 per penalty	+ 20%		£47.95 per penalty	
Machine readable ID pass - landside	£16.46 per pass	+ 20%		£19.75 per pass	
Temporary	£32.95 per pass	+ 20%		£39.54 per pass	

<b>Product/ service</b>	<b>2009/10 price</b>	<b>Price change</b>	<b>2010/11 proposed price</b>
photographic ID pass			
Application "no show"	£95.76 per "no show"	+ 20%	£114.91 per "no show"
<b>Vehicle apron passes</b>			
Liveried vehicle airside pass - annual	£49.61 per pass	+ 20%	£59.53 per pass
Liveried vehicle airside pass - temporary	£12.20 per pass	+ 20%	£14.64 per pass
Private vehicle airside pass	£1,436.20 per pass	+ 20%	£1,723.44 per pass
Private vehicle airside pass - temporary	£27.46 per pass	+ 20%	£32.95 per pass
<b>Staff car parking</b>			
CTA & T4 passes	£1,111.23 per pass per annum	+ 71%	£1,900 per pass per annum
Perimeter passes	£698.80 per pass per annum	- 5%	£664 per pass per annum

**Assumptions:**

\*Total cost of £112.73m and 35m departing bags.

\*\*Total cost of £107.32m and 34.5m departing bags.

\*\*\* All airport check-in desks are fully utilised. Average across entire airport, rates in T1,T3 and T4 differ from T5.

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