

Minutes

Meeting title/subject: Heathrow Guide Price Rents 2015/16 Consultation Meeting

Meeting location: London Eye Meeting Room at the Compass Centre

Date/Time: 10th September 2015 at 1030-1130 hours

Present:

John Arbuckle	Heathrow Airport Ltd
Laura Halle	Heathrow Airport Ltd
Andrew Gilling	Heathrow AOC
Giles Ingham Grant	British Airways
Simon Arthur	Heathrow AOC
Marian Kelly	Air France KLM
Andy Woodall	Cushman and Wakefield for UK Border Force
Kevin Jones	Malaysian Airlines
Brendan Baker	United Airlines
Clive Redding	Lambert Smith Hampton for Virgin Atlantic Airways, Delta Menzies Aviation, Global Baggage Solutions, ASIG/BBA Aviation, Dnata and All Nippon Airways
Apologies:	
Olaf Guffens	Air France KLM
Ross Winn	Air New Zealand

<i>Description:</i>	<i>Action</i>
<p>JA welcomed everyone to the 2015/16 Rents Consultation.</p> <p>AGENDA ITEMS:</p> <ul style="list-style-type: none"> • Overview of Rents Consultation • Consultation Timetable • Guide Price Formula • 2015/16 Guide Price Change • Terminal 2 Guide Prices <p>JA introduced himself followed by introductions of other attendees. JA confirmed Laura would take minutes of the meeting for circulation to attendees following the meeting. JA said he would be happy to answer any questions during or after the presentation.</p>	

<i>Description:</i>	<i>Action</i>
<p>1. Overview</p> <p>JA gave an overview of the consultation, highlighting that the consultation is for the 2015/16 Guide Price change, desk frontage rates are retained at 2014 level, following the normal 2 year cycle and T2 Guide Prices retain the 4% discount for 2015/16.</p>	
<p>2. Timetable</p> <p>JA confirmed the consultation started on 14th August, with the closing date for any written customer responses being 23rd October 2015 and the 2015/16 guide price rents being confirmed on 7th November 2015.</p> <p>SA commented that the years on the slide were 2014, JA said they should have been 2015 and the slide would be updated.</p>	
<p>3. Formula</p> <p>JA presented the formula that had been used to calculate the 2015/16 guide price rents using Passenger numbers, RPI and the Investment Property Databank (IPD) property rents for central, outer and West London.</p> <p>JA then presented the formula calculation for 2015/16 which generated a +3.45% change.</p> <p>JA used a graph plotting the changes in passenger numbers, RPI, IPD and the Guide Price since 1996 which illustrated the effect of the formula in plotting a steady change in rents avoiding the peaks and troughs of the off airport</p> <p>The formula for the 2015/16 guide price rent calculations showed that guide prices would increase as follows:-</p> <p>1 year increase – +3.45% 2 year increase – +6.71% 3 year increase – +8.94%</p> <p>JA explained the percentage impacts over 1, 2 and 3 years with the majority of reviews are on a 3 year pattern therefore +8.94% will apply for those falling in the 2015/16 period.</p> <p>JA advised that the uplift on the previous year is +3.45% subject to rounding up to a whole penny.</p> <p>AW asked why there is a minimum-maximum range for some types of properties.</p> <p>JA responded that in instances where a building has been constructed at one point in time to a similar standard and quality then there would be a</p>	

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<p>single rental level. However there are instances where, for example, across a terminal or a piers has been built in a number of phases of different types/quality and this range allows for this variation.</p> <p>CR queried the indices for the last 3 years as he does not get the same answer, i.e. his calculations do not come to +8.94%.</p> <p>JA advised that the guide prices have been escalated consistently over the years using the annual formula change. The three yearly change in Pricing is calculated by applying the 3.45% increase to T4 CIP rent as being consistent and not varied during the rent rebasing in 2008. The 3 yearly % change is then calculated using the CIP rent.</p> <p>JA asked CR to share his workings and JA would be happy to look at the difference.</p> <p>AW commented that the guide prices show growth over the years but there have been instances where they have fallen. Normally in a falling market tenants can go elsewhere and renew on better terms, what happens at Heathrow?</p> <p>JA advised that there have been 3 occasions in the past when the Guide Prices indices have produced a decrease. In each case the Guide Prices have been held. This is partly due to being a regulated airport and this also fell mid-way through a regulatory period.</p> <p>In each case following consultation the Guide Prices were frozen and the decrease banked. As the formula increased it was offset by the decrease until the banked decrease was used up and the Guide Prices then started to increase again.</p> <p>AG confirmed that this was undertaken in consultation with the AOC Rents Group. It was to prevent tenants terminating on 3 months' notice to take the benefit as Heathrow has to advise on its projected income and any loss would be rolled into the next quinquennium. In the last period when rents fell they stayed constant for 6 years, eventually increasing mainly due to IPD.</p> <p>JA advised that all the previous consultations are available on the website which explains more about the mechanics should anyone wish to read them.</p>	<p>JA/CR</p>
<p>4. Terminal 2 Guide Price Rents</p> <p>JA advised that the T2 Guide Prices were consulted on in 2013 and were incorporated into the Guide Prices from 1 April 2014. He explained the 4% discount which is applied until key infrastructure projects have been completed will continue for 2015/16. This infrastructure includes the through taxiway, 2 additional stands, T2 baggage system and the T2A to T2B Track</p>	

<i>Description:</i>	<i>Action</i>
Transit System.	
<p>5. AOB</p> <p>JA asked if there were any other questions or comments, none were made by the attendees.</p>	
<p>JA then closed the meeting and confirmed that the deadline for any written responses to the consultation document is 23rd October 2015. Draft minutes would be circulated to the attendees for review. He asked that if anyone has any other questions to please get in touch.</p> <p>The Guide Prices are due to be published on 7th November 2015 and an email will be circulated to advise when this has happened.</p>	

END