

Heathrow Airport Limited

2014 actual income to table G.4 – variance analysis

9 months ended 31 December 2014

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1. Introduction

This report provides users with explanations of variances between actual results in the ‘Specified activities – transparency and trading statements’ document to those included within the CAA forecast for specified activities outlined in table G.4, page 278, ‘Economic regulation at Heathrow from April 2014: Notice granting the licence’, the “Q6 decision”, undertaken by Heathrow Airport Limited for the period 1 April 2014 to 31 December 2014.

The CAA forecast for specified activities lists the revenue that is forecast to be generated by Heathrow Airport (ie. third party revenue) for the sixth quinquennium (Q6). Heathrow is required to provide reasons for any deviation from this forecast to users and the CAA in accordance with the requirements of condition C2: Charges for other services, contained in the licence granted to Heathrow Airport Limited under the Civil Aviation Act 2012.

The specified activities for Q6 are as follows:

- Check-in desks
- Baggage systems
- Services for passengers with reduced mobility (PRM)
- Staff car parking
- Staff ID cards
- Fixed electrical ground power (FEGP)
- Pre-conditioned air (PCA)
- Airside licences
- Waste, recycling and refuse collection
- Taxi feeder park
- Heating
- Electricity
- Gas
- Water and sewerage
- Bus and coach facilities
- Common I.T. infrastructure
- HAL’s contribution to the funding of the Heathrow Airline Operators Committee (AOC)

The variance analysis has been made against customer share elements of the actuals for the period 1st April 2014 to 31st December 2014.

This paper uplifts the specified activities included in the Q6 decision to nominal prices using RPI for the period 01 Apr – 31 Dec 2014 from The Office for National Statistics (ONS). The cumulative RPI adjustment of 8.18% is applied as the table is in 2011/12 prices and provides a consistent comparison between CAA forecast and actuals in nominal prices (ie. current year prices).

Indexation	
Average RPI index for the year ended 31 March 2012	237.3
Average RPI index for the year ended 31 March 2014	256.8
Increase from average 2011/12 to average 9 month period to 31 December 2014	8.18%

(sourced from the Office of National Statistics)

2. Summary

Summary OCR income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	133,641	164,088	158,155	158,509	159,240
Annuity	27,876	35,023	33,134	31,715	30,339
Allocated Costs	12,691	15,469	14,830	14,881	14,893
Total Income to be recovered	174,209	214,581	206,119	205,105	204,471
CAA Forecast (nominal prices)					
Direct Costs	144,573				
Annuity	30,157				
Allocated Costs	13,729				
Total Income to be recovered	188,459	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	177,484	0	0	0	0
Variance	(10,974)	0	0	0	0
Prior Year (under)/over recovery	6,594				
(Under)/Over recovery to cfw	(3,564)				
Variance to explain	(7,944)				

2014 Commentary:

Decrease in income recovered vs decision driven by lower costs in Baggage and Electricity

3. Check-in desks

Check-in & CUSS income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	2,943	4,008	3,997	3,739	3,751
Annuity	463	548	518	504	358
Allocated Costs	409	547	542	509	493
Total Income to be recovered	3,815	5,103	5,056	4,752	4,602
CAA Forecast (nominal prices)					
Direct Costs	3,184				
Annuity	500				
Allocated Costs	442				
Total Income to be recovered	4,127	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	4,237	0	0	0	0
Variances (Actuals less CAA Forecast)	110				
Over recovery b/f from prior year	254				
Over recovery to cfwd	(89)				
Variance to explain	275				

2014 Commentary:

Increase in income recovered vs decision driven by a higher number of CUSS kiosks deployed in T2 and associated costs

4. Baggage systems

Baggage income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	85,587	100,549	95,311	97,730	98,845
Annuity	0	0	0	0	0
Allocated Costs	8,388	9,854	9,341	9,578	9,687
Total Income to be recovered	93,974	110,403	104,652	107,308	108,532
CAA Forecast (nominal prices)					
Direct Costs	92,588				
Annuity	0				
Allocated Costs	9,074				
Total Income to be recovered	101,661	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	91,547	0	0	0	0
Variances (Actuals less CAA Forecast)	(10,114)	0	0	0	0
Over recovery b/f from prior year	5,436				
Over recovery to cfwd	(1,550)				
Variance to explain	(6,228)				

2014 Commentary:

Decrease in income recovered vs decision driven primarily by O&M tender savings plus T3IB cost delay and savings delivered by negotiations on the cleaning contract and rates

5. Services for passengers with reduced mobility (PRM)

Passengers with restricted mobility (PRM) income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	12,648	16,587	15,924	14,275	14,138
Annuity	0	0	0	0	0
Allocated Costs	506	663	637	571	566
Total Income to be recovered	13,154	17,250	16,561	14,846	14,704
CAA Forecast (nominal prices)					
Direct Costs	13,682				
Annuity	0				
Allocated Costs	547				
Total Income to be recovered	14,230	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	16,233	0	0	0	0
Variances (Actuals less CAA Forecast)	2,003	0	0	0	0
Under recovery b/f from prior year	(2,310)				
Under recovery to cfwd	608				
Variance to explain	301				

2014 Commentary:

Increase in income recovered vs decision driven by additional T2 transitioning costs and higher PRM volumes

6. Staff car parking

Staff car parking income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	6,780	9,191	9,105	9,071	9,023
Annuity	2,970	3,737	3,610	3,369	3,258
Allocated Costs	1,053	1,396	1,373	1,343	1,326
Total Income to be recovered	10,802	14,325	14,088	13,783	13,607
CAA Forecast (nominal prices)					
Direct Costs	7,334				
Annuity	3,212				
Allocated Costs	1,139				
Total Income to be recovered	11,686	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	13,072	0	0	0	0
Variiances (Actuals less CAA Forecast)	1,387	0	0	0	0
Over recovery b/f from prior year	325				
Over recovery to cfwd	(755)				
Variance to explain	956				

2014 Commentary:

Increase in income recovered vs decision driven by the phasing of savings which will be realised later in the quinquennium, resulting from the negotiation of the bussing and management contracts

7. Staff ID cards

Security documentation income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	710	923	912	905	898
Annuity	66	83	81	78	76
Allocated Costs	93	121	119	118	117
Total Income to be recovered	869	1,128	1,112	1,102	1,091
CAA Forecast (nominal prices)					
Direct Costs	769				
Annuity	71				
Allocated Costs	101				
Total Income to be recovered	940	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	1,784	0	0	0	0
Variances (Actuals less CAA Forecast)	844	0	0	0	0
Over recovery b/f from prior year	92				
Over recovery to cfwd	(869)				
Variance to explain	67				

2014 Commentary:

Increase in income recovered vs decision driven by costs associated with a higher number of ID passes issued for T2

8. Fixed electrical ground power (FEGP)

Fixed electrical ground power (FEGP) income actuals vs CAA decision	9 months	12 months	12 months	12 months	12 months
	Apr to Dec	Jan to Dec	Jan to Dec	Jan to Dec	Jan to Dec
	2014	2015	2016	2017	2018
	£'000s	£'000s	£'000s	£'000s	£'000s
CAA Forecast (11/12 Prices)					
Direct Costs	4,678	5,940	5,678	5,587	5,560
Annuity	2,854	3,631	3,380	3,106	3,000
Allocated Costs	301	383	362	348	342
Total Income to be recovered	7,832	9,955	9,420	9,041	8,903
CAA Forecast (nominal prices)					
Direct Costs	5,060				
Annuity	3,087				
Allocated Costs	326				
Total Income to be recovered	8,473	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	7,988	0	0	0	0
Variiances (Actuals less CAA Forecast)	(485)	0	0	0	0
Under recovery b/f from prior year	(68)				
Over recovery to cfwd	(377)				
Variance to explain	(930)				

2014 Commentary:

Decrease in income recovered vs decision driven by lower consumption and lower maintenance and parts costs

9. Pre-conditioned air (PCA)

Pre-conditioned air (PCA) income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	1,340	1,649	1,449	1,355	1,260
Annuity	2,767	3,605	3,588	3,595	3,500
Allocated Costs	164	210	201	198	190
Total Income to be recovered	4,271	5,464	5,239	5,148	4,950
CAA Forecast (nominal prices)					
Direct Costs	1,450				
Annuity	2,993				
Allocated Costs	178				
Total Income to be recovered	4,621	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	3,595	0	0	0	0
Variances (Actuals less CAA Forecast)	(1,026)	0	0	0	0
Prior year under/over recovery	-				
Under recovery to cfwd	394				
Variance to explain	(632)				

2014 Commentary:

Decrease in income recovered vs decision driven by lower consumption and lower maintenance and parts costs

10. Airside licences

Airside licences income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	611	796	793	794	795
Annuity	25	27	27	26	25
Allocated Costs	76	99	98	98	98
Total Income to be recovered	712	923	918	919	919
CAA Forecast (nominal prices)					
Direct Costs	661				
Annuity	27				
Allocated Costs	83				
Total Income to be recovered	771	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	922	0	0	0	0
Variances (Actuals less CAA Forecast)	152	0	0	0	0
Under recovery b/f from prior year	(27)				
Over recovery to cfwd	(157)				
Variance to explain	(33)				

2014 Commentary:

Decrease in income recovered vs decision driven by lower staff costs following an organisational re-structure

11. Waste, recycling and refuse collection

Waste (area and bin) income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	1,775	2,513	2,580	2,598	2,624
Annuity	288	357	126	122	118
Allocated Costs	83	115	108	109	110
Total Income to be recovered	2,146	2,984	2,814	2,828	2,852
CAA Forecast (nominal prices)					
Direct Costs	1,921				
Annuity	312				
Allocated Costs	89				
Total Income to be recovered	2,322	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	2,026	0	0	0	0
Variances (Actuals less CAA Forecast)	(296)	0	0	0	0
Prior year under/over recovery	-				
Under recovery to cfwd	12				
Variance to explain	(284)				

2014 Commentary:

Decrease in income recovered vs decision driven by lower costs following a contract negotiation

12. Taxi feeder park

Taxi feeder park income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	1,007	1,291	1,286	1,253	1,252
Annuity	315	413	412	413	413
Allocated Costs	159	204	204	200	200
Total Income to be recovered	1,481	1,909	1,902	1,865	1,865
CAA Forecast (nominal prices)					
Direct Costs	1,090				
Annuity	341				
Allocated Costs	172				
Total Income to be recovered	1,602	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	2,228	0	0	0	0
Variiances (Actuals less CAA Forecast)	626	0	0	0	0
Under recovery b/f from prior year	(484)				
Under recovery to cfwd	6				
Variance to explain	148				

2014 Commentary:

Increase in income recovered vs decision driven by the cost of unforecast re-surfacing repairs

13. Heating and Gas

Heating and Gas income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	855	1,117	1,109	1,112	1,112
Annuity	1	2	1	1	1
Allocated Costs	4	6	6	6	6
Total Income to be recovered	860	1,125	1,117	1,119	1,119
CAA Forecast (nominal prices)					
Direct Costs	925				
Annuity	1				
Allocated Costs	5				
Total Income to be recovered	931	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	961	0	0	0	0
Variiances (Actuals less CAA Forecast)	30	0	0	0	0
Over recovery b/f from prior year	110				
Over recovery to cfwd	(104)				
	36				

2014 Commentary:

Increase in income recovered vs decision driven by higher consumption

14. Electricity

Electricity income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	12,551	16,915	17,418	17,492	17,400
Annuity	14,608	18,145	17,095	16,374	15,645
Allocated Costs	1,086	1,402	1,381	1,355	1,322
Total Income to be recovered	28,245	36,463	35,894	35,220	34,366
CAA Forecast (nominal prices)					
Direct Costs	13,577				
Annuity	15,803				
Allocated Costs	1,175				
Total Income to be recovered	30,555	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	25,269	0	0	0	0
Variiances (Actuals less CAA Forecast)	(5,287)	0	0	0	0
Over recovery b/f from prior year	3,182				
Over recovery to cfwd	(232)				
Variance to explain	(2,336)				

2014 Commentary:

Decrease in income recovered vs decision driven by lower electricity prices and lower consumption offset by a (£595k) backbilling cost adjustment agreed with the airline community

15. Water and sewerage

Water & sewerage income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	758	766	758	770	751
Annuity	2,877	3,658	3,517	3,390	3,280
Allocated Costs	145	177	171	166	161
Total Income to be recovered	3,781	4,602	4,447	4,327	4,192
CAA Forecast (nominal prices)					
Direct Costs	820				
Annuity	3,112				
Allocated Costs	157				
Total Income to be recovered	4,090	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	4,416	0	0	0	0
Variiances (Actuals less CAA Forecast)	326	0	0	0	0
Over recovery b/f from prior year	85				
Over recovery to cfwd	(503)				
Variance to explain	(92)				

2014 Commentary:

Decrease in income recovered vs decision driven by lower prices and lower consumption

16. Bus and coach facilities

Bus & coach income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	1,100	1,454	1,450	1,443	1,445
Annuity	396	503	478	445	385
Allocated Costs	180	235	231	227	219
Total Income to be recovered	1,676	2,192	2,159	2,115	2,049
CAA Forecast (nominal prices)					
Direct Costs	1,190				
Annuity	429				
Allocated Costs	194				
Total Income to be recovered	1,813	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	2,586	0	0	0	0
Variiances (Actuals less CAA Forecast)	773	0	0	0	0
Prior year under/over recovery	-				
Over recovery to cfwd	(4)				
Variance to explain	769				

2014 Commentary:

Increase in income recovered vs decision due to the re-structuring of the trading statement which includes notional public buses income as customer share (resulting in 100%); the Q6 decision applies 60% customer share and excludes the notional income generated by public buses

17. Common IT infrastructure

Common IT - passive income actuals vs CAA decision	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
CAA Forecast (11/12 Prices)					
Direct Costs	20	26	26	26	26
Annuity	248	313	301	292	280
Allocated Costs	11	14	13	13	12
Total Income to be recovered	279	353	340	331	319
CAA Forecast (nominal prices)					
Direct Costs	22				
Annuity	268				
Allocated Costs	12				
Total Income to be recovered	302	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	230	0	0	0	0
Variances (Actuals less CAA Forecast)	(72)	0	0	0	0
Prior year under/over recovery	-				
Under recovery to cfwd	51				
Variance to explain	(21)				

2014 Commentary:

Decrease in income recovered vs decision due to managed service costs no longer recovered through passive LAN common IT

18. Airline operators committee (AOC)

	9 months Apr to Dec 2014 £'000s	12 months Jan to Dec 2015 £'000s	12 months Jan to Dec 2016 £'000s	12 months Jan to Dec 2017 £'000s	12 months Jan to Dec 2018 £'000s
AOC income actuals vs CAA decision					
CAA Forecast (11/12 Prices)					
Direct Costs	277	361	358	358	358
Annuity	0	0	0	0	0
Allocated Costs	33	43	43	43	43
Total Income to be recovered	310	404	401	401	401
CAA Forecast (nominal prices)					
Direct Costs	300				
Annuity	0				
Allocated Costs	36				
Total Income to be recovered	336	0	0	0	0
Actual (Trading Statements)					
Total Income recovered	389	0	0	0	0
Variiances (Actuals less CAA Forecast)	53	0	0	0	0
Prior year under/over recovery	-				
Under recovery to cfwd	6				
	59				

2014 Commentary:

Increase in income recovered vs decision driven by higher rent costs