

Heathrow Airport Limited

Airport Charges for 2025

Consultation Document

Date: 23 August 2024

Prepared by: Heathrow Airport Limited

Status: Final

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Context and executive summary

Heathrow enjoyed an exceptional start to 2024, welcoming 39.8 million passengers and continuing to attract new routes and airlines. June 30th was our busiest day ever, with over 268,000 passengers travelling on over 1,300 flights. High load factors and larger aircraft are driving growth and passengers can now choose from over 230 destinations as Heathrow is the most internationally connected airport in the world, recognised by OAG's Annual Megahubs International Index 2023.

This growth has not come at the cost of experience as generally positive operational performance delivered improving departures punctuality up to 72.8% in the first 6 months of 2024 and over 95% passengers passing through security in less than 5 minutes. In the first six months of 2024, we also achieved an overall ASQ rating of 4.02 out of 5.00, representing a strong improvement versus the same period last year. Overall, 76% of passengers surveyed rated their Overall Satisfaction with Heathrow as either 'Excellent' or 'Very good' with the proportion of 'Poor' ratings remaining low at just 1%.

In April, the UK Government published its Sustainable Aviation Fuel - SAF mandate, starting at 2% in 2025 and rising to 10% by 2030, and launched a consultation on a revenue certainty mechanism to support a local SAF industry. This is welcome progress, and we continue to advocate for SAF, via the RISE campaign, as a new government steps into office. We remain committed to reducing the use of fossil fuels and propose to maintain our SAF incentive this year. Heathrow's SAF incentive scheme has achieved over 300,000t CO₂e of savings already in 2022 and 2023 combined and this will be increased further as a result of the 2024 scheme¹.

The development of hydrogen-fuelled flights continues, and earlier this year, we joined a major hydrogen technology hub led by Cranfield University, which will contribute to our preparation for a hydrogen-powered future. Following this, in April, we announced the appointment of the world's first Professor of Airport Decarbonisation. This new position within the Centre for Air Transport Management at Cranfield University is co-funded by Heathrow and signifies an important collaboration between us and academia.

Early this year, we launched a new strategy to align our efforts and ensure collective progress towards a common objective: "To be an extraordinary airport, fit for the future". To translate this vision into reality, we have identified six 'beacons' ranging from our shorter-term goals of creating a 'winning team' and being 'fast and focused' to our aims of a 'digital future' and 'creating capacity' and ultimately bringing the most 'value for customers.' The beacons provide a roadmap to achieving our extraordinary vision and underpin the strategic objectives which we are seeking to achieve through the 2025 airport charges.

The charges proposal for 2025 has been set to incentivise continued passenger volume growth, maintain our responsibilities to the local community and commitments to sustainability whilst seeking to drive improvements in the use of airport assets.

Heathrow is proposing to set 2025 prices to recover a Maximum Allowable Yield (MAY) of £25.933 per passenger, which is in line with the H7 Final Decision.

¹ https://www.heathrow.com/content/dam/heathrow/web/common/documents/company/heathrow-2-0-sustainability/reports/2023_Heathrow_Sustainability_Report.pdf page 66

Our 2025 consultation proposals include:

- The introduction of a class of travel differentiated charge within the departing passenger tariff structure to drive passenger growth in the more price sensitive economy/premium economy segments, better align airport and airline revenue drivers, recognise and incentivise the reversal of lost capacity resulting from a greater focus on premium travel at Heathrow relative to other European hubs and recognise the relative environmental footprint;
- An increase in the domestic passenger transfer and transit discount from 40% to 50% to incentivise higher load factors and attract current domestic passengers who transfer via other competing European hubs;
- The continuation of the Heathrow SAF incentive with an increase in the mix ambition from 2.5% to 3.0%, designed to encourage uptake at Heathrow and stimulate UK SAF production;
- An increase of 1% in the proportion of the yield recovery from parking charges with a commensurate reduction on the movement charges to encourage efficient use of the constrained stand capacity;
- An increase in the remote stand rebate of 10%; and
- An increase in the underlying passenger calculation basis for the Rest of the World minimum departure charge from 50 to 80 passengers to bring it more into line with the calculations for other destination categories.

Publication of this consultation document initiates the consultation process required under the Airport Charges Regulations 2011 (ACR11). We are keen to listen to customer feedback throughout this process and we thank those who have already expressed early views, following on from our invitation to engage as part of our pre-consultation engagement.

This document also incorporates our consultation on the proposed increase in the price of the Terminal Drop Off Charge by £1 (20%) to £6 from 1st January 2025. This increase will partially bridge the gap between forecasted TDOC revenues included within the CAA final proposal and the latest views. This is part of our regulatory obligation to ensure that Relevant Parties have sufficient information to take an informed view of the proposed changes.

We will hold a consultation meeting on 3 September 2024 to present the details of our 2025 charging proposals and respond to any questions. We request written responses from the airline community by 27 September 2024 and will consider all comments received during the consultation period. We intend to issue our decision by 31 October 2024 for implementation from 1 January 2025.

1 Introduction and consultation programme

1.1 Purpose

- 1.1.1 The purpose of this document is to set out Heathrow's proposal for the level and structure of airport charges for 2025 and invite the airline community to provide views.
- 1.1.2 We are proposing to set the level of airport charges for 2025 consistent with our current Licence, set by the Civil Aviation Authority (CAA) through the H7 Final Decision (FD) in March 2023² and updated through the CAA's CAP3001³ decision in July 2024.

1.2 Economic regulation

- 1.2.1 In December 2012, the Civil Aviation Act 2012 (Act) came into force. The Act allows the CAA to set the maximum yield per passenger that may be levied by Heathrow through the application of a price control condition under a Licence. The H7 FD introduced a new version of the licence which came into force in May 2023⁴. This includes the price control conditions for 2023 – 2026, along with other provisions such as the Outcomes Based Regulation (OBR), an incentive scheme which replaces the Q6 Service Quality Rebate and Bonus (SQRB) scheme. The Q6 service quality regime remained in place until April 2023, and the H7 Measures, Targets, and Incentives (MTI) scheme has been in place since May 2023.
- 1.2.2 Following publication of the FD in March 2023, Heathrow and a number of airlines made appeals to the Competition and Markets Authority (CMA) against the FD. Following the appeals and the CMA's decision, the CAA has consulted on a number of re-assessed items relating to the FD, as well as a number of items that had not been resolved in time for the FD.
- 1.2.3 In July 2024, the CAA published CAP3001, which set out the CAA's decision on the elements it previously consulted on and updated the Licence on several elements which are key to the price control, such as the WACC, the Additional Correction Factor, the H7 Factor, as well as correcting for a formula error relating to the Efficiency Factor. At the time of this consultation, the Licence has not yet been updated to reflect the CAP3001 modifications, however it is expected that the Licence will be modified in line with CAP3001 ahead of our Airport Charges Decision.
- 1.2.4 Airport charges are levied on operators of aircraft in connection with the landing, parking, take-off of aircraft, or use of the facilities and services at the airport (including charges that are to any extent determined by reference to the number of passengers on board the aircraft).
- 1.2.5 Under the terms of the Licence granted to us, the CAA incentivises us to meet service quality conditions through the introduction of a rebates/bonus mechanism on key service

² <https://www.caa.co.uk/commercial-industry/airports/economic-regulation/h7/consultations/final-and-initial-proposals-for-h7-price-control/>

³ CAP3001 is the CAA's decision on a number of outstanding items which were either not resolved at the time of the H7 FD, or were remitted to the CAA following the CMA appeal of the H7 FD.

⁴ <https://www.caa.co.uk/commercial-industry/airports/economic-regulation/licensing-and-price-control/economic-licensing-of-heathrow-airport/>

quality metrics and requires us to consult airport users on key decisions, such as airport charges, other regulated charges, and capital investment.

- 1.2.6 The Licence conditions specific to service quality require us to make payments to the airline community if we do not meet the assigned targets. The service quality measures subject to financial incentives include: cleanliness, way-finding, helpfulness / attitude of security staff, Wi-Fi performance, security queue times (for direct and transfer passengers, as well as Control Posts), availability of equipment (lifts, escalators, travelators, baggage carousels), availability of infrastructure (check-in, stands, jetties, fixed electrical ground power, stand entry guidance, pre-conditioned air, pier-served stands), track transit system, hygiene safety testing and runway operational resilience. We publish the monthly scores on service quality measures and the full details of the MTI scheme on our website⁵.
- 1.2.7 Details of the measures can be found in sections D1 and Schedule 1 of our Licence.⁶
- 1.2.8 Monthly performance will be published on our website under the above link.
- 1.2.9 Details of Heathrow's capital investment plan can be found on the Heathrow website⁷, alongside a list of other regulated facilities and services⁸ and a list of property accommodation⁹. In addition, the full schedule of airport charges is listed in the Conditions of Use¹⁰.

1.3 Approach to setting the 2025 airport charges

- 1.3.1 The most recent Licence published by the CAA has been in force since May 2023, and sets out the price control condition that determines the maximum allowable yield (MAY) for each year from 2024 to 2026. For the purpose of this consultation, we have calculated the airport charge based on the price control condition C1 contained in the H7 FD, as updated by CAP3001, where relevant. Section 2 of this document sets out the overall calculation of the MAY for 2025, and Sections 3 – 12 set out the individual building block calculations.

1.4 Airport charges consultation programme

- 1.4.1 In response to community feedback and following successful engagement during the 2024 airport charges consultation process, we again invited interested parties to participate in bilateral discussions with Heathrow prior to the formal launch of the 2025 airport charges consultation.
- 1.4.2 This early bilateral engagement articulated the high-level strategic objectives that we were seeking to achieve through the implementation of the 2025 airport charges structure and how we might deliver against them. The intention was to shape the final consultation proposal through initial airline feedback. The sessions took place throughout May and June this year with 16 interested parties.
- 1.4.3 We are now formally consulting the airline community on the level of charges for 2025 and we plan to announce our final decision by 31 October 2024, in accordance with the

⁵ <https://www.heathrow.com/company/about-heathrow/performance/airport-operations/quality-rebate-and-bonus-scheme>

⁶ <https://www.caa.co.uk/media/tmzmc45t/heathrow-licence-01may2023.pdf> - D1 (page 31) and Schedule 1 (pages 77 to 83)

⁷ <https://www.heathrow.com/company/about-heathrow/economic-regulation/h7-update>

⁸ www.heathrow.com/orc

⁹ www.heathrow.com/property

¹⁰ www.heathrow.com/cou

requirements of the ACR11. The publication of this consultation document represents the start of our formal consultation on the annual setting of airport charges.

1.4.4 The airport charges consultation programme is as follows:

Table 1 - Consultation programme

Date	Milestone
23 Aug 2024	Publication of our airport charges consultation document
03 Sep 2024	Consultation meeting
27 Sep 2024	Airline written response deadline
31 Oct 2024	Publication of 2025 prices
1 Jan 2025	Prices and updated Conditions of Use in force

1.4.5 The consultation meeting will be held on 3 September 2024 which will provide the airline community with the opportunity to comment on the pricing and Conditions of Use proposals, in addition to providing any written comments by 27 September 2024. The meeting will be open to all airlines and their representative bodies.

Date: Tuesday 3 September 2024
 Time: 10:00 to 14:00
 Location: The Compass Centre, Nelson Road, Hounslow, TW6 2GW

- Please let us know if you would like to attend the consultation meeting using the **email address provided below**.

1.5 How to respond

1.5.1 We invite interested parties to submit written responses to the proposals set out in this document by **close of business on 27 September 2024**. Responses should be sent to: airline.relations@heathrow.com. You should also use this email address in the event you have any questions on the consultation document, associated process or would like to arrange a bilateral session to further engage on the proposals.

1.5.2 Please clearly mark any information that should be treated as confidential in responses to this consultation.

1.5.3 Heathrow representatives will also be available for bilateral sessions should any relevant party request it.

2 Calculating the forecast Maximum Allowable Yield (MAY)

2.1 Price control MAY formula and proposed 2025 MAY

2.1.1 Based on the CAA's H7 Final Decision price control licence condition, the following price formula has been used for the calculation of the 2025 forecast MAY:

$$M_{2025} = Y_{2024} \times (1 + CPI_{2025} + X_{2025} + B_{2023}) + \frac{AC_{2025}}{Q_{2025}} - \frac{T_{2025}}{Q_{2025}} + \frac{TDO_{2025}}{Q_{2025}} + \frac{TRS_{2025}}{Q_{2025}} - AK_{2025} + H7_{2025} - K_{2025}$$

Where:

- a) M_{2025} is the maximum revenue yield per passenger using the Airport in Regulatory Year 2025 expressed in pounds sterling;
- b) Y_{2024} is the maximum revenue yield per passenger using the Airport in Regulatory Year 2024, as defined in the Licence Condition C1.6;
- c) CPI_{2025} represents expected inflation over 2025 and is defined in the Licence Condition C1.5 (c) as the percentage change between the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Years 2025 and 2024;
- d) X_{2025} represents the efficiency factor as defined in the Licence Condition C1.6 (c); during H7, this has been set to -20.07% in 2024, significantly decreasing the airport charges, and set to 0% for the years 2025 and 2026;
- e) B_{2023} is the bonus factor in Regulatory Year 2025, based on Heathrow's service quality performance in Regulatory Year 2023, as defined in Condition C1.9;
- f) AC_{2025} is the allowed capex adjustment in the Regulatory Year 2025, as defined in Conditions C1.10 to C1.15;
- g) Q_{2025} is the number of passengers using the Airport in the Regulatory Year 2025;
- h) T_{2025} is the capital trigger factor in the Regulatory Year 2025, as defined in Conditions C1.16 to C1.17;
- i) TDO_{2025} is the terminal drop-off charge factor in Regulatory Year 2025, as defined in Conditions C1.18 to C1.19;
- j) TRS_{2025} is the Traffic Risk Sharing adjustment factor in Regulatory Year 2025, as defined in Conditions C1.20 to C1.21.
- k) AK_{2025} is the additional correction factor for Regulatory Year 2025, as defined in Conditions C1.22 to C1.23; and
- l) $H7_{2025}$ is the H7 Factor term for Regulatory Year 2025, as defined in CAP3001.
- m) K_{2025} is the correction factor in Regulatory Year 2025, as defined in Condition C1.24.¹¹

2.1.2 The Regulatory Year 2025 means the period of twelve months from 1 January 2025 to 31 December 2025.

¹¹ See pp.23-24 of CAA's H7 Final Decision

- 2.1.3 The combined impact of all the elements of the formula results in a forecast 2025 MAY of £25.933 (passenger only flights). The building blocks of the formula are summarised below in sections 2.2 – 2.13 and full details for the calculation are shown in chapters 3 - 12.

2.2 Y_{2024} – maximum revenue yield for 2024

- 2.2.1 Y_{2024} , the Maximum Revenue Yield for 2024, is the starting point for the forecast 2025 MAY calculation. Its value was defined in the May 2023 Licence as:

$$Y_{2024} = Y_{2023} \times (1 + CPI_{2024} + X_{2025}) + S_{2024}$$

- 2.2.2 In its recent CAP3001 publication, the CAA made a decision to change the formula to account for a formula error relating to the X Factor, changing the Y_{2024} formula to account for a formula error of the efficiency factor, changing the term X_{2025} to X_{2024} . The formula has therefore been updated as shown below and Heathrow has fully applied the updated methodology as part of the MAY calculation.

$$Y_{2024} = Y_{2023} \times (1 + CPI_{2024} + X_{2024}) + S_{2024}$$

2.3 CPI_{2025} – forecast inflation for 2025

- 2.3.1 For the 2025 inflation, Heathrow is using the D7BT CPI index¹² up to Q1 2024 as a starting point in the inflation calculation and applied the Bank of England's CPI forecast between Q2 2024 – Q4 2025 to calculate the CPI forecast for each quarter in 2024. This results in a 2.5% inflation expectation during 2025.

- 2.3.2 Further detail on the calculation of the inflation term is found in Chapter 4.

2.4 B_{2023} – Bonus factor for 2023 performance

- 2.4.1 The price control formula includes a bonus factor that allows the airport to recover a bonus when performance on certain service quality measures exceed the specified service standard. The bonus term in any given year is based on actual service quality performance of the period preceding the relevant year by two years, which for the 2025 airport charges is 2023. Heathrow achieved a bonus in 2023. Further detail is provided in Chapter 5.

2.5 AC_{2025} - Allowed capex adjustment factor for 2025

- 2.5.1 The allowed capex adjustment adjusts the MAY to account for the cumulative difference between the capex allowance included in the H7 settlement, as set out in the CAA's H7 Final Decision, and the forecast capex spend until the end of 2025.
- 2.5.2 Heathrow forecasts a transition to a higher amount of cumulative capex up to 31 December 2025 relative to the H7 Final Decision allowance, which increases the MAY for 2024. Further detail is provided in Chapter 6.

2.6 T_{2025} - Capital trigger factor for 2025

- 2.6.1 Trigger projects are key projects that form part of Heathrow's capital investment portfolio. Triggers reduce the MAY in the cases when Heathrow has not delivered the trigger projects on time.

¹² <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt/mm23>

- 2.6.2 The CAA H7 FD sets out that triggers will continue to apply for projects started in the Q6 Regulatory Period, and that Delivery Obligations are expected to become the main H7 incentive of delivering capital efficiently. Moreover, the governance between Heathrow and the airline community also includes the possibility of trigger projects on certain projects where the Delivery Obligations could not be agreed. As of August 2024, one project that falls into 2025 is forecast to not meet its trigger milestone date. Therefore, the MAY is slightly reduced due to the Triggers factor. Further detail about the calculation is provided in Chapter 7.
- 2.6.3 Any trigger payment which may arise in 2025 due to new triggered projects or any deviation in actual completion dates will be corrected through the K Factor when setting 2027 airport charges.

2.7 TDO₂₀₂₅ - Terminal drop-off charge factor for 2025

- 2.7.1 The Terminal Drop-Off Charge (TDOC) mechanism includes a risk sharing mechanism under which Heathrow bears 35% of any differences between the actual revenue and the CAA forecast for drop-off charge revenues in each year.
- 2.7.2 Heathrow forecasts to recover less in 2025 than set out in the CAA's H7 FD due to declining terminal forecourt drop off mode share, therefore there will be an adjustment applied to the 2025 MAY from TDOC. Further detail about the calculation is provided in Chapter 8.
- 2.7.3 Any differences between the actual and forecast TDOC revenues which may arise in 2024 will be corrected through the K Factor when setting the 2026 airport charges.

2.8 TRS₂₀₂₅ – Traffic Risk Sharing factor for 2025

- 2.8.1 The Traffic Risk Sharing (TRS) factor is a risk-sharing element introduced by the CAA as part of the H7 Final Decision, in response to the significant uncertainty of the aviation sector recovery from Covid-19.
- 2.8.2 The TRS factor influences the MAY value for H7 starting from 2025. For each of the applicable years, the TRS factor is calculated retrospectively for the all the H7 years, comparing Heathrow's actual revenues, with Heathrow's theoretical revenues if the CAA's H7 passenger forecast had applied. The TRS applies a 50% risk sharing mechanism for passenger volume differences of up to $\pm 10\%$ of the CAA forecast, and an additional 105% risk sharing for differences of more than $\pm 10\%$ of the CAA forecast.
- 2.8.3 Heathrow's actual number of passengers was higher than the CAA forecast for the Regulatory Year 2023, by less than 10%, and the TRS factor is expected to reduce the MAY for 2025 slightly, sharing the benefits of additional revenue with the airline community.
- 2.8.4 Only part of the TRS mechanism is implemented through the Airport Charges during H7, with the majority of TRS being implemented through a RAB adjustment at the beginning of H8.

2.8.5 This is discussed further in Chapter 9.

2.9 Q_{2025} - Passengers forecast for 2025

2.9.1 The Heathrow passenger forecast for 2025 is 83.4m for the twelve months – January 2025 to December 2025. This is discussed further in Chapter 12.

2.10 AK_{2025} - Additional correction factor for 2025

2.10.1 The Additional correction Factor (AK Factor) is a formula term introduced as part of the H7 Licence to compensate for the unanticipated over-recovery against the MAY in 2020 and 2021. The AK Factor has been part of the H7 elements which were remitted to the CMA.

2.10.2 In July 2024, the CAA has decided through CAP3001 to implement a Licence modification which updates the AK Factor calculation following the CMA decision on the H7 FD appeal.

2.10.3 Heathrow has calculated the AK Factor in a way that is fully aligned with the CAA's decision in CAP3001. This is further explained in Chapter 10.

2.11 $H7_{2025}$ - H7 factor for 2025

2.11.1 The H7 Factor in the price control formula was introduced in the Licence by the CAA through CAP3001, as a single term which considers items which were not decided in time of the H7 Final Decision: the removal of the index-linked debt premium, adjustment in respect to the Pension Deficit Repair Contribution (PDRCs), and adjustment in respect of the Pod parking revenue.

2.11.2 The value of the H7 Factor for 2025 is $H7_{2025} = -0.798$.

2.11.3 Heathrow has fully integrated the CAA's CAP3001 on the H7 Factor as part of the 2025 MAY calculation.

2.12 K_{2025} – Correction factor for 2025

2.12.1 The K Factor in the formula adjusts the MAY in a Regulatory Year to account for the any under- or over-recovery against the allowed revenue two years prior, together with an allowance for interest rates.

2.12.2 The MAY in 2025 is increased due to an under-recovery in 2023. The K Factor calculation is shown in Chapter 11.

2.13 Application of the regulatory pricing formula

2.13.1 Based on the regulatory pricing formula, the 2025 forecast maximum allowable yield is set out below.

$$M_{2025} = Y_{2024} \times (1 + CPI_{2025} + X_{2025} + B_{2023}) + \frac{AC_{2025}}{Q_{2025}} - \frac{T_{2025}}{Q_{2025}} + \frac{TDO_{2025}}{Q_{2025}} + \frac{TRS_{2025}}{Q_{2025}} - AK_{2025} + H7_{2025} - K_{2025}$$

Where:

Term	Value	Detailed calculation reference
Y_{2024}	£26.053	Section 3
CPI_{2025}	2.5%	Section 4
X_{2025}	0%	Paragraph 2.1.1 d)
B_{2023}	0.134%	Section 5
AC_{2025}	£1,515 (k)	Section 6
T_{2025}	£200 (k)	Section 7
TDO_{2025}	£3,811 (k)	Section 8
TRS_{2025}	- £11,158 (k)	Section 9
Q_{2025}	83,443 (k)	Section 12
AK_{2025}	£0.717	Section 10
$H7_{2025}$	- £0.798	Paragraph 2.11
K_{2025}	-£0.782	Section 11

2.13.2 Using the above values, the MAY calculation becomes:

$$M_{2025} = £26.053 \times (100\% + 2.5\% + 0\% + 0.134\%) + \frac{£1,515 (k)}{83,443 (k)} - \frac{£200 (k)}{83,443 (k)} + \frac{£3,811 (k)}{83,443 (k)} + \frac{-£11,158 (k)}{83,443 (k)} - £0.717 + (-£0.798) + £0.782$$

2.13.3 Applying the above formula results in a 2025 forecast MAY of £25.933.

2.13.4 Heathrow proposes to set charges up to the levels that recover the full forecast MAY for 2025.

3 Maximum Revenue Yield factor

3.1.1 The Maximum Revenue Yield for 2024, Y_{2024} , is the starting point for calculating the 2025 MAY value. The Y_{2024} calculation methodology is defined in the Licence and revised in CAP3001 as:

$$Y_{2024} = Y_{2023} \times (1 + CPI_{2024} + X_{2024}) + S_{2024}, \text{ where:}$$

- a) Y_{2023} is the maximum revenue yield for 2023 and its value is $Y_{2023} = \text{£}31.57$, as defined in the Licence;
- b) CPI_{2024} is the percentage change between the average value of the ONS' monthly D7BT Consumer Price Index for 2023 and 2024. This has the value $CPI_{2024} = 2.594\%$, following the methodology and values set out in Chapter 4 and Table 2;
- c) X_{2024} is the efficiency factor for 2024 and has the value of $X_{2024} = -20.07\%$, as defined in the May 2023 Licence;
- d) S_{2024} is the allowable security and/or health and safety cost per passenger in Regulatory Year 2024 and has the value 0.

3.1.2 Using the above values, Y_{2024} has the value:

$$Y_{2024} = \text{£}31.570 \times (1 + 2.594\% - 20.07\%) + 0 = \text{£}26.053$$

4 CPI factor

- 4.1.1 The price control condition requires Heathrow to use the quarterly D7BT time series produced by the Office for National Statistics (ONS), which represents actual CPI inflation. In setting the airport charges for 2025, actual inflation for this year is not yet known, with the latest actual inflation only published until Q1/Q2 2024. Therefore, the Licence methodology of calculating the 2025 inflation is not directly applicable for the MAY calculation, and it can only be applied retrospectively as part of the Regulatory Year 2027's K Factor calculation.
- 4.1.2 However, the CAA's Final Proposals¹³ provide helpful guidance and a workable solution to deal with this limitation, requiring Heathrow to use an up-to-date and publicly available forecast in consultation matters which relate to future inflation.
- 4.1.3 For this consultation's MAY calculation, Heathrow is using the 2025 CPI forecast provided in the Bank of England (BoE) May 2024 Monetary Policy Report¹⁴. This is an inflation forecast that is both a publicly available and is published quarterly, making it more up to date than other comparable forecasts (e.g. OBR forecast is published half-yearly).
- 4.1.4 Heathrow has used the actual D7BT CPI index¹⁵ up to Q1 2024 as a starting point in the inflation calculation and applied the Bank of England's CPI forecast (Mode aggregation, Market scenario) between Q2 2024 – Q4 2025 to calculate the CPI forecast for each quarter in 2024. The table below shows the calculations used to calculate forecast inflation for 2025.

Table 2 – 2024 and 2025 CPI calculations

Year / Quarter	BoE Yearly Inflation	CPI Index (Quarterly)	Actual or Forecast	CPI Index - Average of last 4 quarters	Forecast CPI (2024, 2025)
2023 Q1	-	127.7	Actual	124.6	-
2023 Q2	-	131.1	Actual	127.2	-
2023 Q3	-	131.4	Actual	129.2	-
2023 Q4	-	132.0	Actual	130.6	-
2024 Q1	-	132.3	Actual	131.7	-
2024 Q2	2.00%	133.7	Forecast	132.4	-
2024 Q3	2.20%	134.3	Forecast	133.1	-
2024 Q4	2.60%	135.4	Forecast	133.9	2.594%
2025 Q1	2.60%	135.7	Forecast	134.8	-
2025 Q2	2.60%	137.2	Forecast	135.7	-
2025 Q3	2.50%	137.6	Forecast	136.5	-
2025 Q4	2.30%	138.5	Forecast	137.3	2.499%

¹³ See p. 132 of the CAA H7 Final Proposals, Section 3, paragraph 12.52:

<https://publicapps.caa.co.uk/docs/33/CAP2365D%20H7%20Proposals%20Section%203-kb.pdf>

¹⁴ <https://www.bankofengland.co.uk/monetary-policy-report/2023/may-2023>

¹⁵ <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt/mm23>

- 4.1.5 Heathrow has adopted the percentage change between the 2025 average forecast CPI Index, at 138.5 and the 2024 average forecast CPI Index, at 135.4. This results in a forecast CPI of 2.499% over 2025.
- 4.1.6 By the time of the Airport Charges Decision, the ONS D7BT series of actual inflation is expected to show actual inflation for Q1 – Q3 2024. Heathrow plans to integrate the updated D7BT data as part of its revised MAY calculation at the time of the Airport Charges Decision, therefore the 2025 MAY will combine data from D7BT where available (Q1 – Q3 2024) and BoE's latest MPC report (Q4 2024 – Q4 2025).
- 4.1.7 Any difference between the forecast and outturn CPI will be corrected through the K Factor when setting the 2027 airport charges.

5 Bonus factor

- 5.1.1 The price control licence condition for the MAY includes a bonus component for performance of certain service quality measures. A service quality bonus can be achieved when performance for certain measures exceeds the specified target levels. Full details of the bonus methodology can be found in Heathrow's Licence.
- 5.1.2 For the purposes of the 2025 forecast MAY, the service quality bonus can be recovered for the Regulatory Year 2023 from 1 January 2023 to 31 December 2023.
- 5.1.3 During the 2023 Regulatory Year, the latest Licence was published, with a transition between our previous and current versions of the Licence that took place on 1 May 2023. The previous and current versions of the Licence included different bonus measures, as follows:
- i) the Licence applicable between 1 January 2023 and 30 April 2023 included the following measures: Departure Lounge Seating Availability, Cleanliness, Wayfinding and Flight Information
 - ii) the Licence applicable between 1 May 2023 and 31 December 2023 included the following measures: Cleanliness, Wayfinding, Central Search Security Time (5 minutes), and Transfer Search Security (10 minutes).
- 5.1.4 Heathrow has achieved the service quality bonus for 2023 at 0.134%. This is shown below in Tables 3 and 4 and included in the 2025 forecast MAY formula.

Table 3 – Heathrow Airport Bonus performance for the period January 2023 – April 2023

Parameter	Jan 23	Feb 23	Mar 23	Apr 23
Departure lounge seating availability (QSM)				
T2 performance	4.35	4.35	0.00	0.00
T3 performance	4.19	4.18	0.00	0.00
T4 performance	4.40	3.99	0.00	0.00
T5 performance	4.00	3.99	0.00	0.00
BNS(T2)KJ	0.0189%	0.0186%	-0.3075%	-0.3075%
BNS(T3)KJ	0.0070%	0.0062%	-0.3075%	-0.3075%
BNS(T4)KJ	0.0228%	-0.0086%	-0.3075%	-0.3075%
BNS(T5)KJ	-0.0077%	-0.0086%	-0.3075%	-0.3075%
Calculated	0.000%	0.000%	0.000%	0.000%
Cleanliness (QSM)				
T2 performance	4.27	4.27	4.27	4.28
T3 performance	4.19	4.19	4.18	4.19
T4 performance	4.29	4.27	4.30	4.31
T5 performance	4.27	4.27	4.26	4.26
BNS(T2)KJ	0.0073%	0.0072%	0.0069%	0.0080%
BNS(T3)KJ	-0.0011%	-0.0013%	-0.0021%	-0.0010%
BNS(T4)KJ	0.0090%	0.0067%	0.0100%	0.0108%
BNS(T5)KJ	0.0071%	0.0067%	0.0062%	0.0063%
Calculated	0.000%	0.000%	0.000%	0.000%
Way finding (QSM)				
T2 performance	4.32	4.33	4.32	4.33
T3 performance	4.26	4.26	4.25	4.26
T4 performance	4.32	4.26	4.32	4.33
T5 performance	4.26	4.26	4.26	4.26
BNS(T2)KJ	0.0124%	0.0125%	0.0119%	0.0126%
BNS(T3)KJ	0.0059%	0.0056%	0.0049%	0.0056%
BNS(T4)KJ	0.0116%	0.0063%	0.0125%	0.0127%
BNS(T5)KJ	0.0062%	0.0063%	0.0062%	0.0056%
Calculated	0.006%	0.006%	0.005%	0.006%
Flight information (QSM)				
T2 performance	4.45	4.45	0.00	0.00
T3 performance	4.43	4.42	0.00	0.00
T4 performance	4.50	4.42	0.00	0.00
T5 performance	4.41	4.42	0.00	0.00
BNS(T2)KJ	0.0047%	0.0047%	-0.4400%	-0.4400%
BNS(T3)KJ	0.0026%	0.0016%	-0.4400%	-0.4400%
BNS(T4)KJ	0.0099%	0.0020%	-0.4400%	-0.4400%
BNS(T5)KJ	0.0013%	0.0020%	-0.4400%	-0.4400%
Calculated	0.001%	0.002%	0.000%	0.000%
Total Bonus term during Jan-Apr 2023	0.007%	0.007%	0.005%	0.006%

Table 4 – Heathrow Airport Bonus performance for the period May 2023 – December 2023

Parameter	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23
Cleanliness (QSM)								
T2 performance	4.29	4.31	4.32	4.33	4.32	4.33	4.34	4.36
T3 performance	4.20	4.21	4.22	4.23	4.23	4.24	4.25	4.25
T4 performance	4.32	4.32	4.32	4.34	4.34	4.35	4.35	4.36
T5 performance	4.26	4.26	4.26	4.27	4.27	4.28	4.28	4.29
BNS(T2)KJ	-0.0060%	-0.0042%	-0.0028%	-0.0024%	-0.0028%	-0.0018%	-0.0006%	0.0008%
BNS(T3)KJ	-0.0152%	-0.0140%	-0.0130%	-0.0121%	-0.0115%	-0.0109%	-0.0104%	-0.0101%
BNS(T4)KJ	-0.0033%	-0.0035%	-0.0027%	-0.0010%	-0.0006%	-0.0005%	-0.0001%	0.0005%
BNS(T5)KJ	-0.0091%	-0.0090%	-0.0086%	-0.0081%	-0.0080%	-0.0073%	-0.0066%	-0.0061%
Calculated	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Way finding (QSM)								
T2 performance	4.33	4.34	4.36	4.36	4.35	4.36	4.37	4.38
T3 performance	4.26	4.28	4.29	4.30	4.30	4.31	4.31	4.32
T4 performance	4.34	4.34	4.35	4.36	4.36	4.36	4.36	4.37
T5 performance	4.26	4.26	4.27	4.28	4.28	4.28	4.29	4.29
BNS(T2)KJ	-0.0069%	-0.0055%	-0.0042%	-0.0044%	-0.0048%	-0.0044%	-0.0033%	-0.0022%
BNS(T3)KJ	-0.0141%	-0.0120%	-0.0106%	-0.0101%	-0.0095%	-0.0088%	-0.0085%	-0.0083%
BNS(T4)KJ	-0.0065%	-0.0059%	-0.0054%	-0.0038%	-0.0035%	-0.0036%	-0.0036%	-0.0030%
BNS(T5)KJ	-0.0140%	-0.0137%	-0.0131%	-0.0124%	-0.0122%	-0.0119%	-0.0114%	-0.0111%
Calculated	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Central search security < 5 mins								
T2 performance	0.98	0.98	0.98	0.98	0.99	0.98	0.98	0.98
T3 performance	0.99	0.99	0.99	0.98	0.99	0.99	0.99	0.98
T4 performance	1.00	0.99	0.98	0.99	1.00	0.99	0.99	0.98
T5 performance	0.95	0.96	0.97	0.98	0.98	0.99	0.97	0.98
BNS(T2)KJ	0.0225%	0.0225%	0.0176%	0.0302%	0.0374%	0.0290%	0.0149%	0.0218%
BNS(T3)KJ	0.0405%	0.0396%	0.0394%	0.0290%	0.0450%	0.0450%	0.0450%	0.0302%
BNS(T4)KJ	0.0450%	0.0450%	0.0115%	0.0342%	0.0450%	0.0450%	0.0396%	0.0167%
BNS(T5)KJ	-0.0398%	-0.0236%	-0.0088%	0.0160%	0.0176%	0.0394%	0.0074%	0.0155%
Calculated	0.000%	0.000%	0.000%	0.016%	0.018%	0.029%	0.007%	0.016%
Transfer search security < 10 mins								
T2 performance	0.98	0.98	0.99	0.98	0.99	0.99	1.00	0.98
T3 performance	1.00	0.99	0.99	0.99	1.00	0.99	0.99	0.99
T4 performance	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
T5 performance	0.97	0.97	0.96	0.97	0.97	0.98	0.97	0.98
BNS(T2)KJ	0.0056%	0.0104%	0.0118%	0.0041%	0.0150%	0.0150%	0.0150%	0.0080%
BNS(T3)KJ	0.0150%	0.0150%	0.0131%	0.0150%	0.0150%	0.0150%	0.0150%	0.0131%
BNS(T4)KJ	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%	0.0150%
BNS(T5)KJ	0.0033%	-0.0029%	-0.0044%	0.0024%	0.0032%	0.0088%	0.0005%	0.0053%
Calculated	0.003%	0.000%	0.000%	0.002%	0.003%	0.009%	0.000%	0.005%
Total Bonus term during May-Dec 2023	0.003%	0.000%	0.000%	0.018%	0.021%	0.038%	0.008%	0.021%

6 Allowed capital adjustment factor

- 6.1.1 H7 continues with capital investment being classified as either Development or Core. This requires Heathrow to forecast the amount of capital that will transition from Development to Core.
- 6.1.2 Core capital represents firm investment commitments where scope and cost estimates can be reasonably certain. Core capital investment is estimated at a P50 level (where the likelihood of the cost being higher than the estimate is equal to the likelihood being lower). Development capital projects have a lower definition of scope and cost estimations than Core projects (and are estimated at a P80 level).
- 6.1.3 Development and Core capital investment are subject to the Gateway process with the airline community. The Gateway process has a number of Gateway events. The first two Gateways are where the scope and cost estimates are developed. The project is transitioned to Core after Gateway 3 when the scope and cost estimates are well defined. The project is then progressed through the remaining Gateways.
- 6.1.4 This two-tier approach to capital investment is designed so that Heathrow does not earn a return on any Development capital allowance that has not been used. The mechanism to take this into effect is the allowed capex adjustment in the Maximum Allowable Yield. This requires Heathrow to make an estimate on a cumulative basis of how much Development capital allowance will be spent or transitioned to Core. This adjustment only applies to Development capital investment.
- 6.1.5 The H7 FD sets out the AC term calculation methodology. These are shown in the Table 5 below.

Table 5 – Allowed capex adjustment calculation for Regulatory Year 2025

For projects in Regulatory Year	Adjustment for revenue requirement in Regulatory Year 2025	Value
2022	$\frac{P_{2025}}{P_{2022}} \times d_{2022}$	$\frac{392.9}{340.33} \times \text{£}43,493\text{k} = \text{£}50,211\text{k}$
2023	$\frac{P_{2025}}{P_{2023}} \times d_{2023}$	$\frac{392.9}{373.32} \times -\text{£}40,350\text{k} = -\text{£}42,467\text{k}$
2024	$\frac{P_{2025}}{P_{2024}} \times d_{2024}$	$\frac{392.9}{385.00} \times \text{£}79,266\text{k} = \text{£}80,892\text{k}$
2025	$0.5 \times d_{2025}$	$0.5 \times -\text{£}101,702\text{k} = -\text{£}50,851\text{k}$
	Sum Rows × RWACC	$(\text{£}50,211\text{k} + (-\text{£}42,467\text{k}) + \text{£}80,892\text{k} + (-\text{£}50,851\text{k})) \times 4.01\% = \text{£}1,515\text{k}$

where:

- P_t is the average value of the Office for National Statistics monthly CHAW Retail Price Index (RPI) over Regulatory Year t ;
- d_t is the allowed capex adjustment in Regulatory Year t , further defined below; and
- RWACC is the pre-tax RPI-real weighted average cost of capital which has a value of 4.01%, as set by the CAA in CAP3001.

6.1.6 The allowed capex adjustment (d_t) in Regulatory Year t is further defined as an amount equal to the difference between the capex allowance included in the H7 settlement and the total capex associated with capex projects in Regulatory Year t , and is calculated as follows:

$$d_t = IC_t - AV_t \times \frac{P_t}{P_{2018}} + AddC_t \times InfAddC_t, \text{ where:}$$

- (a) IC_t is the total capex incurred by Heathrow in Regulatory Year t in accordance with the governance arrangements;
- (b) AV_t is the available capex allowance in Regulatory Year t in 2018 RPI-real prices; and is given by: £339.643 million (2022), £509.400 million (2023), £625.871 million (2024), 902.806 million (2025);
- (c) P_{2018} is the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year 2018 and is equal to 281.58; P_t has the same meaning as in the paragraph above;
- (d) $AddC_t$ is additional capex allowance for Regulatory Year t determined by the CAA through the Capex Adjustment Mechanism. It has the value zero unless otherwise directed by the CAA; and
- (e) $InfAddC_t$ is the inflation adjustment applicable to $AddC_t$ for Regulatory Year t .

6.1.7 The d_t calculation is shown in Table 6 below.

Table 6 – Calculation of the d_t term

t	2022	2023	2024	2025
IC_t	454,000k	635,000k	935,000k	1,157,000k
AV_t	339,643k	509,400k	625,871k	902,086k
P_t	340.33	373.32	385.00	392.90
P_{2018}	281.58	281.58	281.58	281.58
$AddC_t$	0	0	0	0
$InfAddC_t$	0	0	0	0
d_t	£43,493k	-£40,350k	£79,266k	-£101,702k

6.1.8 Using the calculations in tables above, the cumulative adjustment for 2024 is £1, 515, 000, therefore increasing the MAY for 2025 by £0. 018 per passenger.

7 Capital triggers factor

7.1.1 The CAA's MAY formula for H7 continues to include a trigger element for projects that commenced in Q6, which means that if a trigger project is not complete by a specified project trigger date, then the allowable yield is reduced.

7.1.2 Triggers are set for subset of "key projects" and are set at the Gateway 3, through governance with the airline community.

7.1.3 The Licence defines the Trigger factor calculation as:

$$T_{2025} = \sum_i (TM_{i,2025} \times TF_{i,2025})$$

, where for any specific trigger i :

- $TF_{i,2025}$ is the number of months between the milestone month and either (i) for capex projects completed later than the milestone month, the earlier of the project completion date or the end of Regulatory Year 2025; or (ii) for capex projects completed earlier than the milestone month, the later of the project completion date or the start of Regulatory Year 2025. In either case, $TF_{i,2025}$ shall bear a maximum value of 12.
- $TM_{i,2025}$ is the trigger payment associated with each trigger in Regulatory Year 2025 and is defined as:

$$TM_{i,2025} = MTP_i \times \frac{P_{2025}}{P_{2018}},$$

where MTP_i represents the monthly trigger payment for each project, and P_t represents the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year t .

7.1.4 During the Regulatory Year 2025, there is only one project forecast to not meet its trigger milestone, i.e. the Terminal 2 Flight Connections Centre (T2 FCC) investment as part of the Security Programme. T2 FCC is forecast to be delivered in July 2025, representing a 3-month delay to the Trigger milestone of April 2025. The monthly trigger payment defined for this project is £48,000.

7.1.5 The impact of this project on the expected Trigger is shown below.

$$T_{2025} = TM_{1,2025} \times TF_{1,2025}$$

$$T_{2025} = MTP_i \times \frac{P_{2025}}{P_{2018}} \times TF_{1,2025}$$

$$T_{2025} = £48,000 \times \frac{392.9}{281.6} \times 3 = £200(k)$$

7.1.6 The Maximum Allowable Yield for 2025 will be decreased by **£0.002** due to the T_{2025} term.

7.1.7 Any difference in Trigger payments which may arise in 2025 due to deviations in actual completion dates will be adjusted through the Correction Factor when setting 2027 airport charges.

8 Terminal Drop-Off Charge factor

8.1.1 The CAA has added a TDOC mechanism to the Licence which includes a risk sharing mechanism under which Heathrow would bear 35% of any differences between the actual revenue and the CAA forecast for drop-off charge revenues in each year. In the case of a change in legislation which prevents Heathrow from recovering the full amount of the forecast, the risk sharing mechanism allows Heathrow to recover 100% of the difference between forecast and outturn.

8.1.2 TDO_t is the TDOC factor that:

- i) implements risk sharing; and
- ii) provides protection to Heathrow from the risk that a change to legislation prevents it from recovering revenue from TDOC in Regulatory Year t.

8.1.3 TDO_t is calculated in accordance with the formula below:

If $w_t = 0$	If $w_t = 1$
$-0.65 \times (OTDO_t - FTDO_t)$	$-1.00 \times (OTDO_t - FTDO_t)$

where:

- i) $w_t = 1$ if a change to legislation comes into force in Regulatory Year t that prevents the Licensee from recovering the full amount of the Forecast, and $w_t = 0$ otherwise;
- ii) $OTDO_t$ is the outturn revenue collected by Heathrow from TDOC in Regulatory Year t. For 2025, it has the value $OTDO_{2025} = £39,322(k)$; and
- iii) $FTDO_t$ is CAA's forecast of the revenue that Heathrow is expected to collect from TDOC in Regulatory Year t and is set out in the CAA's final decision setting the price control applicable to the Licensee for H7.¹⁶ For 2025, it has the value $FTDO_{2025} = £45,185(k)$

8.1.4 At the time of consultation $w_{2025} = 0$, since new legislation has not come into force.

8.1.5 For the regulatory year 2025, Heathrow expects to recover less TDOC revenue than set out in the CAA H7 Final Decision, as follows:

$$TDO_{2025} = -0.65 \times (OTDO_t - FTDO_t)$$

$$TDO_{2025} = -0.65 \times (£39,322(k) - £45,185(k))$$

$$TDO_{2025} = £3,811(k),$$

8.1.6 Based on the above calculation, the TDO_{2025} term increases the Maximum Allowable Yield for 2025 by £0.05.

8.1.7 Heathrow is consulting on an increase of the Terminal Drop Off Charge value from 1st January 2025. Additional details on the justification and impact of the increase can be found in Section 13.

¹⁶ The CAA's forecast of the TDOC revenue was published alongside the H7 FD, as part of the additional information on opex and commercial revenues (fds-opex-crs-tables-apr-23.xlsx): Final and Initial proposals for H7 price control | Civil Aviation Authority (caa.co.uk)

9 Traffic Risk Sharing factor

- 9.1.1 In accordance with the Licence definition, TRS_{2025} is the Traffic Risk Sharing adjustment in Regulatory Year 2025, which adjusts the maximum revenue yield per passenger in Regulatory Year 2025 to take account of the number of passengers using the airport in previous Regulatory Years being either higher or lower than the number forecast by the CAA and set out in the Table C.8 in Condition C1.21 of the Heathrow Licence.
- 9.1.2 The Licence defines the TRS calculation for 2025 as shown in table 7 below, where:
- ARS_{2025} is the annual risk share with respect to traffic outturns in Regulatory Year 2025, as defined in the Licence Condition C1.21;
 - P_t bears the same meaning as in the Licence Condition C1.10(a), with $P_{2025} = 392.9$ and $P_{2023} = 373.3$; and
 - $RWACC$ bears the same meaning as in the Licence Condition C1.10(c), updated with CAP3001, with $RWACC = 4.01\%$.

Table 7 - Traffic Risk Sharing adjustment calculation

Adjustment for outturn in:	Regulatory Year 2025
→ Regulatory Year 2023	$\frac{ARS_{2023}}{10} \times \frac{P_{2025}}{P_{2023}} \times (1 + RWACC)^2$
→ Regulatory Year 2024	0
TRS_{2025}	Sum Rows

- 9.1.3 ARS_{2023} is the annual risk share with respect to traffic outturns in Regulatory Year t, which is calculated in accordance with the formula below:

$$ARS_{2023} = \sum_{i=1}^{i=4} RS_{i,2023}$$

- 9.1.4 RS_{it} represents four scenarios of Actual vs Forecast traffic, considering the possible under- or over-performance, as well as the magnitude of this difference (below or above 10%). RS_{it} is calculated in accordance with the table 8 below, where:

- OAR_t is the outturn allowed revenue in Regulatory Year t calculated in accordance with the formula:

$$OAR_{2023} = MY_{2023} \times Q_{2023}, \text{ where}$$

$MY_{2023} = \text{£}31.570$, and $Q_{2023} = 79,217 (k)$ representing the actual number of passengers during the Regulatory Year 2023.

- FAR_t is the forecast allowed revenue in Regulatory Year t calculated in accordance with the formula below:

$$FAR_{2023} = MY_{2023} \times Q_{2023}^f, \text{ where:}$$

MY_{2023} has the same meaning as above, and $Q_{2023}^f = 73,008 (k)$.

Table 8 - Annual Risk Share calculation

	If	Then	Otherwise
$RS_{1,2023}$	$OAR_{2023} < 0.9 \times FAR_{2023}$	$(0.9 \times FAR_{2023} - OAR_{2023}) \times 1.05$	0
$RS_{2,2023}$	$OAR_{2023} < FAR_{2023}$	$\{FAR_{2023} - \max[(0.9 \times FAR_{2023}), OAR_{2023}]\} \times 0.5$	0
$RS_{3,2023}$	$OAR_{2023} > FAR_{2023}$	$\{FAR_{2023} - \min[(1.1 \times FAR_{2023}), OAR_{2023}]\} \times 0.5$	0
$RS_{4,2023}$	$OAR_{2023} > 1.1 \times FAR_{2023}$	$(1.1 \times FAR_{2023} - OAR_{2023}) \times 1.05$	0

9.1.5 Using the above values for $RS_{i,2023}$, and given that the actual number of passengers is less than 10% higher than the forecast, all $RS_{i,2023}$ terms have the value zero, with the exception of $RS_{3,2023}$, which has the value of $-\text{£}98,004 (k)$. Therefore, ARS_{2023} also has the same value, $ARS_{2023} = -\text{£}98,004 (k)$.

9.1.6 The value for TRS_{2025} is therefore calculated through the following formulae:

$$TRS_{2025} = \frac{ARS_{2023}}{10} \times \frac{P_{2025}}{P_{2023}} \times (1 + RWACC)^2 + 0$$

$$TRS_{2025} = \frac{-\text{£}98,004(k)}{10} \times \frac{392.9}{373.3} \times (1 + 0.0401)^2 + 0$$

$$TRS_{2025} = -\text{£}11,158 (k)$$

9.1.7 The Maximum Allowable Yield for 2025 will be decreased by **£0.134** due to the TRS_{2025} term.

10 Additional correction factor

10.1.1 The CAA included an additional correction factor AK_t as part of the H7 Licence.

10.1.2 The aim of the AK Factor is to compensate for the unanticipated over-recovery against the maximum allowable yield in 2020 and 2021.

10.1.3 The AK Factor has been subject to an appeal at the Competitions and Markets Authority (CMA), which has remitted the recalculation of the AK Factor back to the CAA. Following this, the CAA has updated the methodology of the AK Factor calculation and updated the Licence through CAP3001. Within the current consultation, Heathrow is following the most recent AK Factor calculation methodology as set out by the CAA in CAP3001.

10.1.4 AK_t is calculated as follows:

$$AK_{2025} = \frac{0.5}{Q_{2025}} \times \left[OR_{2020} \times \frac{P_{2025}}{P_{2020}} \times (1 + RWACC)^{2025-2020} + OR_{2021} \times \frac{P_{2025}}{P_{2021}} \times (1 + RWACC)^{2025-2021} \right]$$

where:

- a. Q_{2025} is the number of passengers using the Airport in the Regulatory Year 2025 and has the value $Q_{2025} = 83,443,222$;
- b. OR_t is the over-recovered airport charges revenue and has the following values:
 - i. OR_{2020} is equal to £29 million in 2020 RPI-real prices; and
 - ii. OR_{2021} is equal to £48 million in 2021 RPI-real prices
- c. P_t is the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year t . For the purposes of this consultation, the values of P_t are:

$$P_{2025} = 392.90, P_{2021} = 305.00, \text{ and } P_{2020} = 293.14;$$
- d. $RWACC$ bears the same meaning as in the Licence Condition C1.7(c) and has the value $RWACC = 4.01\%$ as defined in CAP3001.

10.1.5 Based on the formula in CAP3001, the value of the 2025 AK factor is set out below.

$$AK_{2025} = \frac{0.5}{83.4m} \times \left[29m \times \frac{392.90}{293.14} \times (1 + 4.01\%)^5 + 48m \times \frac{392.90}{305.00} \times (1 + RWACC)^4 \right] = £0.717$$

11 Correction Factor

11.1.1 The K Factor sets out the level of over recovery or under recovery on a per passenger basis. This over recovery is when Heathrow exceeds the maximum allowable yield on a per passenger basis. The under recovery is when Heathrow does not achieve the maximum allowable yield on a per passenger basis. This over/under recovery generally reflects a change in mix of actual passengers and movements compared to the forecasts used to set the airport charges for that relevant year.

11.1.2 The K Factor formula has a component to calculate the actual allowable yield in the Regulatory Year t-2. The K Factor formula is shown below:

$$K_{2025} = \frac{1}{Q_{2025}} \times (R_{2023} - Q_{2023} \times M_{2023}) \times \left(1 + \frac{I_{2023}}{100}\right)^2, \text{ where:}$$

where:

- (a) R_{2023} is the total revenue from airport charges in respect of relevant air transport services levied at the Airport in Regulatory Year 2023 expressed in pounds sterling;
- (b) Q_{2023} is the number of passengers using the Airport in Regulatory Year 2023;
- (c) M_{2023} is the maximum revenue yield per passenger using the Airport in Regulatory Year 2023 expressed in pounds sterling. The value of M_{2023} is set as a hardcoded value of £31.57 in multiple publications:
 - (i) In condition C1.1 of the May 2023 Licence, which states that: *“When the Licensee fixes the amounts to be levied by it by way of airport charges in respect of relevant air transport services in the Regulatory Year 2023 it shall fix those charges at the levels best calculated to secure that; in that Regulatory Year, the total revenue at the Airport from such charges divided by the total number of passengers using the Airport does not exceed the maximum revenue yield per passenger, which shall be £31.57”*
 - (ii) In CAP2488 and CAP2515, where the CAA have proposed and decided on setting a holding cap during the Regulatory Year 2023.
- (d) I_{2023} is the appropriate interest rate for Regulatory Year 2023, which is equal to:
 - (i) the specified rate plus 3% where K_{2025} is positive; or
 - (ii) the specified rate where K_{2025} is negative.

11.1.3 The calculation for I_{2023} is specified in the Final Decision as the average of the three-month Treasury Bill Discount Rate published by the UK Debt Management Office during the 12 months from the beginning of May in Regulatory Year 2023 to the end of April in Regulatory Year 2024. This is shown in the table 9 below.¹⁷

¹⁷ Data originates from the UK Debt Management Office's Treasury Bill Tender results between 1st May 2022 and 30th April 2023: Treasury Bill Tender Results - Time series Report (dmo.gov.uk)

Table 9 – Treasury Bill Discount Rates

Tender Date	Average Yield (%)
05-May-2023	4.499420%
12-May-2023	4.554748%
19-May-2023	4.605302%
26-May-2023	4.741993%
02-Jun-2023	4.790380%
09-Jun-2023	4.848980%
16-Jun-2023	4.942069%
23-Jun-2023	5.219410%
30-Jun-2023	5.283555%
07-Jul-2023	5.377647%
14-Jul-2023	5.447111%
21-Jul-2023	5.430310%
28-Jul-2023	5.450946%
04-Aug-2023	5.381373%
11-Aug-2023	5.411154%
18-Aug-2023	5.511034%
25-Aug-2023	5.530694%
01-Sep-2023	5.521283%
08-Sep-2023	5.512349%
15-Sep-2023	5.555951%
22-Sep-2023	5.357489%
29-Sep-2023	5.339192%
06-Oct-2023	5.342926%
13-Oct-2023	5.349985%
20-Oct-2023	5.343253%
27-Oct-2023	5.321894%
03-Nov-2023	5.320369%
10-Nov-2023	5.307739%
17-Nov-2023	5.292546%
24-Nov-2023	5.296874%
01-Dec-2023	5.290757%
08-Dec-2023	5.293093%
15-Dec-2023	5.295613%
22-Dec-2023	5.275299%
05-Jan-2024	5.235381%
12-Jan-2024	5.218805%
19-Jan-2024	5.225337%
26-Jan-2024	5.220083%
02-Feb-2024	5.216389%
09-Feb-2024	5.225140%
16-Feb-2024	5.226433%
23-Feb-2024	5.236084%
01-Mar-2024	5.244774%
08-Mar-2024	5.248674%
15-Mar-2024	5.255916%
22-Mar-2024	5.228788%
28-Mar-2024	5.251732%

05-Apr-2024	5.226536%
12-Apr-2024	5.224294%
19-Apr-2024	5.236135%
26-Apr-2024	5.236113%
Average Yield	5.24%

11.1.4 The following components support the calculation of K_{2025} :

Term	Value
Q_{2025}	83.443m
R_{2023}	£2,442m
Q_{2023}	79.217m
M_{2023}	£31.57
I_{2023}	5.24
K_{2025}	$\frac{1}{83.443m} \times (\text{£}2,442m - 79.217m \times \text{£}31.57) \times \left(1 + \frac{5.24}{100}\right)^2 = -\text{£}0.782$

12 Passenger Demand Outlook for 2025

- 12.1.1 The passenger demand outlook for 2025 has been generated using a bottom-up Heathrow-specific capacity supply approach that considers key metrics that influence passenger volumes such as levels of flying (number of flights), aircraft capacity (number of seats), load factors and transfer share.
- 12.1.2 The approach takes into account the 480,000 limit on Heathrow ATMs, the current slot utilisation rules, the historic flight schedule, flights on sale, future fleet (including densification and upgauging) and airline growth aspirations ultimately focusing on the growth potential through passengers per flight.
- 12.1.3 The forecasts are generated based on the best information available at the time of creation.
- 12.1.4 With levels of flying capped and Covid-related alleviation from slot utilisation rules being removed from Summer 2024, passenger growth is predominantly expected to be through increasing seat capacity and load factors.
- 12.1.5 In 2025, seats per movement are forecast to grow as per the latest fleet plans and aircraft delivery timetables, and load factors are expected to maintain thus balancing the improved economic outlook against increasing seat capacity.
- 12.1.6 In terms of connecting passengers, the transfer share is expected to continue the pre-covid trend of year-on-year decline with the share for 2025 forecast to be lower than 2024 at 21.8%. This is based on the assumptions that leisure and VFR traffic continue to dominate whilst capacity becomes more constrained due to the flight cap squeezing out the potential for transfers growth.
- 12.1.7 The current outlook for 2025 is 83,443,222 passengers.

13 Terminal drop off charge (TDOC) price change

13.1 Reprice and reforecast

- 13.1.1 TDOC was introduced in 2021 as a congestion charge to reduce traffic on forecourts with all private vehicles treated equally as they contribute equally to congestion on airport roads.
- 13.1.2 Achieving a modal shift from car to public transport is essential for delivering the Government's net zero carbon plans by increasing the proportion of journeys made to the airport by public transport, as outlined within the Heathrow 2022 Surface Access Strategy¹⁸.
- 13.1.3 Since introducing TDOC, more passengers are using public transport (41% pre-covid to 45% now) to get to and from Heathrow. Forecourt usage continues to decline as a mode share with the 12-month moving average dropping from 49% at the start of 2019 to 46% of all departing passengers in July 2024. This equates to approximately 1.7m fewer visits (or 2.5m passengers) on the forecourt each year.
- 13.1.4 TDOC operational performance has surpassed CAA forecasted expectations with detection rates over 98% and payment compliance of over 95%. These exceed the UK government National ANPR (automatic number plate recognition) Standards for Policing and Law Enforcement (NASPLE). However, from 2022 to 2025, actual revenues generated from the scheme are less than the CAA forecast due to the declining mode share and fewer penalty charges because of the higher-than-expected payment compliance. Alternative options to generate incremental revenues by increasing volumes of transactions would not support the government net zero or public transport sustainability targets.

TDOC Financials	2022	2023	2024	2025
<u>CAA forecast:</u>				
Nominal £m	43.6	44.6	53.5	54.3
Real £m (2020 prices)	38.9	37.1	44.2	45.2
IPP Nominal £	0.71	0.61	0.68	0.67
IPP Real £ (2020 prices)	0.63	0.51	0.56	0.56
<u>Heathrow actual / forecast:</u>				
Nominal £m	37.2	39.9	46.6	49.2
Real £m (2020 prices)	33.5	33.9	38.2	39.3
IPP Nominal £	0.60	0.55	0.59	0.61
IPP Real £ (2020 prices)	0.54	0.46	0.48	0.49
<u>Variance:</u>				
Nominal £m	-6.4	-4.7	-6.9	-5.0
Real £m (2020 prices)	-5.4	-3.2	-6.0	-5.9
IPP Nominal £	-0.10	-0.06	-0.09	-0.06
IPP Real £ (2020 prices)	-0.09	-0.04	-0.08	-0.07

¹⁸ <https://www.heathrow.com/content/dam/heathrow/web/common/documents/company/about/company-information/2022-Surface-Access-Strategy.pdf>

- 13.1.5 In 2021, the TDOC price was broadly aligned with the price of a 30 minute stay in our multi storey car parks. However, car parking prices have increased by inflation each year which has created a disparity compared to the forecourt charges.
- 13.1.6 We propose to increase the price of TDOC by £1 (20%) to £6 from 1st January 2025. In keeping with regulatory requirements, we have included the TDOC reprice and H7 adjustment as part of this consultation. This increase will partially bridge the gap between forecasted TDOC revenues included within the CAA final proposal. Thereafter TDOC price will be reviewed annually alongside car park roll-up pricing and further consultation may be required¹⁹ if prices will increase in the future.
- 13.1.7 Forecourt usage consistently scores the highest satisfaction rates amongst users of the service, indicating that passengers value the convenience of terminal adjacent drop off and view this as a premium service.
- 13.1.8 Any TDOC revenue difference against the original CAA forecast is subject to 65% risk sharing, implemented through the maximum allowable yield (MAY). Despite this, the CAA forecast assumes higher revenues for the TDOC than our expected revenues over 2025, therefore the price rise will not exceed the revenue anticipated in the FD.
- 13.1.9 This consultation on the proposed increase in the TDOC, incorporated into the wider 2025 airport charges consultation, meets our regulatory obligations so that airlines have sufficient information to take an informed view of the proposed changes.
- 13.1.10 We will also be consulting with other Relevant Parties on our proposed changes to the TDOC including local communities through the Heathrow Area Transport Forum, taxi trade bodies and Transport for London.

¹⁹ The consultation condition for TDOC is triggered if the yearly price increase are higher than 10% of the TDOC revenue during 2022.

14 Overview of proposed airport charges for 2025

14.1 Strategic objectives

14.1.1 Heathrow's 2025 focus, similar to the strategic objectives articulated during the 2024 pricing process, will be on driving growth, promoting sustainability and incentivising the efficient use of airport infrastructure to drive additional capacity. Our pricing proposals for 2025 sit within each of these strategic objectives:

Table 10 - 2025 aeronautical charging strategic objectives

Strategic Objective	Proposed Changes
Growth and Connectivity	<ul style="list-style-type: none"> a. Introduce a class of travel multiplier for departing passengers in First/Business classes with a commensurate reduction for Premium Economy and Economy departing passengers. b. Increase the transfer discount for domestic departing passengers from 40% to 50%.
Sustainability	<ul style="list-style-type: none"> c. Continue to provide an incentive for airlines to uplift SAF at Heathrow with an increase to a 3% SAF mix ambition but fund via passenger charges instead of NOx emissions.
Efficient use of airport	<ul style="list-style-type: none"> d. Increase the proportion of the allowable yield recovered from parking to 5% from 4% with a commensurate reduction in movement charges from 39% to 38%. e. Increase the Rest of World minimum departure charge threshold to 80 passengers from 50 passengers.

14.1.2 Additionally, we are proposing to increase the remote stand rebate amount from £4.90 in 2024 to £5.40 in 2025.

14.2 How Heathrow recovers the Maximum Allowable Yield

14.2.1 We propose to make a slight adjustment to the proportions of the allowable yield that is recovered across the component elements by increasing parking to 5% and reducing movement to 38% as shown in the table below.

Table 11 - MAY recovery structure

Charge	2024 proportion	2025 proportion
Passenger	57%	57%
Movement	39%	38%
Parking	4%	5%

14.2.2 The funding of the SAF incentive, whilst changing to the departing passenger charge from the NOx emissions charge, does not impact the MAY recovery as the monies raised are returned to participating airlines.

14.3 Passenger charges – class of travel differentiated charging

14.3.1 From 2025, we propose to introduce of a class of travel based differential into the current departing passenger charge structure. This is proposed to take the form of a two-category model which distinguishes premium class of travel (first, business, upper) from standard

class of travel (economy and premium economy) for both direct and transfer/transit passengers.

14.3.2 The drivers and benefits of introducing such a differential into the charging structure are:

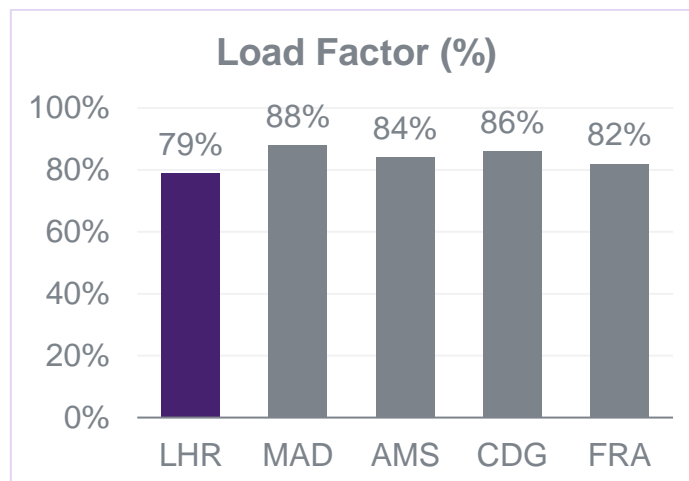
- Reflecting the per passenger environmental footprint as premium class of travel passengers account for a greater proportionate environmental impact;
- Better alignment of airport and airline revenue drivers;
- Recognising and incentivising the reversal of lost capacity resulting from a greater focus on premium travel at Heathrow relative to other European hubs (see table 12); and
- Driving additional passenger volume via load factors (see figure 1).

Table 12 – seat densification comparison to manufacturer published seat count of most common aircraft types at Heathrow²⁰

	Manufacturer seats per movement	Average Heathrow seats per movement	Average seats per movement loss
IATA Code C	195	180	-15
IATA Code E	343	273	-70

14.3.3 The above table demonstrates that a focus on more premium configurations on aircraft operating at Heathrow adversely impacts our ability to grow passenger volume.

Figure 1 – load factor comparison to European hubs



14.3.4 Figure 1 illustrates the subsequent impact on load factors as a result of the focus on yield at Heathrow which could fly up to 4.95m additional passengers if load factors were equivalent to those at other European hubs with a resulting reduction in the MAY.

14.3.5 The Department for Transport (DfT) published updated Price Elasticities of Demand (PED) in 2022 based on UK demand, with estimates of PED based on trip purpose: business and leisure. These figures demonstrate that there is likely to be an overall increase in

²⁰ Source: Heathrow Data Store and CAPA

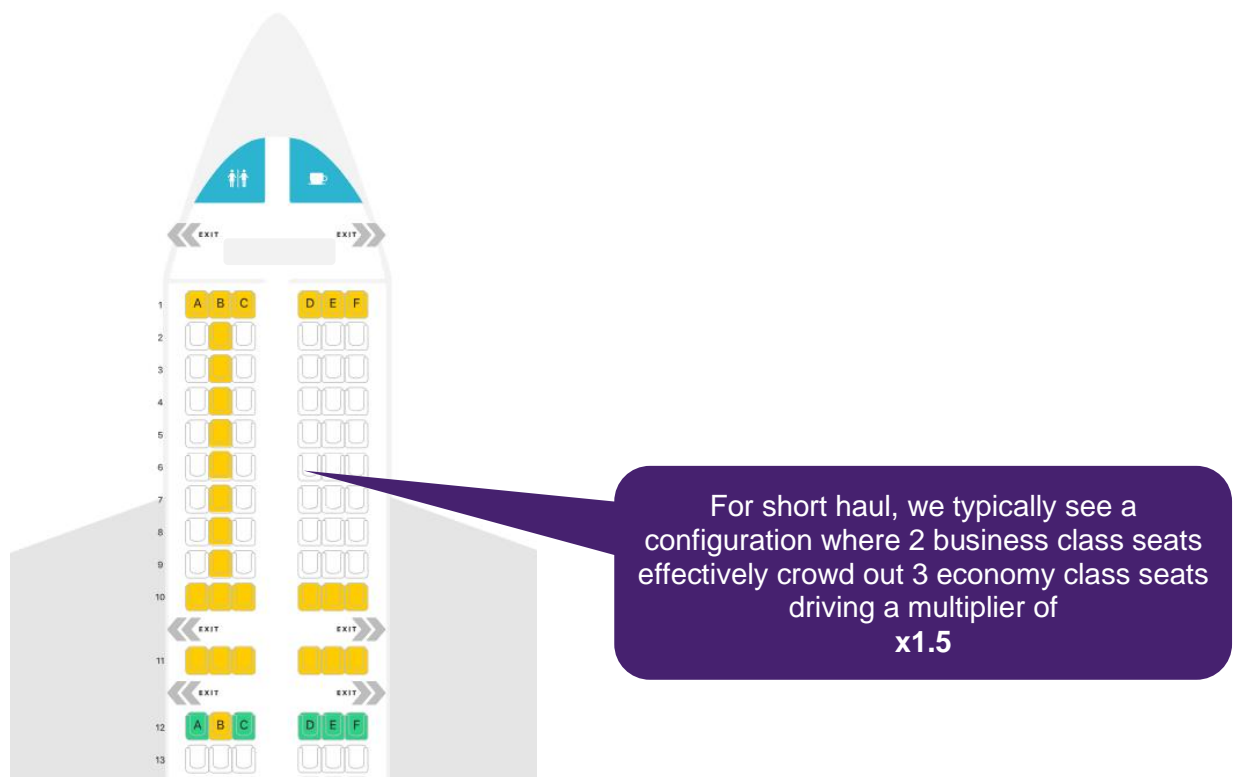
passenger volume as a result of a class of travel differentiation which lowers the economy passenger charge²¹.

Econometric Models to Estimate Demand Elasticities for the National Air Passenger Demand Model

	Previous 2011 model (using data to 2008)		Current model (using data to 2017)	
	YED	PED	YED	PED
All business	1.0	-0.2	0.9	-0.2
All leisure	1.2	-0.6	1.3	-1.1

14.3.6 The proposed multipliers are x1.5 for short haul destinations and x2.6 for long haul destinations reflect the floor space ratio of First/Business class seats to Economy class on common aircraft utilised for long and short haul flights at Heathrow. This is illustrated in figure 2 for short haul and table 13 for long haul. As a result of this analysis and given the relative closeness of premium economy ratios to economy, it has also been proposed to incorporate that class of travel into the standard class for the purposes of charging. To be clear, the x1.5 and x2.6 class of travel multipliers are proposed to be applied on a departing passenger destination basis and not aircraft type as they are proposed to form part of the passenger charge.

Figure 2 – narrow body configuration



²¹ <https://assets.publishing.service.gov.uk/media/6235a5378fa8f540edba36f5/econometric-models-to-estimate-demand-elasticities-for-the-national-air-passenger-demand-model.pdf>

Table 13 – wide body configuration examples

Boeing 787-9 (789)				
	Pitch	Width	Total	Ratio
Economy	31	17.5	543	1.0
Premium Economy	38	18.5	703	1.3
Business	72	20	1440	2.7
First	73	22	1606	3.0
Boeing 777-300ER (77W) Three Class Layout 1				
	Pitch	Width	Total	Ratio
Economy	32	17	544	1.0
Business	60	20.5	1230	2.3
First	69	20.5	1414.5	2.6
A350-1000 (351)				
	Pitch	Width	Total	Ratio
Economy	32	18	576	1.0
Premium Economy	40	18.5	740	1.3
Business	75	20	1,500	2.6

14.4 Passenger charges – domestic and common travel area

- 14.4.1 The UK Government has consistently maintained a policy of enhancing domestic connectivity and introduced a new domestic band of Air Passenger Duty in 2023²², effectively cutting the levy by 50%, which will help to support greater connectivity within the UK. Supporting domestic connectivity is clearly in the public and general interest and the Government has stated its expectation that Heathrow plays its part. Ministers have been clear that they will hold Heathrow “*to account on how it has worked constructively with airlines and regional airports to protect and strengthen the domestic connections*”²³.
- 14.4.2 On 1 January 2017, Heathrow introduced a departing passenger charge reduction of £5.00 to the existing European Destination passenger charge for passengers travelling to UK destinations (including the nations and Crown Dependencies). This UK connectivity discount was introduced in direct response to the National Connectivity Task Force (NCTF) report which identified the need to make routes to regional airports more attractive. It was subsequently increased to £7.50 in 2022.
- 14.4.3 In 2021 a new category of passenger charge was introduced for those destinations defined as the Common Travel Area (CTA) Destinations, being the Crown Dependencies (the Bailiwick of Jersey, Bailiwick of Guernsey and the Isle of Man) and Ireland. Since that time, the UK connectivity discount has applied to passengers travelling to Domestic or CTA Destinations. Recognising variations in the customs arrangements for these

²² Air Passenger Duty: banding reforms from April 2023 - GOV.UK (www.gov.uk)

²³ Airports National Policy Statement - Hansard - UK Parliament

passengers and associated infrastructure requirements, a £0.25 differential was included in the charges for CTA passengers.

14.4.4 There are no proposed changes to the Domestic and CTA connectivity discount level for 2025.

14.5 Passenger charges – Europe

14.5.1 The changes proposed to European passenger charges are the class of travel differential outlined in section 14.3 and the recovery of the SAF incentive from departing passenger charges instead of NOx emissions outlined in section 14.14.

14.6 Passenger charges – Rest of the World (RoW)

14.6.1 The changes proposed to RoW passenger charges are the class of travel differential outlined in section 14.3 and the recovery of the SAF incentive from departing passenger charges instead of NOx emissions outlined in section 14.14.

14.7 Passenger charges – Transfer and transit

14.7.1 To encourage both increased load factors on domestic routes and to attract current domestic passengers who transfer via other competing European hubs, we are proposing to extend the current passenger transfer discount from 40% to 50% on domestic departures.

14.7.2 European hubs such as AMS and FRA attract a significant proportion of UK passengers who continue their onward journeys from those hubs, as highlighted in Figure 3. Many of those passengers could use Heathrow and a higher transfer discount may attract such passengers with the potential opportunity highlighted in Figure 4.

14.7.3 The intention is to support and stimulate domestic connectivity within the UK as well as making it easier and more cost effective for passengers to connect through Heathrow. This in turn, promotes the hub and drives feeder traffic onto both short and long haul flights from Heathrow, benefitting the whole airline community.

Figure 3 – 2023 UK origin transfer passengers²⁴

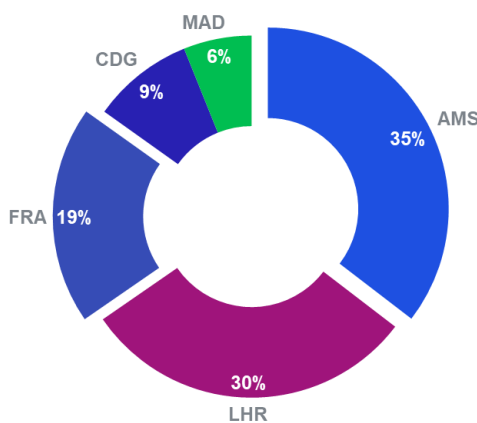
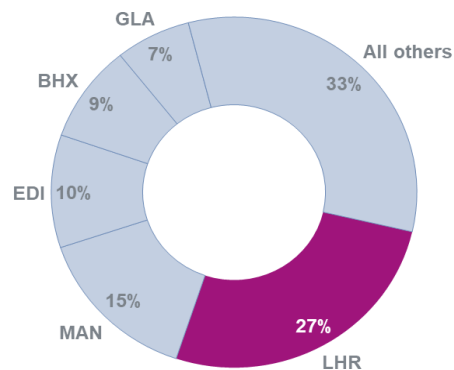


Figure 4 – UK origin of passengers transferring through European hubs²⁵



²⁴ Airport IS

²⁵ Airport IS

14.7.4 Other changes proposed which would impact transfer and transit passenger charges are the class of travel differential outlined in section 14.3 and the recovery of the SAF incentive from departing passenger charges instead of NOx emissions outlined in section 14.14.

14.8 Passenger charges – minimum departure charges (MDC)

14.8.1 The current structure has an imbalance in the required passenger load between Europe and the RoW, leading to the potential under utilisation of aircraft capacity in the RoW category. To address this issue, we propose to maintain the thresholds for CTA and Europe, while increasing the threshold for RoW. The proposed adjustment would address this imbalance, incentivise optimal load factors and improve overall capacity utilisation. We do not propose any changes to the MDC treatment of domestic routes.

14.8.2 The minimum departure charges proposed for 2025 are:

Table 14 – MDC levels

Destination	2024 Min Dep Charge	2025 Min Dep Charge	Passenger load assumption
Domestic	N/A	N/A	N/A
CTA	£805.80	£712.20	60
European	£1,592.36	£1,472.24	77
RoW	£2,379.00	£3,536.00	80

14.9 Passenger charges – remote stand rebate

14.9.1 Responding to airline feedback and to reflect the inflationary pressures on cost of services we propose to increase the remote stand rebate from £4.90 to £5.40 per passenger.

14.10 Environmental charges – noise

14.10.1 There are no proposed changes to the structure of the noise charges in 2025. Heathrow continues to experience an improving trend towards quieter aircraft as shown in table 15 below.

Table 15 - Noise performance per chapter 2016-2024²⁶

Chapter	2016	2017	2018	2019	2020	2021	2022	2023	2024 H1
Chapter 3 Maximum	0.1%	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.01%	0.01%
Chapter 4 high Ultra High	12.8%	11.2%	8.8%	8.9%	6.6%	4.6%	3.7%	1.38%	1.21%
Chapter 4 base Super High	27.6%	28.6%	28.6%	25.7%	22.4%	17.5%	17.2%	16.34%	13.75%
Chapter 14 high High	8.8%	8.6%	7.5%	8.4%	8.6%	10.3%	7.5%	7.14%	6.66%
Chapter 14 base Base	35.9%	35.4%	34.0%	30.4%	25.2%	23.4%	28.7%	28.63%	30.15%
Chapter 14 low Low	14.8%	16.1%	21.0%	26.6%	37.1%	44.2%	5.5%	5.87%	5.39%
Chapter 14 super low Super Low							37.3%	17.00%	18.77%
Chapter 14 ultra low Ultra Low								23.63%	24.06%

²⁶ Heathrow system data

14.10.2 To further stimulate UK domestic connectivity and cognisant of the investment needed to establish new routes, in 2023 we introduced a noise discount for aircraft that operate on a new scheduled domestic route. In 2024, we extended the duration of the discount to 4 years with a 50% discount lasting for years 1 and 2 of operations and 25% for years 3 and 4 of operations.

14.10.3 Table 16 outlines the number of domestic routes since 2017 demonstrating that Heathrow's efforts to promote domestic connectivity are working but that maintaining a focus on domestic connectivity remains important. Therefore, the noise discount for new domestic routes remains in place.

Table 16 - Domestic connections 2017 - 2024

Period	Total Number of Domestic Routes (Excl. Channel Islands)
2017	8
2018	8
2019	9
2020	10
2021	9
2022	10
2023	12
2024	11

14.11 Environmental charges – NOx emissions

14.11.1 The only change proposed with regards to the NOx emissions charge is that the SAF incentive pot will be funded via the passenger charge element of the tariff structure and not the NOx charge. There are no other proposed changes to the NOx emissions charge structure.

14.12 Environmental charges – Carbon emissions

14.12.1 Heathrow is not proposing any changes to the Carbon emissions charge structure.

14.13 Environmental charges – Night jet multipliers

14.13.1 Heathrow 2.0 sets out our aim to “*limit and where possible reduce the number of people highly sleep disturbed and highly annoyed compared to 2019*”²⁷ and we are committed to working with airlines and other key stakeholders to achieve this.

14.13.2 Sleep disturbance reduction is a crucial part of Heathrow 2.0. Over recent years there has been a decreasing trend of night jet movements. However, even small numbers these have a significant impact on the local community. Alongside UK Government efforts to increase night-time noise abatement²⁸, Heathrow introduced the increased peak night quota period multiplier of x8, in 2024, to further incentivise the reduction of night jet movements. No changes are proposed to this for 2025.

²⁷ Source: Heathrow 2.0 Connecting People and Planet FINAL.pdf

²⁸ Night-time noise abatement objectives for the designated airports from October 2025 - GOV.UK (www.gov.uk)

Table 17 - Night Jet Movements 2018 – 2024

	2018	2019	2020	2021	2022	2023	2024 H1
Departure	582	418	78	86	713	476	163
Arrival	597	478	199	143	832	394	174
Total	1,179	896	277	229	1,545	870	337

14.14 Environmental charges – Sustainable Aviation Fuel (SAF) incentive

14.14.1 Climate change is possibly the greatest long-term challenge faced by aviation. There are different solutions which can contribute to decarbonising flying but it is widely accepted that SAF will play a significant role.

14.14.2 At Heathrow, our assessments show that SAF is central to achieving net zero by 2050 and we want to be a leading hub for its development and deployment. To that end, in 2022 we introduced a multi-year sustainable aviation fuel incentive, recovered via the NOx emissions charge. The SAF incentive is designed to reduce the high-cost premium of SAF compared to standard aviation fuel and encourage investment in SAF production, which in turn will help reduce the SAF premium and encourage further take up.

14.14.3 Our 2022 Airport Charges Decision Document set out details of a 4-year scheme covering 50% of the SAF cost premium to encourage the achievement of a SAF mix ambition at Heathrow of 0.5% in 2022, increasing to 1% in 2023, 2% in 2024 and 4% by 2025.

14.14.4 The 2024 SAF incentive scheme was fully subscribed, we have received positive feedback from airlines and wider industry regarding the scheme and we see a continuing strong indication that Heathrow's scheme is promoting airline use of SAF.

14.14.5 In April 2024, the UK government confirmed that the UK SAF mandate will take effect from 1 January 2025, setting a minimum 2% blend rate for all flights leaving the UK in the first year.

14.14.6 Both the new UK Government mandate and the increased supply of SAF in key supplier markets, has resulted in Heathrow proposing to retain the incentive for 2025. However, we propose to amend the scheme to target a SAF mix of 3%, aimed to support the achievement of the UK mandate but further incentivise +1% above the mandate, in line with the 2030 Heathrow ambition of 11% SAF mix which is 1% above the Government target.

14.14.7 The incentive pot proposed for 2025 is therefore £85.8m and this has been calculated using assumed fuel requirements for Heathrow as a whole, applying a 3% target SAF mix and funding 50% of a SAF price premium of £920²⁹. The table below outlines the amended proposal.

Table 18 - SAF incentive evolution

	2022	2023	2024	2025 new proposal
SAF Mix	0.5%	1.5%	2.5%	3%
Incentive pot	£10m	£37m	£71m	£85.8m
SAF premium	£920	£920	£920	£920
Contribution	50%	50%	50%	50%

²⁹ Based on SAF cost at 3x kerosene; kerosene base price = \$650USD per metric tonne

- 14.14.8 Previously, the SAF incentive pot was recovered via an increase to the NOx emissions charge. For 2025, we propose to recover the SAF incentive pot as part of the Departing Passenger Charge. This change recognises the interplay between NOx emissions and decarbonisation in engines as well as the relative impact on tariffs.
- 14.14.9 Cargo ATMs will continue to have a separate incentive pot for cargo operations. recognising that there are no passengers on cargo ATMs, the cargo incentive pot will be recovered via the cargo Minimum Departure Charge.
- 14.14.10 The incentive pot will be apportioned between airlines using Revenue Passenger Kilometres (RPK) or Freight Tonnes Kilometres (FTK) using 12 months of operational data.
- 14.14.11 We will separately consult on a SAF incentive scheme pathway from 2026-2030 to elicit views on maintenance of the 50% SAF price premium. This will be conducted in sufficient time to inform the 2026 aeronautical charges consultation process.

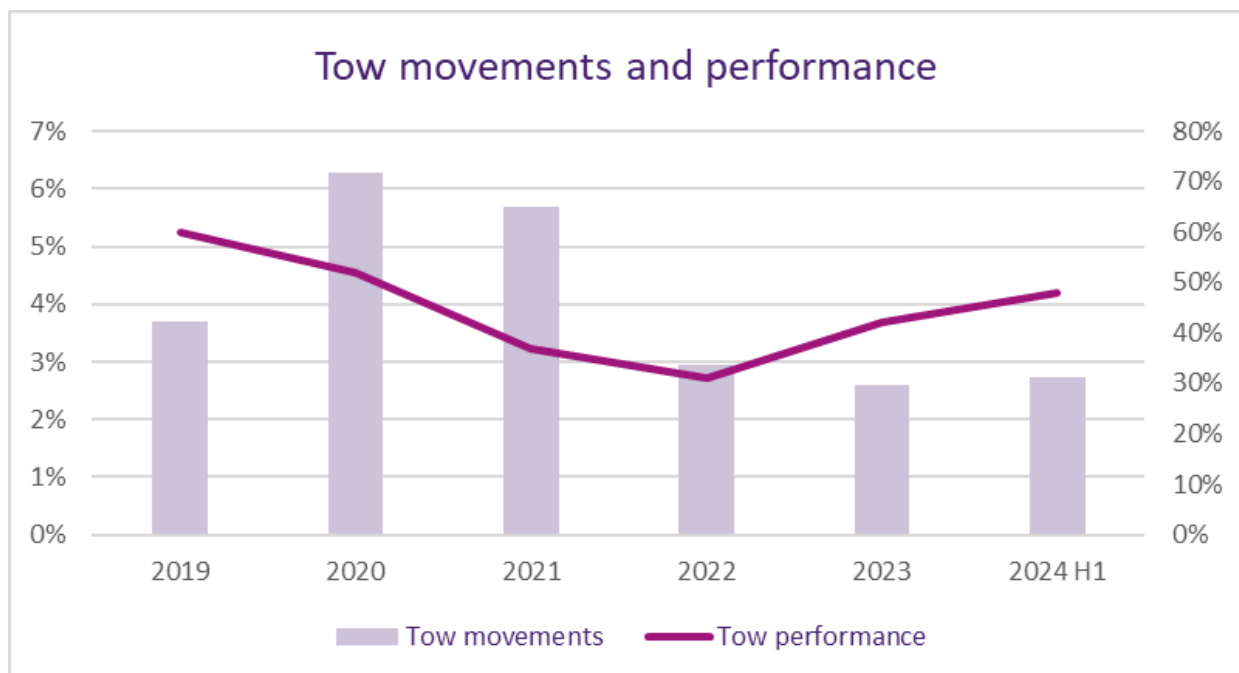
14.15 Parking charges

14.15.1 To incentivise a quick turnaround, the current tariff structure includes free parking periods of 90 minutes and 30 minutes for wide and narrow body aircraft respectively. Recognising the year on year drop in on-time towing performance, extended free parking periods were introduced in 2024 for parking on remote stands. This initiative was designed to incentivise the prompt towing off pier served stands which in turn reduces lost stand capacity minutes and increases stand capacity.

14.15.2 The figure below illustrates a positive trend in 2024 year to date and therefore no changes are proposed to free parking periods for 2025.

14.15.3 However, performance still lags 2019 and therefore, to further incentivise an improvement in the towing off stand performance, we have proposed to increase the proportion of the MAY recovered from parking charges from 4% to 5% with a commensurate reduction in Movement charges.

Figure 5 – Tow movements and performance



15 Calculating airport charges tariffs for 2025

15.1 Overview

- 15.1.1 The following section outlines the steps that have been applied to calculate the individual tariffs for 2025.
- 15.1.2 The forecast maximum allowable yield for 2025 is £25.933 per passenger.
- 15.1.3 Following the proposed change to the proportions across which we recover the maximum allowable yield (MAY), 2025's apportionment would be: Passenger 57%, Movement 38% and Parking 5%.

15.2 Passenger charges

- 15.2.1 The 2025 MAY uses a passenger forecast of 83,443,222.
- 15.2.2 In 2025, we propose to introduce a class of travel based charge differential - Standard (including Economy and Premium passengers) with a multiplier of x1 and Premium (applicable to passengers travelling in First and Business class) with a multiplier of x1.5 for short haul destinations and x2.6 for long haul destinations. There is no proposed change to the existing destination group (Domestic, CTA, European and RoW) multipliers and transfer and transit passenger discounts with the exception of the increase to 50% in the case of Domestic transfer and transit passengers.
- 15.2.3 The departure charge is calculated by reference to the set baseline charge then apportioned out based on the proportion of premium and non-premium passengers within each destination category, transfer and transit discounts, UK connectivity discount and CTA differentiator.
- 15.2.4 Step 1 is to set the baseline charge which is determined by the departing passenger revenue required [MAY x passenger forecast x 57%], factoring in the forecast remote stand rebate impact and the funding for the SAF incentive. This baseline is then apportioned out based on a multiplier for Premium passengers, a multiplier for the individual destination groups, including the application of the CTA differentiator of £0.25 and the appropriate transfer and transit passenger discount.
- 15.2.5 Step 2 is only applicable to the passengers who are eligible for a Domestic connectivity discount of £7.50. The Domestic connectivity discount has the appropriate transfer multiplier applied as defined above to determine the final connectivity discount for the fare. This means that an O&D passenger receives the full £7.50 discount whereas transfer passengers receive a proportion of the £7.50 discount.
- 15.2.6 Step 3 is to deduct the applicable Domestic connectivity discount (Step 2) and recover the balance from the RoW passenger charge calculated in Step 1.
- 15.2.7 The balance of environmental charges is not proposed to change. Therefore 80% of the total environmental charge is recovered through noise, 15% through NOx emissions and 5% through Carbon emissions.

- 15.2.8 The applicability of noise charges remains unchanged, where airlines will incur a noise charge for both take-off and landing.
- 15.2.9 The noise charge is calculated by initially setting the baseline charge which is determined by the noise revenue requirement [MAY x 2025 passenger forecast x 38% x 80%]. This baseline is then apportioned out based on the multiplier for each individual noise chapter and reconciled back to the required revenue amount. There is no proposed change to the multipliers that were set up and published in the 2023 Airport Charges Decision document.
- 15.2.10 The NOx charge is determined by dividing the total NOx revenue requirement [MAY x 2025 passenger forecast x 38% x 15%] by the forecast NOx emissions in kilograms for 2025 with charges applicable on landing only.
- 15.2.11 The Carbon charge is determined by dividing the total Carbon revenue requirement [MAY x 2025 passenger forecast x 38% x 5%] by the forecast carbon emissions in kilograms for 2025 with charges applicable on landing only.

15.3 Parking charges

- 15.3.1 The parking charge is calculated by initially setting the baseline charge which is determined by the parking revenue requirement [MAY x 2025 passenger forecast x 5%]. This baseline is then apportioned based on the multiplier for narrow and wide body aircraft and forecast chargeable parking periods for each type of aircraft. There is no proposed change to the multiplier compared to previous years although the forecast chargeable periods have been reduced to reflect the impact of the increased free parking periods on remote stands.

16 Operational performance incentive

16.1 Overview

- 16.1.1 Heathrow has incorporated the efficient use of airport infrastructure into our 2025 aeronautical charges consultation strategic objectives. The successful outcome of the proposed changes in this area would result in better utilisation of scarce capacity at Heathrow.
- 16.1.2 However, we continue to experience varying degrees of operational performance which drives both adverse financial consequences and service experience for not just the airport but the airline community and ultimately passengers.
- 16.1.3 Heathrow has previously explored airline views of introducing an incentive to drive improved operational outcomes and included this subject in the pre-consultation engagement sessions. Most airlines supported the principle however, implementation challenges remained.
- 16.1.4 Heathrow remains of the view that the implementation of a form of aeronautical charging which incentivises improved operational performance would result in a positive change in operational performance metrics thereby improving passenger experience metrics and subsequently increasing both demand and capacity.
- 16.1.5 Therefore, Heathrow will continue to explore this opportunity with the airline community but does not propose to include it in the 2025 charges structure.

17 Forecast revenue for 2025

Movement Charge				
Noise Charge				
<u>Fixed wing aircraft exceeding 16 metric tonnes – outside Night Quota Period</u>				
Maximum	[Landings]	0	£14,380.10	£0
Ultra high	[Landings]	1,358	£7,190.06	£9,763,736
Super High	[Landings]	23,303	£3,595.03	£83,773,247
High	[Landings]	14,184	£2,157.02	£30,595,431
Base	[Landings]	75,568	£1,438.01	£108,667,197
Low	[Landings]	12,313	£1,006.61	£12,394,660
Super Low	[Landings]	48,202	£790.91	£38,123,735
Ultra Low	[Landings]	61,465	£719.01	£44,193,605
Total	[Landings]	236,393		£327,511,610
<u>Fixed wing aircraft exceeding 16 metric tonnes – outside Night Quota Period</u>				
Maximum	[Departures]	0	£14,380.10	£0
Ultra high	[Departures]	1,358	£7,190.06	£9,763,736
Super High	[Departures]	23,303	£3,595.03	£83,773,247
High	[Departures]	14,184	£2,157.02	£30,595,431
Base	[Departures]	75,568	£1,438.01	£108,667,197
Low	[Departures]	12,313	£1,006.61	£12,394,660
Super Low	[Departures]	48,202	£790.91	£38,123,735
Ultra Low	[Departures]	61,465	£719.01	£44,193,605
Total	[Departures]	236,393		£327,511,610
<u>Fixed wing aircraft exceeding 16 metric tonnes – Night Quota Period</u>				
Maximum	[Landings]	0	£71,900.50	£0
Ultra high	[Landings]	0	£35,950.30	£0
Super High	[Landings]	17	£17,975.15	£301,913
High	[Landings]	16	£10,785.10	£174,779
Base	[Landings]	0	£7,190.05	£0
Low	[Landings]	31	£5,033.05	£157,518
Super Low	[Landings]	96	£3,954.55	£377,850
Ultra Low	[Landings]	40	£3,595.05	£144,354
Total	[Landings]	200		£1,156,413
<u>Fixed wing aircraft exceeding 16 metric tonnes – Night Quota Period</u>				
Maximum	[Departures]	0	£71,900.50	£0
Ultra high	[Departures]	0	£35,950.30	£0
Super High	[Departures]	17	£17,975.15	£301,913
High	[Departures]	16	£10,785.10	£174,779
Base	[Departures]	0	£7,190.05	£0
Low	[Departures]	31	£5,033.05	£157,518
Super Low	[Departures]	96	£3,954.55	£377,850
Ultra Low	[Departures]	40	£3,595.05	£144,354
Total	[Departures]	200		£1,156,413
Emissions Charge on landing				
Total kg Nox rating	[kg]	6,004,703	£20.27	£121,715,321
Average kg Nox per landing	[kg]	25.4		£121,715,321
Carbon Charge on landing				
Total Carbon kg	[kg]	1,049,884,671	£0.04	£42,603,607
Average Carbon kg per Landing and Take-off Cyc	[kg]	4,437		£42,603,607
Total Movement Revenue	(a)			£821,654,974

Departing Passenger Charge				
Departing OD Passenger Charge - Premium				
Domestic	[Dep Pax]	111,156	£21.18	£2,354,292
Common Travel Area	[Dep Pax]	97,170	£21.43	£2,082,360
European	[Dep Pax]	1,044,186	£28.68	£29,947,243
Rest of World	[Dep Pax]	1,972,822	£112.54	£222,021,352
Total	[Dep Pax]	3,225,334		£256,405,246
Departing Transfer Passenger Charge - Premium				
Domestic	[Dep Pax]	93,414	£10.59	£989,255
Common Travel Area	[Dep Pax]	35,481	£12.86	£456,291
European	[Dep Pax]	320,132	£17.21	£5,509,467
Rest of World	[Dep Pax]	653,947	£67.52	£44,154,533
Total	[Dep Pax]	1,102,975		£51,109,547
Departing OD Passenger Charge - Economy				
Domestic	[Dep Pax]	1,278,298	£11.62	£14,853,823
Common Travel Area	[Dep Pax]	1,117,459	£11.87	£13,264,233
European	[Dep Pax]	12,008,134	£19.12	£229,595,526
Rest of World	[Dep Pax]	14,467,359	£44.20	£639,457,267
Total	[Dep Pax]	28,871,250		£897,170,850
Departing Transfer Passenger Charge - Economy				
Domestic	[Dep Pax]	840,726	£5.81	£4,884,620
Common Travel Area	[Dep Pax]	260,197	£7.12	£1,852,604
European	[Dep Pax]	2,347,633	£11.47	£26,927,349
Rest of World	[Dep Pax]	4,376,418	£26.52	£116,062,598
Total	[Dep Pax]	7,824,974		£149,727,171
Remote Stand Rebate				
Remote Stand Rebate	[Dep Pax + Arr Pax]	6,679,506	£-5.40	£-36,069,332
SAF Incentive				£-85,796,258
Total Departing Passenger Charge Revenue (b)				£1,232,547,223

Parking Charge				
Narrow bodied				
Chargeable Period	[Units of 15 minutes]	505,145	£46.08	£23,277,094
Wide bodied				
Chargeable Period	[Units of 15 minutes]	876,610	£96.77	£84,829,589
Total Parking Charge (c)		1,381,756		£108,106,683

Terminal Pax Flights: Total Revenue	£2,162,308,881
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Non-Terminal Pax Flights (GA, Troops etc)				
Non-Terminal Pax Flights				
Movement Revenue	(e)			£624,205
Departing Passenger Revenue	(f)			£936,357
Parking Revenue	(g)			£82,128
Total Non-Terminal Pax Flights Revenue				£1,642,690

Total Regulated Revenue				
Total Regulated Revenue				
Movement Revenue	(a) + (e)			£822,279,179
Departing Passenger Revenue	(b) + (f)			£1,233,483,580
Parking Revenue	(c) + (g)			£108,188,811
Total Regulated Revenue				£2,163,951,571
Total Passengers				83,443,222
Total Regulated Yield				£25.933

18 Proposed airport charges tariffs effective 1 Jan 2025

	2024 £ GBP	2025 £ GBP
Charges on Movement		
Fixed wing aircraft exceeding 16 metric tonnes – outside Night Quota Period (Departures & Landing)		
Maximum	£13,302.60	£14,380.10
Ultra high	£6,651.31	£7,190.06
Super High	£3,325.65	£3,595.03
High	£1,995.39	£2,157.02
Base	£1,330.26	£1,438.01
Low	£931.18	£1,006.61
Super Low	£731.64	£790.91
Ultra Low	£665.13	£719.01
Fixed wing aircraft exceeding 16 metric tonnes – Night Quota Period (Departures & Landing)		
Maximum	£66,513.00	£71,900.50
Ultra high	£33,256.55	£35,950.30
Super High	£16,628.25	£17,975.15
High	£9,976.95	£10,785.10
Base	£6,651.30	£7,190.05
Low	£4,655.90	£5,033.05
Super Low	£3,658.20	£3,954.55
Ultra Low	£3,325.65	£3,595.05
Fixed wing aircraft exceeding 16 metric tonnes – Peak Night Quota Period (Departures & Landing)		
Maximum	£106,420.80	£115,040.80
Ultra high	£53,210.48	£57,520.48
Super High	£26,605.20	£28,760.24
High	£15,963.12	£17,256.16
Base	£10,642.08	£11,504.08
Low	£7,449.44	£8,052.88
Super Low	£5,853.12	£6,327.28
Ultra Low	£5,321.04	£5,752.08
Helicopters (Departures & Landing)	£1,005.44	£975.09
Fixed wing aircraft not exceeding 16 metric tonnes (Departures & Landing)	£1,989.38	£1,929.34
Emissions charge (Landing)	£35.25	£20.27
Carbon charge (Landing)	£0.04	£0.04

Charges on Departing Passengers	2024	2025
Premium		
Origin and Destination		
Domestic	£13.18	£21.18
Common Travel Area	£13.43	£21.43
European	£20.68	£28.68
Rest of World	£47.58	£112.54
Transfer and Transit		
Domestic	£7.91	£10.59
Common Travel Area	£8.06	£12.86
European	£12.41	£17.21
Rest of World	£28.55	£67.52
Economy		
Origin and Destination		
Domestic	£13.18	£11.62
Common Travel Area	£13.43	£11.87
European	£20.68	£19.12
Rest of World	£47.58	£44.20
Transfer and Transit		
Domestic	£7.91	£5.81
Common Travel Area	£8.06	£7.12
European	£12.41	£11.47
Rest of World	£28.55	£26.52
Remote Stand Rebate	£-4.90	£-5.40
Minimum charge - Domestic	N/A	N/A
Minimum charge - Common Travel Area	£805.80	£712.20
Minimum charge - European	£1,592.36	£1,472.24
Minimum charge - Rest of World	£2,379.00	£3,536.00
Charges on aircraft parking	2024	2025
Narrow bodied	£31.59	£46.08
Wide bodied	£66.34	£96.77

19 Financial and traffic information

19.1 Traffic statistics and charging parameters

19.1.1 The actual traffic statistics from 2015 to 2023 are set out below to provide more detailed data on those elements of the traffic mix at Heathrow airport which affect the airport charges yield per passenger.

19.2 Regulatory accounting information

19.2.1 Heathrow is a privately-owned company and a summary of its regulatory accounts are presented for the 12-month period between 1st January 2023 and 31st December 2023. These accounts compare the airport's financial performance for the Regulatory Year 2023 with the uplifted CAA forecast.

19.2.2 The regulatory accounts include revenue and cost comparison, and calculations of the Regulated Asset Base.

19.2.3 The full regulatory accounts are publicly available from <https://www.heathrow.com/company/about-heathrow/economic-regulation/regulatory-accounts>.

£million (unless otherwise stated)	Section	Actual	CAA forecast ¹	Variance	%
Total Passengers (thousands)	2	79,218	73,000	6,218	9
Revenue	3				
Airport Charges		2,442	2,283	159	7
Other Revenue		1,245	1,215	30	2
Total Revenue		3,687	3,498	189	5
Expenditure	4				
Operating costs		1,452	1,378	74	5
Assumed ordinary depreciation		1,046	1,046	-	-
Total expenditure		2,498	2,424	74	3
Regulatory operating profit		1,189	1,074	115	10
Capital expenditure	5	636	681	(45)	(7)
Opening RAB	6	19,314	19,287	27	-
Closing RAB	6	19,804	19,964	(160)	(1)
Average RAB		19,559	19,626	(67)	-
Return on average RAB		6.5%	5.8%	0.7%	12

¹ CAA forecast has been uplifted from 2020 CPI-real prices based upon CPI indexation included in section 9 (with the exception of the RAB CAA forecast which has been uplifted from 2018 RPI prices based upon RPI indexation included in section 9).

19.3 Passenger only flights

Passenger only flights - actual and forecast

	Actual									Actual 2024	F1 update 2024
	2015	2016	2017	2018	2019	2020	2021	2022	2023		
	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec	Jan-Jul*	Jan - Dec
Arriving Passengers	38,007,791	38,366,587	39,412,880	40,462,508	40,942,699	11,182,236	9,875,569	31,349,411	40,207,964	24,280,031	41,723,073
<i>Departing passengers</i>											
Origin and destination											
Europe	12,624,009	12,741,755	13,174,509	13,668,591	13,930,655	4,308,040	4,238,098	11,105,169	13,225,129	8,644,733	15,110,381
Other	14,531,642	14,903,829	15,695,509	16,105,068	16,805,579	4,356,843	3,731,841	13,161,550	16,950,410	9,706,997	16,906,951
Transfer passengers											
Europe	4,299,434	4,274,123	4,346,998	4,306,358	3,973,195	1,003,570	706,383	2,660,483	3,781,442	2,318,173	4,182,396
Other	5,496,182	5,389,922	5,358,837	5,559,489	5,234,538	1,259,014	841,254	3,322,568	4,986,699	2,862,735	4,889,149
Transit passengers											
Europe	349	3,757	1,258	2,617	1,371	476	319	1,419	1,901	277	n/a
Other	30,625	35,273	24,126	21,686	2,503	479	1,570	13,612	29,491	24,865	n/a
Departing passengers	36,982,241	37,348,659	38,601,237	39,663,809	39,947,841	10,928,422	9,519,465	30,264,801	38,975,072	23,557,780	41,088,877
Total terminal passengers	74,990,032	75,715,246	78,014,117	80,126,317	80,890,540	22,110,658	19,395,034	61,614,212	79,183,036	47,837,811	82,811,950
PATMs	469,671	470,764	471,082	472,744	473,235	177,281	160,744	367,191	450,194	272,844	473,008
UK (departing - origin and destination)	1,480,713	1,340,789	1,367,353	1,345,333	1,440,158	464,594	606,054	901,758	1,127,782	2,004,981	1,398,571
UK (departing - transfers)	1,089,749	986,012	1,058,093	1,079,454	1,006,443	276,699	289,132	773,165	1,000,140	1,672,121	1,136,684
UK (departing - total)	2,570,462	2,326,801	2,425,446	2,424,787	2,446,601	741,293	895,186	1,674,923	2,127,922	3,677,103	2,535,255

20 Conditions of Use

Background

20.1.1 The Conditions of Use is the contract between Airlines and Heathrow for the use of the airport facilities and services at London Heathrow Airport. Amongst other matters, they set out a range of conditions governing use of the airport facilities and services, what information must be provided, what our charges are and how they must be paid.

Proposed changes for 2025

20.1.2 For 2025, we have restructured the Conditions of Use and grouped conditions into topic areas to provide an improved flow. Dates have been updated to refer to 2025 onwards.

20.1.3 We propose some amendments to the conditions themselves which include:

- Addition of new background section, setting wider context relating to the Airport, the services available and the MTI regime.
- Change of references throughout from “you” to “Airport User” and from “us” to “Heathrow” and consequential amendments.
- New definitions: AOC, AOL, Applicable Law, Conditions, DCS, GOL, GSE, Licence, Misuse of Slots Enforcement Code, Slot Sanctions Scheme, Operating Principles, ORCs, ORC Protocol, Season. Updates to some definitions where required. Removal of definitions which are no longer used.
- Addition of standard boilerplate interpretation conditions.
- Updates to information requirements in advance of using Heathrow’s facilities and services.
- Updates to information requirements relating to charging.
- New conditions regarding confidentiality and sharing of information relating to wake vortex and ice strikes, and in relation to verification of SAF evidence.
- New condition requiring new airlines to carry out operational integration testing.
- New condition regarding referring third parties to the ID scheme or for a GOL or AOL and providing information on third-party contract changes.
- Addition of condition requiring compliance with the ORC Protocol and dispute resolution mechanism.
- New condition requiring checks on assistance animals to ensure only valid assistance animals are referred to HARC.
- New condition regarding wake vortex and ice fall schemes.
- Move of conditions regarding deposits, advance payment and bank guarantees into standalone condition. Updates to those conditions.
- Move of conditions relating to ad-hoc operations and payment into standalone condition.
- Updates to condition regarding services we do not provide.

- Updates to notices and jurisdiction condition and notification of agent requirements.
- Updates to Schedule 1 and the information requirements.
- Updates to Schedule 2 and the requirements regarding the Airport Operations Plan.
- Updates to Schedule 3 and the notification of aircraft detail requirements.
- Updates to charges tariff and consequential amendments to Schedule 5 as set out earlier in this consultation document.
- Updates to SAF Incentive terms to address the matters covered earlier in this consultation document, airline feedback around the scheme mechanics and our experience of running the scheme to date.
- Addition of operational principles in new Schedule 8.
- Minor updates to the Airline Passenger Welfare Protocol in Schedule 9.
- Removal of airport plan.