

**10 October 2018**

Dear Colleague,

### **Notice on amendment to consultation proposal on 2019 Airport Charges**

I would like to thank you for your participation in the 2019 Airport Charges consultation process to date. Following the consultation meeting on 12 September 2018 we requested that the airline community formally respond to the consultation proposal by 28 September 2017. We have now had an opportunity to assess the responses provided and we thank you for your comments on the proposal.

After careful consideration and reflecting on customer feedback, this notice informs you of an amendment to the original consultation proposal.

#### **Feedback Received from Respondents**

Many respondents raised concerns on the proposed approximate 29% increase in environmental landing charges. The increased environmental charges recovered the revenue shortfall from the proposed yield increase. However, whilst respondents acknowledged the importance of the environmental objectives, some commented that a more effective approach to support passenger growth was to apportion the yield increase to the categories of charges in the current ratios.

In the consultation document published on 3 August 2018 we committed to reviewing the forecast proportion of noise chapters in the charges. During the consultation meeting we highlighted that the growth passenger volume would be revised to reflect the latest information.

#### **Revised Proposal**

In response to feedback from our airline partners, Heathrow proposes that the yield increase is apportioned in the same ratios as currently used. We have also updated the noise chapter proportions based on the latest intelligence which increases the Chapter 14 Low proportion from 25% to 25.9%. Overall this would reduce the increase in environmental landing charges by 9% compared to our original proposal, to only approximately +20%.

The amended proposal also reflects a reduction in the assumed passenger numbers for 2019 from 82.251 million passengers to 80.738 million which incorporates additional passengers resulting from the growth incentive scheme, and reflects the updated departing passenger mix. The growth incentive rebate value included in the airport charges calculation has therefore been reduced from the proposed £15m cap to £7.9m. This also changes the respective term in the Conditions of Use, see appendix 3 for the revised term.

The revised proposal continues to meet Heathrow's objectives to incentivise the quietest and cleanest aircraft to operate at Heathrow, supports regional connectivity and incentivises passenger growth through the European and UK Departing Passenger Discounts.

Heathrow considers that this proposal best meets the objectives set out in the initial consultation document and takes account of feedback during the consultation process. All other components of the consultation proposal remain in effect including Heathrow's proposal to recover the 2019 maximum allowable yield which has cumulatively reduced by 2.2% in real terms since 2014.

**Appendix 1** sets out the revised airport charges tariff proposal.

### **Next steps**

We continue to offer bi-lateral meetings and welcome responses to the amended proposal from the airline community by **19 October 2018** to consider before announcing our final decision.

We will set out the final decision, considering any further feedback and responding in detail to the comments received, on **31 October 2018**.

We are grateful for your engagement during the consultation and the feedback on our proposals, which we have carefully considered when amending our proposal. If you would like further information, please contact me directly or Simon Eastburn at [airline\\_relations@heathrow.com](mailto:airline_relations@heathrow.com).

Yours faithfully



Ross Baker  
Chief Commercial Officer

**Table of proposals – original proposal compared to revised proposal:**

	<b>Original Proposal</b>	<b>Revised Proposal</b>
European and UK Discounts	Maintain discounts	Maintain discounts
Transfer / Transit Discounts	Introduce seasonal discount, Summer 10%, Winter 50%	Introduce seasonal discount, Summer 10%, Winter 50%
Passenger numbers	82.3m	80.7m
Noise chapter mix	25% Chapter 14 Low	25.9% Chapter 14 Low
Growth incentive rebate	£15m capped incentive	£7.9m capped incentive
Environmental charges	+29% compared to 2018	+20% compared to 2018
Departing passenger charges	+0% compared to 2018	+4% compared to 2018
Parking charges	+10% compared to 2018	+12% compared to 2018

## APPENDIX 1 – REVISED PROPOSED TARIFFS

	<b>Proposed 2019 £ GBP</b>
<b>Charges on Landing</b>	
Peak	
Chapter 3	10,603.85
Chapter 4 High	3,029.67
Chapter 4 Base	2,726.70
Chapter 14 High	2,120.77
Chapter 14 Base	1,514.84
Chapter 14 Low	908.90
Super Night Peak	
Chapter 3	26,509.63
Chapter 4 High	7,574.18
Chapter 4 Base	6,816.75
Chapter 14 High	5,301.93
Chapter 14 Base	3,787.10
Chapter 14 Low	2,272.25
Emissions charge	16.38
<b>Charges on Departing Passengers</b>	
Origin and Destination	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	14.84
European charge with single discount <i>(with EU load factor discount)</i>	19.84
Other	46.02
Transfer and Transit	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	13.42
European charge with single discount <i>(with EU load factor discount)</i>	17.94
Other	41.61
Remote Stand Rebate	-4.00
Minimum charge - UK destinations	761.40
Minimum charge - Other destinations	1,378.08
<b>Charges on aircraft parking</b>	
Narrow bodied	24.73
Wide bodied	59.35
<b>Seasonal</b>	
Transfer and Transit	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	7.42
European charge with single discount <i>(with EU load factor discount)</i>	9.92
Other	23.01

## APPENDIX 2 – REVISED FORECAST REVENUE FOR 2019

	Traffic Volume Units	Traffic Volume	Proposed Charge	Forecast Revenue
<b>Landing Charge</b>				
<b>Noise Charge</b>				
<b>Peak</b>				
Chapter 3	[Landings]	0	£10,603.85	£0
Chapter 4 High	[Landings]	14,906	£3,029.67	£45,160,261
Chapter 4 Base	[Landings]	67,140	£2,726.70	£183,070,638
Chapter 14 High	[Landings]	14,952	£2,120.77	£31,709,753
Chapter 14 Base	[Landings]	76,861	£1,514.84	£116,432,117
Chapter 14 Low	[Landings]	60,835	£908.90	£55,292,932
<b>Total</b>	[Landings]	<b>234,694</b>		<b>£431,665,701</b>
<b>Super Night Peak</b>				
Chapter 3	[Landings]	0	£26,509.63	£0
Chapter 4 High	[Landings]	0	£7,574.18	£0
Chapter 4 Base	[Landings]	0	£6,816.75	£0
Chapter 14 High	[Landings]	0	£5,301.93	£0
Chapter 14 Base	[Landings]	0	£3,787.10	£0
Chapter 14 Low	[Landings]	0	£2,272.25	£0
<b>Total</b>	[Landings]	<b>0</b>		<b>£0</b>
<b>Emissions Charge</b>				
Total kg Nox rating	[kg]	6,586,369	£16.38	£107,884,724
Average kg Nox per landing	[kg]	28.1		£107,884,724
<b>Total Landing Revenue</b>	<b>(a)</b>			<b>£539,550,425</b>
<b>Departing Passenger Charge</b>				
<b>Departing OD Passenger Charge</b>				
European charge with dual discount	[Dep Pax]	1,314,242	14.84	£19,503,351
European charge with single discount	[Dep Pax]	12,349,198	19.84	£245,008,088
Other	[Dep Pax]	16,177,425	46.02	£744,485,099
<b>Total</b>	[Dep Pax]	<b>29,840,865</b>		<b>£1,008,996,538</b>
<b>Departing Transfer Passenger Charge (Summer - peak)</b>				
European charge with dual discount	[Dep Pax]	639,274	13.42	£8,579,057
European charge with single discount	[Dep Pax]	2,233,316	17.94	£40,065,689
Other	[Dep Pax]	3,298,429	41.61	£137,289,241
<b>Total</b>	[Dep Pax]	<b>6,172,019</b>		<b>£185,933,987</b>
<b>Departing Transfer Passenger Charge (Winter - off peak)</b>				
European charge with dual discount	[Dep Pax]	395,150	7.42	£2,932,013
European charge with single discount	[Dep Pax]	1,380,464	9.92	£13,694,203
Other	[Dep Pax]	2,072,654	23.01	£47,691,769
<b>Total</b>	[Dep Pax]	<b>3,848,268</b>		<b>£64,317,985</b>
<b>Departing Transit Passenger Charge</b>				
European charge with dual discount	[Dep Pax]	0	13.42	£0
European charge with single discount	[Dep Pax]	0	17.94	£0
Other	[Dep Pax]	53,713	41.61	£2,234,998
<b>Total</b>	[Dep Pax]	<b>53,713</b>		<b>£2,234,998</b>
<b>Remote Stand Rebate</b>				
Remote Stand Rebate	[Dep Pax + Arr Pax]	3,986,000	-4.00	£-15,944,000
Passenger Growth; Incentive Rebate		788,331	-10.00	£-7,883,310
<b>Total Departing Passenger Charge Revenue</b>	<b>(b)</b>	<b>39,914,865</b>		<b>£1,237,656,198</b>
<b>Parking Charge</b>				
<b>Narrow bodied</b>				
Chargeable Period	[Units of 15 minutes]	579,196	24.73	14,323,517
<b>Wide bodied</b>				
Chargeable Period	[Units of 15 minutes]	957,915	59.35	56,852,255
<b>Total Parking Charge</b>	<b>(c)</b>	<b>1,537,111</b>		<b>£71,175,772</b>
<b>Terminal Pax Flights: Total Revenue</b>				<b>£1,848,382,395</b>
<b>Total Regulated Revenue (Pax Only Flights)</b>				
<b>Total Regulated Revenue</b>				
Landing Revenue	(a) + (d)			£540,135,271
Departing Passenger Revenue	(b) + (e)			£1,238,103,571
Parking Revenue	(c) + (f)			£71,707,991
<b>Total Regulated Revenue</b>				<b>£1,849,946,833</b>
<b>Total Passengers</b>				<b>80,738,708</b>
<b>Total Regulated Yield</b>				<b>£22.913</b>
<b>Non-Terminal Pax Flights (GA, Troops etc)</b>				
<b>Non-Terminal Pax Flights</b>				
Landing Revenue	(d)			£584,846
Departing Passenger Revenue	(e)			£447,373
Parking Revenue	(f)			£532,219
<b>Total Non-Terminal Pax Flights Revenue</b>				<b>£1,564,438</b>

### **APPENDIX 3 – REVISED CONDITIONS OF USE**

Schedule 5 – amended condition:

8.4 The maximum cumulative Growth Incentive Credit paid by us across all Airlines together will be £7.9 million GBP. In the event that the total Growth Incentive Credit would exceed £7.9 million GBP, the Growth Incentive Credit will be paid proportionally to all qualifying Airlines.