Airport charges structure - engagement session

Brian Woodhead

20 January 2015
Engagement session agenda

1) Welcome
   a) Introductions
   b) Objectives and why we are reviewing the structure of charges
   c) Purpose of engagement sessions
   Brian Woodhead  14:00 – 14:10

2) Summary of 1st engagement session
   Manish Madhas  14:10 – 14:20

3) Summary of airline responses
   Andy Garner  14:20 – 14:50

4) Discussion topics
   Andy Garner  14:50 – 15:50

5) Next steps
   Brian Woodhead  15:50 – 16:00
Reminder of the purpose of reviewing the structure of charges

• Ensure charges are aligned to Heathrow and the airline community’s shared vision:
  
  “UK’s direct connection to the world and Europe's hub of choice by making every journey better”

• Consider whether the charges have the right balance of incentives

• Reflect airport constraints and capacity
Engagement sessions will help inform Heathrow's consultation proposal

- Charging themes Heathrow should consider
- What matters
- How do charges influence airline behaviour
- Other influences of airline behaviour/strategy
- Differences in short haul/long haul models
- Benchmarking

Heathrow's consultation proposal
How this session fits into the overall process to review the structure of charges

1. **2 engagement sessions** – will help inform Heathrow’s proposal for consultation
   - 1st engagement session (27 Nov 2014)
   - 2nd engagement session today
   - Environmental session (12 Jan 2015)

2. **Formal consultation process**
   - April 2015 to July 2015

Feed into Heathrow’s annual price consultation – start in August 2015
(any structural changes implemented on 1 January 2016)
Objectives for the structural review

Heathrow’s vision

UK’s direct connection to the world and Europe’s hub of choice by making every journey better

How can the structure of airport charges help achieve Heathrow’s vision?

Support passenger growth

Improve environmental performance

Efficient use of the airport

Hub status
Summary of last engagement session

1) Heathrow presented:
   a) Changes made at the last structural review in 2010
   b) Airport charges benchmarking
   c) Considerations
   d) Objectives for the structural review

2) Discussion themes:
   a) Environmental charges (noise/emissions)
   b) Passenger (destination)/parking charges (free periods)
   c) Cost related charges (higher passenger related charges)

3) Heathrow requested airline feedback by 18 December 2014:
   a) View’s on Heathrow’s stated objectives
   b) Whether you consider the stated objectives help meet Heathrow's shared vision
   c) Any charging options you consider can help meet Heathrow's objectives (with rationale for any proposed option)

4) Heathrow received nine responses
Summary of airline feedback

**UK’s direct connection to the world and Europe’s hub of choice by making every journey better**

### Support passenger growth
- Lower short haul charge
- Lower long haul charge
- Cost based charges - passenger destination
- Higher passenger related charge
- Reflect dwell times and airport facilities
- Re-introduce domestic and Irish charge

### Improve environmental performance
- Charges do not create an incentive
- Weight based noise chapters
- Single noise chapter – Chapter 4
- Active noise abatement/ noise mitigation

### Efficient use of the airport
- Remove emission charges
- Charges based on actual noise
- Increase free parking period
- Parking should reflect number of boarding bridge use

### Hub status
- Parking should be aircraft size based
- Parking should be abolished
- Airlines bring non ticketed transfer passengers
- Transfer charge should be abolished

### Other general responses
- Charges should be cost related
- Follow ICAO principles
- No peak/off peak charges
- More strategic objectives
- NATS charge should be based on landings/weight
- Mixed views on incentives
Discussion points: **Support passenger growth**

**Heathrow’s vision**

UK’s direct connection to the world and Europe’s hub of choice by making every journey better

How can the structure of airport charges help achieve Heathrow’s vision?

Support passenger growth

**Q1:** How could the structure of charges incentivise more passenger numbers/load factors
Discussion points: *Improve environmental performance*

Heathrow’s vision

UK’s direct connection to the world and Europe's hub of choice by making every journey better

How can the structure of airport charges help achieve Heathrow’s vision?

Q2: How do noise/emission charges influence airline decisions on which airport to use it’s best in class aircraft
Discussion points: efficient use of airport

Heathrow’s vision

UK’s direct connection to the world and Europe's hub of choice by making every journey better

How can the structure of airport charges help achieve Heathrow’s vision?

- Support passenger growth
- Improve environmental performance
- Efficient use of the airport

Q3: How could the structure of charges support on time performance
Discussion points:  
*Hub status*

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How can the structure of airport charges help achieve Heathrow’s vision?

- Support passenger growth
- Improve environmental performance
- Efficient use of the airport

Q4: What would further influence transfer passenger growth
Next steps

- This is the final step in the engagement phase before the formal consultation
- Airlines can send further information to Heathrow
  - Request any feedback no later than 10 February 2015
- Airlines can request 1:1 bilateral sessions before the consultation process
- Formal consultation on structure of charges will begin in April 2015 and decision announced in July 2015
- Annual consultation to set the level of charges will commence in August 2015 and decision announced in October 2015
- Any new changes in structure and price level will be introduced on 1 January 2016
- Heathrow will circulate slides and draft minutes from this session
## Airport charges benchmarking

### Overall balance of charges %

<table>
<thead>
<tr>
<th>Airport</th>
<th>Transfer</th>
<th>Destinations</th>
<th>Basis</th>
<th>Noise</th>
<th>Emissions</th>
<th>Weight/Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heathrow</td>
<td>21%</td>
<td>Europe</td>
<td>Movement</td>
<td>• 6 noise chapters</td>
<td>Yes</td>
<td>• WB – 90 mins free&lt;br&gt; • NB – 30 mins free, Thereafter 15 mins</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>22%</td>
<td>RoW</td>
<td>Movement</td>
<td></td>
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<tr>
<td>Amsterdam</td>
<td>25%</td>
<td>Single charge</td>
<td>Weight</td>
<td>• 4 categories</td>
<td>None</td>
<td>6 hours free and then 24 hour charge</td>
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<tr>
<td>Paris - CDG</td>
<td>21%</td>
<td>Domestic (inc. EU) Non EU International</td>
<td>Weight/Movement</td>
<td>• Mass related charge per 1,000kg (min. charge) applied to landing and take off&lt;br&gt; • 16 categories</td>
<td>Yes</td>
<td>• Time and stand</td>
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<tr>
<td>Tokyo Narita</td>
<td>35%</td>
<td>Domestic</td>
<td>Weight</td>
<td>• 4 categories</td>
<td>None</td>
<td></td>
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<td>Hong Kong</td>
<td>31%</td>
<td>Schengen area EU International</td>
<td>Weight/Movement</td>
<td>• Noise level coefficient</td>
<td>None</td>
<td>Weight/time/type of parking area</td>
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<tr>
<td>Singapore</td>
<td>30%</td>
<td>Domestic International</td>
<td>Weight</td>
<td>• Based on number of landings and weight</td>
<td>None</td>
<td>Weight – 24 hours (first 2 hours free if less than 2 hours total parking)</td>
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### Type of charges

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1) Amsterdam and Frankfurt passenger charge includes security charges<br>2) Tokyo, Hong Kong, Singapore and JFK (includes terminal navigation @ 6.8%) – Source, LeighFisher 2013 Review of Airport Charges<br>3) Airport websites and LeighFisher 2013 Review of Airport Charges