

General Notice

Tariffs with effect from 1st April 2013

Date: 7th December 2012

Reference: 02/12

Tariffs affected

From 1st April 2013

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

1.0 INTRODUCTION

This General Notice sets out revised charges for the services listed above at Heathrow Airport effective from 1st April 2013.

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 2013/14 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 2012/13.

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

Any reference to “Q5” in this notice relates to the current 5 year pricing period (Quinquennium 5) as extended by the CAA to March 31st 2014.

2.0 BACKGROUND

Following the work commenced in August 2009, HAL and the NRCG have continued to review costs via the Governance Groups and the recommendations of these groups formed the basis for the pricing consultation during Autumn 2012.

- Annuities and allocated costs are being recovered at the levels agreed within the CAA decision dated 11 March 2008, subject to inflation (RPI).
- HAL and the NRCG are working together to introduce more stability into pricing where possible.

3.0 PRICING

All prices exclude VAT.

The prices set out in this Notice are intended to apply for the entire period, 1st April 2013 through 31st March 2014. However, HAL reserves the right to amend prices during the year, where a material change occurs which significantly impacts the assumptions upon which these prices were initially based. Prior to implementing any changes, HAL will consult with the NRCG.

The prices take into account any under or over recoveries shown in the Trading Statements for 2011/12, not previously included in the pricing for 2012/13 and the forecast for the remainder of 2012/13.

HAL has worked with the NRCG to control the impact of price increases for the community, although a number of activities have increased in price a number have either remained static or reduced in price. The drivers of increases and decreases have been described below but are primarily the effect of prior year under or over recoveries.

Airside licences

The costs for these licences have been consulted upon with the Airport Users' Committee (AUC). The costs for airside licences consist of the ramp operations' team, allocated costs and annuities.

A price increase was applied last year in order to address prior years' under recoveries. This has been successful. Therefore Airside Licence charges will decrease by 19% to £3,248 per licence per annum during 2013/14.

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.

Airport Waste charges will decrease by 4% to £54.71 per assessed unit per quarter. (1 unit = 250 sq. ft). Unit costs have reduced to increases in the number of units assessed. Overall cost variances are driven by RPI and additional waste charges incurred as a result of International Catering Waste contamination and the subsequent regulatory requirement to incinerate the contaminated waste. Contamination of catering waste has become an area of concern for the airport during 2012/13 and thus HAL will consult upon revisions to the tariff to incentivise better performance in this area during 2013/14.

Electricity

The costs for electricity consist of purchase costs, allocated costs and annuities associated with the provision of high and low voltage infrastructure at the airport. Forecast consumption is then used to calculate an average unit price for electricity.

Following the introduction of *Electricity and Gas (Internal Market) Regulations 2011*, HAL has revised and simplified the structure of the electricity tariffs. Prices are now provided for supply of electricity only and also for the provision of high and low voltage electrical infrastructure.

In the event that a customer selects a third party to provide its electrical supply, HAL will continue to levy charges for the infrastructure based on actual consumption.

Note: As per the annual Trading Statements released for Non Regulated Charges: Specified Activities, HAL is recovering less than actual costs for allocated costs and annuities in electricity pricing during Q5. The prices set out in this GN reflect this. However as part of the consultation on Q6, HAL has consulted with the community on the recovery of these costs in future electricity pricing. Therefore in Q6 there will be significant rises in the infrastructure costs.

Those customers who remain with HAL for their supply of electricity will receive invoices detailing the charges for supply and infrastructure in accordance with the tariffs set out in this General Notice.

The price of electricity overall will decrease for 2013/14 however the following changes are noted for individual electricity prices - electricity supply will increase by 9% in line with market increases whilst electricity infrastructure will decrease substantially for 2013/14 only. This decrease has been driven by an over recovery from 2011/12 and has been applied to the infrastructure charge element of the price **only**, in order to ensure all users receive this benefit.

This does not represent a significant reduction in cost and therefore will be a one year reduction **only**, as a result prices will increase again during 2014/15.

Individual prices are as set out in the attached schedule to this GN.

Fixed Electrical Ground Power (FEGP)

FEGP costs consist of electricity costs (using the airport rate set out in the attached schedule to this GN), maintenance, allocated costs and annuities.

As a result of the under recovery in 2011/12 for electricity and the agreement with NRCG to recover this over two years, this has been included in the costs for 2012/13 and 2013/14. However although costs have been incurred in line with forecast there has been a shortfall in income leading to a further under recovery during 2012/13. In view of the price increase introduced from 1st November 2012, it has been agreed with NRCG that the effect of this under recovery will be recovered during 2013/14 and 2014/15.

Therefore the price of FEGP will remain as per GN1/12 at £4.04 per quarter hour on stand.

Gas

The cost of gas has remained relatively static during 2012/13 however the annuity and allocated cost element of this service is subject to RPI. A number of customers have also opted to receive their gas supply from suppliers other than HAL. The effect of this is that those customers who continue to receive gas from HAL bear sole liability for the recovery of the annuity and allocated costs in accordance with the principles of NRCs. For customers billed for gas supplied directly by HAL, the price of gas will increase by 21% to 7.5 pence per kwh.

Pre-conditioned air (PCA)

PCA costs consist of electricity costs (using the airport rate set out in the attached schedule to this GN), maintenance, allocated costs and annuities. The price of PCA will decrease by 12% to 29 pence per kwh as a result of the decreases in the overall Electricity price outlined above.

Water

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

As a result of the under recovery in 2011/12 for water and the agreement with NRCG to recover this over two years, this has been included in the costs for 2012/13 and 2013/14. However although costs have been incurred in line with forecast, the under recovery from 2011/12 was greater than anticipated at the time of pricing, therefore leading to a further under recovery during 2012/13. It has been agreed with NRCG that the effect of this under recovery will be recovered during 2013/14 and 2014/15.

The price of water will increase by 30% for 2013/14 to £3.65 per cubic metre.

A breakdown of individual prices is set out in the attached schedule to this GN.

In circumstances where a user has a separate trade effluent consent from Thames Water, HAL levies charges for the supply of water only i.e. the sewerage proportion of the charge is removed.

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. HAL and the Baggage Governance Group have identified opportunities to reduce costs that have also been included in next year's price.

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

The charge per departing bag will increase by 5% to £3.38. Although cost savings initiatives have been delivered each year to date in Q5 a number of new baggage systems have gone live across the airport, thus increasing costs in excess of these savings. During 2012/13 the cost forecast has proven to be accurate.

The price calculations used during Q5 have been based on the number of departing bags per passenger, these volume forecasts for income have not been realised. Instead a reduction in per passenger bag volume has occurred, this creates a shortfall in required income leading to an under recovery – this trend is forecast to continue.

This charge will be invoiced monthly in arrears against each airline's actual number of direct and transferring departing bags processed.

Although passenger volumes are forecast to increase during 2013/14, it is predicted that the current trend for passengers to check in fewer bags will continue. This price calculation assumes 35.6 million departing bags during the period (this is 134,000 bags less than the forecast used for 12/13 pricing). In the event that bag volumes deviate significantly from this assumption, HAL following consultation with the NRCG, will revise the charge per departing bag.

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.

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.

No charges will be carried forward from 2012/13 for the cost of additional facilities during the Games' Period as these costs were fully recovered during this period.

The average unit price will remain at £21.68 per desk per day during 2013/14.

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 (PRMs)

The total cost of the provision of services for PRMs is forecast to increase by 2% for 2013/14 however HAL and the PRM Governance Group have identified opportunities to reduce costs that have been included in next year's price.

Due to the provision of additional facilities at the airport and a gap between income received against costs incurred HAL is now forecasting an under recovery during 2012/13 of £2m, 12% of total costs. It has been agreed with NRCG to recover this cost during 2013/14 and potentially 2014/15. The price revisions outlined in GN1/12, effective 1st November 2012, were introduced to prevent further deterioration of this under recovery however further action is necessary to eliminate the under recovery, as outlined below.

Following the success of the tariffs introduced in January 2010 to encourage greater pre-notification at the airport, it has been agreed with NRCG to apply the 30 hour pre-notification threshold whilst simplifying the categories and tariffs. The pre-notification performance is important in that it facilitates the most efficient use of resource and therefore cost. Overall pre-notification rates at Heathrow are improving and the efforts of the airlines who have worked with us to improve these rates are welcomed.

The prices for PRMs have been revised as follows:

Category 1 - PRM pre-notification levels **above 65% 30 hours+ pre-notification** shall be 44 pence per departing passenger;
(formerly categories 1 & 2);

Category 2 - PRM pre-notification levels **between 50% and 64.99% 30 hours+ pre-notification** shall be 85 pence per departing passenger (consisting of 44 pence base price + 41 pence supplement);
(formerly category 3 and part of Category 4);

Category 3 - PRM pre-notification levels **less than 50% 30 hours+** shall be £1.75 per departing passenger (consisting of 44 pence base price + £1.31 supplement);
(formerly part of category 4 and category 5).

The increase in the "per departing passenger charge" for Category 1 is to ensure that the costs of the service are recovered from all airlines. The "supplements" from Categories 2 and 3 shall be used to offset the under recovery from 2012/13. The tariffs have been adjusted to encourage further improvements in levels of PRM pre-notification from airlines.

For airlines with total PRM numbers that represent less than 1% of departing passengers across the measurement period, PRM categorisation shall continue to be revised upwards by 1 category (e.g. an airline with categorisation rates of 3, would be revised to category 2 for charging purposes).

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.

Further to the GN1/12, the prices of all staff identity cards will reduce by 15% and liveried vehicle apron passes will reduce by 32% as a result of changes to structure and processes introduced during 2011/12 and the effect of these during 2012/13.

As a result of the over recovery in 2011/12 for this service and the agreement with NRCG to recover this over two years, this has been included in the costs for 2012/13 and 2013/14. However although costs have been incurred in line with forecast, the over recovery from 2011/12 was greater than anticipated at the time of pricing, therefore leading to a further over recovery during 2012/13.

The tariff for private vehicle apron passes will remain unchanged.

The non surrender of temporary passes represents a security issue for the airport. Therefore a charge for Unsurrendered passes was introduced which has been effective in reducing the volume of these passes. The ID Centre write to companies to notify them of Unsurrendered passes prior to levying charges. However there remain a number of companies with persistent volumes of Unsurrendered passes. Therefore an escalation process shall apply whereby the tariff shall increase once the period of Unsurrender exceeds 120 days. Ultimately the airport reserves the right to suspend the issuance of further passes to companies with persistent issues.

Further information about the ID Centre's processes is available at:

[BAA ID Centre: BAA ID Centre](#)

Staff car parking

Staff car parking costs consist of allocated costs, annuity, business rates and operating costs. A £14 levy is also included in each parking pass price to help fund public transport initiatives.

As part of the work undertaken to review pass volumes for the Olympic pass swap, it was identified that a number of companies on the airport are paying for passes that are no longer in use. In order to ensure maximum efficiency for all airport users we would ask all airport users to remind their pass controllers verify the number of passes on issue via <https://parking.airbuild.co.uk>. Also, if utilisation reports are required for passes, please contact Heathrow_academy@baa.com. The accuracy of passes on issue will encourage improvements in operational planning and performance across the airport and may result in cost savings for individual companies. The overall number of car park spaces has remained unchanged.

As per last year's General Notice, HAL is introducing a revised pricing model, in phases that reflects the true cost allocation of MSCP and perimeter parking. The increase in MSCP pass prices are the next step to implementing this intention. As discussed during Q6 Constructive Engagement, HAL intends to no longer provide MSCP passes on a cost recovery basis during Q6 onwards. For further information on car parking products please contact travel_services@baa.com.

Perimeter passes will increase by 14% to £651.03 per pass. This is the first increase in the perimeter pass price since 2008. Prior year price reductions have been driven by over recoveries, applied to the perimeter pass price. 2012/13 pass prices have reflected the costs incurred.

Although the unit rate has increased as a result of activities undertaken by HAL and airport users, many companies have completed a rationalisation of the number of passes on issue to more accurately reflect the number of employees.

The MSCP pass prices will increase by 14% to £3,700 per pass as part of the transition to true cost allocation during Q5.



Commercial Director
For and on behalf of Heathrow Airport Limited

Distribution: Full
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HEATHROW AIRPORT LIMITED

PRICING MATRIX

EFFECTIVE FROM 1ST APRIL 2013

Product/ service	2012/13 price	Price change	2013/14 price
Airside Licences	£3,977	-18%	£3, 248
Airport waste services	£56.81 per assessed unit per quarter	-4%	£54.71 per assessed unit per quarter
Electricity (Low Voltage)	9.2 pence per kwh SUPPLY	+9%	10.04 pence per kwh SUPPLY
	9.1 pence per kwh INFRASTRUCTURE	-45%	5 pence per kwh INFRASTRUCTURE
Electricity (High Voltage)	9.2 pence per kwh SUPPLY	+9%	10.04 pence per kwh SUPPLY
	3.3 pence per kwh INFRASTRUCTURE	-96%	0.01 pence per kwh INFRASTRUCTURE
Electricity (Availability)	£2.92 per month per kva available capacity	-16%	£2.45 per month per kva available capacity
FEGP per 1/4 hour	√£4.04 per ¼ hour	-	£4.04 per ¼ hour
Gas	6.2 pence per kwh	+21%	7.5 pence per kwh
Pre-conditioned air	33 pence per kwh	-12%	29 pence per kwh
Water & sewerage	£2.81 per cubic metre	+30%	£3.65 per cubic metre
Water supply only	£2.17 per cubic metre	+30%	£2.82 per cubic metre
Waste water only	£0.84 per cubic metre	+30%	£1.09 per cubic metre
Low Temperature Hot Water (LTHW)			£3.25 per cubic metre
Chilled Water			£3.25 per cubic metre
Domestic Hot Water			£4.32 per cubic metre
Baggage	£3.22 per departing bag (†)	+5.0%	£3.38 per departing bag (††)
Check-in desks & CUSS	£21.68 per desk per day (†††)	0%	£21.68 per desk per day (††††)

Product/ service	2012/13 price	Price change	2013/14 price
Passengers with reduced mobility (PRMs)			
Category 1 (Above 85%)	v33 pence per departing passenger		Revised category and tariff structure as below.
Category 2 (65>84.99%)	v38 pence per departing passenger		
Category 3 (55>64.99%)	85 pence per departing passenger		
Category 4 (35>54.99%)	£1.50 per departing passenger		
Category 5 (less than 34.99%)	£3.00 per departing passenger		
Category 1 (Above 65% at 30 hours)		-	44 pence per departing passenger
Category 2 (50% to 64.99% at 30 hours)		-	85 pence per departing passenger
Category 3 (less than 50% at 30 hours)		-	£1.75 per departing passenger
Staff identity cards (▪)			
32k machine readable ID pass▲ - issue	v£73.25 per pass	-15%	£62.26 per pass
32k machine readable ID pass▲ - re-issue	v£63.14 per pass	-15%	£53.67 per pass
32k machine readable ID pass▲ -amendment	v£25.21 per pass	-15%	£21.42 per pass
Penalty charge for lost or stolen pass - 32k▲	v£25.50 per pass	-15%	£21.42 per pass
64k machine readable ID pass* - issue	v£95.35 per pass	-15%	£81.05 per pass
64k machine readable ID pass* - re-issue	v£86.66 per pass	-15%	£73.66 per pass
64k machine readable ID pass* amendment	v£30.56 per pass	-15%	£25.98 per pass
Penalty charge for lost or stolen pass -64k*	v£30.56 per pass	-15%	£25.98 per pass
Machine readable ID pass - landside	v£12.59 per pass	-15%	£10.70 per pass
Temporary photographic ID pass (1 to 5 days)	v£9.96 per pass	-15%	£8.47 per pass

Product/ service	2012/13 price	Price change	2013/14 price
Temporary photographic ID pass (1 to 30 days)	v£19.92 per pass	-15%	£16.93 per pass
Application "no show"	v£73.25 per "no show"	-15%	£62.26 per "no show"
All unsurrendered passes (60 days+ from expiry)	v£50.00 per pass	-	£50.00 per pass
All Unsurrendered passes (120 days+ from expiry)		-	£150 per pass
Vehicle apron passes			
Liveried vehicle airside pass – annual	v£47.44 per pass	-32%	£32.26 per pass
Liveried vehicle airside pass - temporary	v£11.67 per pass	-32%	£7.93 per pass
Private vehicle airside pass – annual	v£1,654.50 per pass	0%	£1,654.50 per pass
Private vehicle airside pass - temporary	v£31.63 per pass	0%	£31.63 per pass
Staff car parking			
CTA & T4 passes	£3,250 per pass per annum	14%	£3,700 per pass per annum
Perimeter passes	£571.51 per pass per annum	14%	£651.03 per pass per annum
Lost passes	£30 per disc or card	-	£30 per disc or card

Assumptions:

- v As revised by GN1/12
- † 35.7m departing bags.
- †† 35.6m departing bags.
- ††† All airport check-in desks are fully utilised. Average across entire airport. Rates in T1, T3 and T4 differ from T5.
- †††† All airport check-in desks are fully utilised. Average across entire airport. Rates in T1, T3 and T4 differ from T5.

- (•) The symbols used denote the different types of Identity Card:
- ▲ denotes 32K machine readable ID Passes and
- * denotes 64k machine readable ID Passes.