

Heathrow Airport Limited

2015 actual income to table G.4 – variance analysis

Year ended 31 December 2015

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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 year ended 31 December 2015.

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). This forecast is based on certain assumptions and any deviation from this forecast is required to be explained and justified 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 designation of specified activities for Q6 is derived from Annex G in the Q6 decision 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 year ended 31st December 2015.

This paper includes the table G.4 breakdown (as agreed with the CAA) and is uplifted 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 8.93% 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 December 2015	258.5
Increase from average 2011/12 to average year ended 31 December 2015	8.93%

(sourced from the Office of National Statistics)

2. Summary

	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	163,941	158,011	158,364	159,097
Annuity	27,876	35,022	33,133	31,713	30,337
Allocated Costs	12,691	15,463	14,825	14,875	14,887
Total Income to be recovered	174,209	214,427	205,969	204,953	204,321
CAA Forecast (nominal prices)					
Direct Costs	144,573	178,745			
Annuity	30,157	38,152			
Allocated Costs	13,729	16,851			
Total Income to be recovered	188,459	233,748	0	0	0
Actual (Trading Statements)					
Total Income recovered	177,484	242,344	0	0	0
Variance	(10,974)	8,596	0	0	0
Prior Year (under)/over recovery	6,594	3,564			
(Under)/Over recovery to cfwd	(3,564)	(5,499)			
Variance to explain	(7,944)	6,660			

2014 Commentary:

Driven pre-dominantly by Baggage and partly Electricity.

2015 Commentary:

Driven pre-dominantly by Baggage and partly Electricity.

3. Check-in desks

	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	4,367			
Annuity	500	597			
Allocated Costs	442	596			
Total Income to be recovered	4,127	5,559	0	0	0
Actual (Trading Statements)					
Total Income recovered	4,237	5,603	0	0	0
Variances (Actuals less CAA Forecast)	110	44			
Over recovery b/f from prior year	254	89			
Over recovery to cfwd	(89)	(44)			
Variance to explain	275	89			

2014 Commentary:

Driven by higher number of CUSS kiosks deployed in T2, and associated costs.

2015 Commentary:

Driven by higher number of CUSS kiosks deployed in T2, and associated costs, offset partially by early T1 closure.

4. Baggage systems

	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	109,531			
Annuity	0	0			
Allocated Costs	9,074	10,734			
Total Income to be recovered	101,661	120,265	0	0	0
Actual (Trading Statements)					
Total Income recovered	91,547	126,670	0	0	0
Variances (Actuals less CAA Forecast)	(10,114)	6,405	0	0	0
Over recovery b/f from prior year	5,436	1,550			
Over recovery to cfwd	(1,550)	1,161			
Variance to explain	(6,228)	9,116			

2014 Commentary:

Driven primarily by O&M Tender savings, and in addition negotiations on cleaning contract, rates and T3IB costs delay.

2015 Commentary:

Tender savings have continued and are included in both Actuals and CAA Forecast. Variance driven primarily by agreed recovery of baggage resilience costs, out of guage scope and gainshare on O&M Tender savings.

5. Services for passengers with reduced mobility (PRM)

	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	18,068			
Annuity	0	0			
Allocated Costs	547	723			
Total Income to be recovered	14,230	18,791	0	0	0
Actual (Trading Statements)					
Total Income recovered	16,233	20,673	0	0	0
Variances (Actuals less CAA Forecast)	2,003	1,882	0	0	0
Under recovery b/f from prior year	(2,310)	(608)			
Under recovery to cfwd	608	41			
Variance to explain	301	1,315			

2014 Commentary:

Higher costs driven by additional T2 transitioning costs and higher PRM volumes.

2015 Commentary:

Higher costs driven by higher PRM volumes.

6. Staff car parking

	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	10,012			
Annuity	3,212	4,071			
Allocated Costs	1,139	1,521			
Total Income to be recovered	11,686	15,604	0	0	0
Actual (Trading Statements)					
Total Income recovered	13,072	17,748	0	0	0
Variances (Actuals less CAA Forecast)	1,387	2,144	0	0	0
Over recovery b/f from prior year	325	755			
Over recovery to cfwd	(755)	(1,943)			
Variance to explain	956	956			

2014 Commentary:

Driven by phasing of the savings which will be realised later in the Q, resulting from negotiation of the Bussing and Management contracts.

2015 Commentary:

CAA stretch for Travel Services (including non-ORC) applied fully to Staff car parking. Variance offset in Commercial Income.

7. Staff ID cards

	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	1,006			
Annuity	71	91			
Allocated Costs	101	132			
Total Income to be recovered	940	1,228	0	0	0
Actual (Trading Statements)					
Total Income recovered	1,784	1,134	0	0	0
Variances (Actuals less CAA Forecast)	844	(94)	0	0	0
Over recovery b/f from prior year	92	869			
Over recovery to cfwd	(869)	(496)			
Variance to explain	67	278			

2014 Commentary:

Driven by costs associated with higher number of ID passes issued for T2.

2015 Commentary:

Driven by higher number of ID passes and associated costs, as well as additional compliance training and staff training.

8. Fixed electrical ground power (FEGP)

	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	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	6,471			
Annuity	3,087	3,956			
Allocated Costs	326	417			
Total Income to be recovered	8,473	10,844	0	0	0
Actual (Trading Statements)					
Total Income recovered	7,988	10,554	0	0	0
Variances (Actuals less CAA Forecast)	(485)	(290)	0	0	0
Under recovery b/f from prior year	(68)	377			
Over recovery to cfwd	(377)	(768)			
Variance to explain	(930)	(680)			

2014 Commentary:

Driven by lower consumption and lower maintenance and parts costs.

2015 Commentary:

Driven by lower consumption and lower maintenance and parts costs.

9. Pre-conditioned air (PCA)

	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	1,797			
Annuity	2,993	3,927			
Allocated Costs	178	229			
Total Income to be recovered	4,621	5,952	0	0	0
Actual (Trading Statements)					
Total Income recovered	3,595	5,368	0	0	0
Variances (Actuals less CAA Forecast)	(1,026)	(584)	0	0	0
Prior year under/over recovery	-	(394)			
Under recovery to cfwd	394	318			
Variance to explain	(632)	(660)			

2014 Commentary:

Driven by lower consumption and lower maintenance and parts costs.

2015 Commentary:

Driven by lower consumption and lower maintenance and parts costs.

10. Airside licences

	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	867			
Annuity	27	30			
Allocated Costs	83	108			
Total Income to be recovered	771	1,005	0	0	0
Actual (Trading Statements)					
Total Income recovered	922	917	0	0	0
Variances (Actuals less CAA Forecast)	152	(88)	0	0	0
Under recovery b/f from prior year	(27)	157			
Over recovery to cfwd	(157)	(195)			
Variance to explain	(33)	(126)			

2014 Commentary:

Driven by lower staff costs following a re-structure.

2015 Commentary:

Driven by lower staff costs following a re-structure.

11. Waste, recycling and refuse collection

	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	2,737			
Annuity	312	389			
Allocated Costs	89	125			
Total Income to be recovered	2,322	3,251	0	0	0
Actual (Trading Statements)					
Total Income recovered	2,026	2,689	0	0	0
Variances (Actuals less CAA Forecast)	(296)	(562)	0	0	0
Prior year under/over recovery	-	(12)			
Under recovery to cfwd	12	(159)			
Variance to explain	(284)	(733)			

2014 Commentary:

Direct costs lower due to contract negotiation.

2015 Commentary:

Direct costs lower due to contract negotiation.

12. Taxi feeder park

	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	1,407			
Annuity	341	450			
Allocated Costs	172	223			
Total Income to be recovered	1,602	2,079	0	0	0
Actual (Trading Statements)					
Total Income recovered	2,228	1,886	0	0	0
Variances (Actuals less CAA Forecast)	626	(193)	0	0	0
Under recovery b/f from prior year	(484)	(6)			
Under recovery to cfwd	6	161			
Variance to explain	148	(38)			

2014 Commentary:

Driven by re-surfacing repairs not forecasted.

2015 Commentary:

Broadly in line with CAA forecast.

13. Heating and Gas

	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	970	966	968	969
Annuity	1	0	0	0	0
Allocated Costs	4	0	0	0	0
Total Income to be recovered	860	970	966	968	969
CAA Forecast (nominal prices)					
Direct Costs	925	1,217			
Annuity	1	2			
Allocated Costs	5	6			
Total Income to be recovered	931	1,225	0	0	0
Actual (Trading Statements)					
Total Income recovered	961	1,182	0	0	0
Variances (Actuals less CAA Forecast)	30	(43)	0	0	0
Over recovery b/f from prior year	110	104			
Over recovery to cfwd	(104)	(50)			
Variance to explain	36	11			

2014 Commentary:

Driven by higher consumption of gas and heating.

2015 Commentary:

Driven by higher consumption of gas and heating.

14. Electricity

	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	18,426			
Annuity	15,803	19,766			
Allocated Costs	1,175	1,528			
Total Income to be recovered	30,555	39,720	0	0	0
Actual (Trading Statements)					
Total Income recovered	25,269	37,458	0	0	0
Variances (Actuals less CAA Forecast)	(5,287)	(2,262)	0	0	0
Over recovery b/f from prior year	3,182	232			
Over recovery to cfwd	(232)	(2,200)			
Variance to explain	(2,336)	(4,230)			

2014 Commentary:

Lower direct costs driven by lower electricity prices and lower consumption offset by (£595k) backbilling cost adjustment

2015 Commentary:

Lower direct costs driven by lower electricity prices and lower consumption offset by (£920k) backbilling cost adjustment.

15. Water and sewerage

	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	835			
Annuity	3,112	3,985			
Allocated Costs	157	193			
Total Income to be recovered	4,090	5,013	0	0	0
Actual (Trading Statements)					
Total Income recovered	4,416	6,511	0	0	0
Variances (Actuals less CAA Forecast)	326	1,498	0	0	0
Over recovery b/f from prior year	85	503			
Over recovery to cfwd	(503)	(1,832)			
Variance to explain	(92)	170			

2014 Commentary:

Lower direct costs driven by lower prices and lower consumption.

2015 Commentary:

Higher direct costs driven by higher customer share.

16. Bus and coach facilities

	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	1,584			
Annuity	429	548			
Allocated Costs	194	256			
Total Income to be recovered	1,813	2,387	0	0	0
Actual (Trading Statements)					
Total Income recovered	2,586	3,185	0	0	0
Variances (Actuals less CAA Forecast)	773	798	0	0	0
Prior year under/over recovery	-	4			
Under/(Over) recovery to cfwd	(4)	355			
Variance to explain	769	1,157			

2014 Commentary:

The Trading Statement includes notional public buses income giving 100% customer share. The CAA settlement applies 60% customer share and excludes the public buses.

2015 Commentary:

The Trading Statement includes notional public buses income giving 100% customer share. The CAA settlement applies 60% customer share and excludes the public buses.

17. Common IT infrastructure

	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	29			
Annuity	268	341			
Allocated Costs	12	15			
Total Income to be recovered	302	385	0	0	0
Actual (Trading Statements)					
Total Income recovered	230	284	0	0	0
Variances (Actuals less CAA Forecast)	(72)	(101)	0	0	0
Prior year under/over recovery	-	(51)			
Under recovery to cfwd	51	124			
Variance to explain	(21)	(27)			

2014 Commentary:

Managed Service costs not recovered through Passive LAN.

2015 Commentary:

Managed Service costs not recovered through Passive LAN.

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
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	393			
Annuity	0	0			
Allocated Costs	36	47			
Total Income to be recovered	336	440	0	0	0
Actual (Trading Statements)					
Total Income recovered	389	482	0	0	0
Variances (Actuals less CAA Forecast)	53	42	0	0	0
Prior year under/over recovery	-	(6)			
Under recovery to cfwd	6	27			
Variance to explain	59	63			

2014 Commentary:

Driven by higher rent costs.

2015 Commentary:

Driven by higher rent costs.

