

General Notice

Tariffs with effect from 1 January 2015

Date: 30 September 2014

Reference: 03/14

Tariffs affected

From 1 January 2015

- **Airside licences**
- **Baggage**
- **Check-in desks and Common use self-service (CUSS)**
- **Electricity**
- **Fixed electrical ground power (FEGP)**
- **Gas**
- **Passengers with reduced mobility (PRMs)**
- **Pre conditioned air (PCA)**
- **Staff car parking**
- **Staff identity cards and vehicle apron passes**
- **Waste services**
- **Water**
- **Airline Operators Committee (AOC)**
- **Common IT Infrastructure**

1.0 INTRODUCTION

This General Notice (GN) sets out the charges for the services listed above at Heathrow Airport effective 1 January 2015. Prices from 1 April 2014 to 31 December 2014 will remain as currently advised and can be found in the attached schedule to this GN.

Heathrow Airport Ltd (HAL) has sought to provide full transparency on the costs to the Other Regulated Charges Group (ORCG) as well as at monthly governance, which has membership from across those operating at the airport, including airlines, the Airline Operators Committee (AOC) and other users of the listed Other Regulated Charges (ORC) services.

The economic regulator of Heathrow, The Civil Aviation Authority (CAA) has reflected Heathrow's Other Regulated Charges¹ revenues that are based on applying jointly agreed principles, as agreed at Governance and reflected in the Other Regulated Charges Protocol. Pricing is based on applying these principles and transparency arrangements as follows:

- Prices are set to enable only the recovery of costs (no profit margin is included);
- Costs consist of allocated costs, annuities and direct costs;
- Annuities reflect the cost of infrastructure investment;
- No cross-subsidisation of income between categories;
- Where income is greater than the costs in the previous year, this "Over recovery" will be returned by a reduction in the prices in the following year, the opposite is true where an "under recovery" has been generated;
- Pricing must be supported by transparency on costs and revenues and externally audited Trading Statements.

If you have any questions concerning the new charges or require further information relating to other regulated charges or Heathrow's Other Regulated Charges Group, please contact HAL's Commercial Team on 0208 745 7072, halorc@heathrow.com or visit www.heathrowairport.com/orc.

Any reference to "Q6" (quinquennium 6) in this notice relates to the 9 month and 4 year period starting 1 April 2014 ending 31 December 2018.

¹ CAA adjusted Heathrow's Alternative Business Plan

2.0 BACKGROUND

The prices in this GN cover the 12 months from 1 January 2015 and is the second price notification within Q6. The forecast costs are consistent with a) the annuities and allocated costs in the CAA's Decision² and b) reflect the regulated year end as December.

Following the work commenced in August 2012, HAL and the ORCG have continued to review costs via the Governance Groups and the input of these groups formed the basis of the pricing consultation, concluded at ORCG on 19 February 2014. Key elements are as follows:

- Annuities and allocated costs are being recovered at the levels set out in the CAA's Decision, subject to inflation (RPI);
- The regulatory year end alignment means that all prior year over or under recoveries (forecasted) are accounted for in the prices effective 1 January 2015; this means that prices have been adjusted to account for any prior year over or under recoveries in the 9 months from 1 April 2014;
- Across all of the ORC prices in this GN, a prior year over recovery of net £3.1m is being returned and therefore, the net impact, is to reduce the prices that are effective 1 January 2015;
- New pricing categories for Q6 continue – they are a contribution to AOC costs and Common IT Infrastructure (Passive LAN);
- Other Common IT infrastructure charges (Wireless LAN and Active LAN) will be notified in a separate notice;
- Fixed Electrical Ground Power (FEGP) and PCA are now being invoiced based on metered consumption (effective 1 June 2014);
- Hold Baggage Screening (HBS) maintenance is no longer recovered through aeronautical charges and is instead built into the “price per bag” within this GN.

The annuities and allocated costs are consistent with those agreed during the Q6 consultation and with the CAA's Decision.

² “Economic regulation at Heathrow from April 2014: Notice granting the licence, 13th February 2014”

3.0 PRICING

All prices exclude VAT.

The prices set out in this Notice will be effective 1 January 2015 and are intended to continue until updated by a further General Notice – it is anticipated that the ORCG will review the 2015 cost base early in 2015 with a view to updating the prices within this GN if necessary. HAL reserves the right to amend prices during the year, where a material change occurs which significantly impacts the assumptions upon which these prices were initially based. Prior to implementing any changes, HAL will consult with the ORCG.

The prices take into account any under or over recoveries shown in the Trading Statements for 2013/14, not previously included in the pricing for 2014 and also any forecasted over or under recovery relating to the current pricing period 2014 (covering the 9 months from 1 April 2014 to 31 December 2014).

HAL has worked with the ORCG to understand and manage the cost base within these ORC categories. The drivers of cost base increases and decreases have been described below.

Airside licences

Airside licence costs consist of allocated costs, annuities and the operating and maintenance costs of the ramp operations' team.

These costs have been consulted upon with the Airport Users' Committee (AUC).

The licence price within this GN has been reduced to reflect a reduction in staff costs. The price has also been reduced to take into account the forecast over recovery of £98k in 2014. The price for the 12 months in 2015 therefore remains the same as the price that applied to the last 9 months of 2014 (an implicit reduction of 25%).

The price will be £2,250 per licence per annum.

Baggage

Baggage costs consist of allocated and direct costs. Direct costs include: operations and maintenance of the infrastructure, business rates and utilities. For the avoidance of doubt, the price per departing bag recovers the cost of managing the departing, arriving and transferring of bags.

The baggage price within this GN reflects higher costs due to the addition of a new major facility, T3 Integrated Baggage, coming into operation in 2015. As capital projects move towards delivery, any changes in delivery dates will be reflected in an updated cost profile that will be reviewed by Baggage governance. Any differences to the costs used in these prices will be factored in to the following pricing period.

The operating costs have been significantly reduced due to a major retendering exercise, offsetting some of the increase in costs mentioned above.

The unit rate is based on 36.7m bags in the 1 January to 31 December 2015 pricing period which represents growth over the same period in the previous year.

The bag price has been reduced to take into account the forecast over recovery of £1.5m in 2014.

Baggage prices will continue to be charged on a “per departing bag” basis. This charge will be invoiced monthly in arrears against each airline’s actual number of direct and transferring departing bags as shown in Merlinlite.

The price will be £3.53 per bag.

Check-in desks and Common Use Self Service (CUSS)

Check-In and CUSS costs consist of allocated costs, annuities and direct costs. Direct costs include: site fees, maintenance, operating costs and business rates.

The check-in price in this GN reflects the full year cost of Terminal 2 and a forecast over recovery from 2014 of £0.1m. The net impact is that the guideline price for 2015 remains unchanged at £3.23 per hour.

There will be no change to the combined Check-In and CUSS charge model. Check-In desk charges will continue to be based upon actual use of desk time and therefore could vary from the above price. These charges are assessed and invoiced monthly in arrears. CUSS is included within the Check-In desk charges.

Airline-owned self-service kiosks will remain outside of the scope of the above price.

Electricity

Electricity costs consist of annuities, allocated and direct costs. Direct costs include: purchase costs for the provision of high and low voltage electricity at the airport. Forecast consumption is then used to calculate average unit prices for electricity.

An over recovery of £387k forecast in the period 1 April – December 14 is being returned to the community in the 1 January to 31 December 2015 pricing period.

The annuities and allocated costs have been taken through the Q6 consultation and are consistent with the CAA's Decision.

The Carbon Reduction Commitment Energy Efficiency Scheme (CRC) element of the electricity supply price is now shown separately. It is not a new charge. Previously it was included in the supply price.

All electricity users should now pay the CRC price in addition to the supply price, unless the user is in possession of a valid Climate Change Agreement (CCA) which covers the tenanted space. If the user holds a valid CCA, then the CRC price does not apply. To receive this relief / exemption, the user must provide the CCA certificate to Heathrow ORC team (halorc@heathrow.com) within 1 month of the CCA coming into effect.

Only High Voltage users pay the Capacity Charge.

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

Fixed Electrical Ground Power (FEGP)

FEGP costs consist of annuities, allocated and direct costs. Direct costs include: staff, maintenance, parts and electricity costs. Electricity costs are calculated using the airport rate set out in the attached schedule.

A forecast over recovery of £0.3m is being returned within the 1 January to December 2015 price.

Consumption will continue to be billed on a per kilowatt hour (kwh) basis. Automatic Meter Reading (AMR) meters have been installed on the FEGP equipment enabling electricity consumption to be measured at five minute intervals. Meter data is cross referenced with aircraft on stand data to create an invoice showing the number of kwh consumed. There is no maximum cap per day, the actual kwh used are invoiced.

The 2015 price for one kilowatt hour is £0.49.

Improved quality of data resulting from this project will be shared appropriately in order to jointly work with airlines to reduce costs.

Gas

Gas costs consist of annuities, allocated and direct costs. Direct costs include: purchase costs, staff costs and maintenance costs. Forecast consumption is then used to calculate an average unit price for gas.

The gas price will reduce to £0.01 per kwh.

Passengers with reduced mobility (PRMs)

The cost of the PRM service consists of the direct operating cost, which is primarily the contracted service provider, and allocated costs.

The PRM category charges within this GN reflect the full year impact of Terminal 2 which represents an operational presence in an additional terminal.

The basis of the charges introduced in the last GN 02/12 issued in December 2012 will remain for 2015. The pre-notification threshold will remain at 30 hours and it should be noted that a valid pre-notification must include the following:

- Passenger name (first initial and full last name)
- Flight details into or out of LHR (including date)
- Full Special Service Request (SSR) code
- Type of assistance and/or equipment required

The pre-notification performance is important in that it facilitates the most efficient use of resources and therefore cost.

The charges for PRMs have been revised as follows:

Category 1 – at 65%+ pre-notification at 30 hours shall be £0.52 per departing passenger

Category 2 – between 50% and 64.99% pre-notification at 30 hours shall be £1.17 per departing passenger (consisting of £0.52 base price + £0.65 supplement)

Category 3 – less than 50% pre-notification at 30 hours shall be £2.40 per departing passenger (consisting of £0.52 base price + £1.88 supplement)

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

Pre conditioned air (PCA)

PCA costs consist of annuities, allocated and direct costs. Direct costs include: staff, maintenance, parts and electricity costs. Electricity costs are calculated using the rate set out in the attached pricing schedule.

PCA charges are invoiced based on kilowatt hours (kwh) used. Automatic Meter Reading (AMR) meters have been installed on the PCA equipment enabling electricity consumption to be measured at five minute intervals. Meter data will be cross referenced with aircraft on stand data to create an invoice showing the number of kwh consumed.

Improved quality of data resulting from this project will be shared appropriately in order to jointly work with airlines to reduce costs.

A forecast over recovery of £0.1m is being returned within the 1 January to December 2015 price.

The price effective 1 January 2015 for one kilowatt hour is £1.81.

Staff car parking

Staff car parking costs consist of annuities, allocated costs and direct costs, which include bussing, car park management and business rates. A £14 levy is also included in the perimeter pass price to help fund public transport initiatives.

From the 1 January 2015 the perimeter pass price will be £635.41 per annum.

It has been identified that a number of companies on airport are paying for passes that are no longer in use. In order to ensure maximum efficiency we would ask all airport users to remind their pass controllers to verify the number of passes on issue via <https://parking.airbuild.co.uk>. If utilisation reports are required for passes please contact employeeeparking@heathrow.com. The accuracy of passes on issue will support improvements in operational planning and performance across the airport and may result in cost savings for individual companies.

For further information on car parking products please contact travel_services@heathrow.com

Staff identity cards and vehicle apron passes

The cost of the staff identity card and vehicle apron pass service consists of annuities, allocated and direct costs which include control and administrative costs.

From the 1 January 2015 the charge for a full staff identity card will be £14.19, this is an increase of 50% over the 2014 price. As explained in the 2014 General Notice (GN 01/14) the cost of an ID pass reduced from £62.26 to its current price of £9.43 due to a reduction in allocated costs. The delay in changing prices until June 2014 resulted in the 2014 price being significantly deflated. The 2015 percentage increase applies to all pass types with the exception of missed appointments, non-compliant applications and un-surrendered passes.

The charges for vehicle apron passes remain unchanged for 2015.

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

Waste services

Waste services costs consist of annuities, allocated and direct costs. Direct costs include: waste contract and staff costs.

Tiered prices are calculated to reflect the greater use of the service by some operators and are set out in the attached schedule.

There are two types of waste charge:

- Refuse Area Charge
- Refuse Bin Room Charge

The Refuse Area base charge will increase by 7% to £72.30 per assessed unit per quarter. Refuse Area prices will continue to be charged on a “per assessed unit basis” where one unit equals 250 sq ft.

The Refuse Bin Room base charge (only applicable in Terminal 2 and Terminal 5) will reduce by 20% to £399 per outlet per quarter. Refuse Bin Room prices will continue to be charged on a “per outlet basis”.

Water

Water costs consist of annuities, allocated and direct costs. Direct costs include: purchase costs, staff costs and maintenance costs. Forecast consumption is then used to calculate average unit prices for water.

An over recovery of £0.47m forecast in the period 1 June – 31 December 14 will be carried forward and returned in the 1 January to 31 December 2015 pricing.

The Water and Sewerage charge effective 1 January 2015 is £11.42 per cubic metre.

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

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

Airline Operators Committee (AOC)

AOC costs consist of allocated and direct costs. Direct costs are made up of facilities and resource costs. The cost and resulting charge is not intended to fund all of the AOC operating costs.

The price will be £0.0131 per departing passenger.

Common IT Infrastructure

Common IT infrastructure consists of three separate categories and therefore prices, they are; “common use” of the passive local area network (LAN), the Active LAN and the Wireless LAN. The price stated within this GN is for the Passive LAN component only and will be an ORC for the duration of Q6.

The two further IT prices, for the “common use” of both the Active LAN and Wireless LAN, whilst not part of the ORC income forecast in the CAA’s Decision and therefore not officially an ORC, will be priced using ORC principles. The income for these two prices remains within Heathrow’s commercial revenues and therefore will be communicated in a separate notice to this GN.

Users of Common Passive LAN can be defined as any organisation using either Common Use or dedicated Common Use equipment (whether or not provided by means of a service provider), where the service is delivered over the HAL Managed LAN Service.

“Common Use” Passive LAN costs consist of annuities, allocated and direct costs. Direct costs include staff costs. Forecast number of ports are then used to calculate an average unit price.

The Common Passive price per port per annum is £147.44.

4.0 FURTHER INFORMATION

If you have any questions concerning the new charges or require further information relating to other regulated charges or Heathrow's Other Regulated Charges Group, please contact HAL's Commercial Team on 0208 745 7072, halorc@heathrow.com or visit www.heathrowairport.com/orc.



Brian Woodhead
Commercial Director
For and on behalf of Heathrow Airport Limited

Distribution: Full
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HEATHROW AIRPORT LIMITED

Pricing Schedule

Product/ service	Effective until 31-12-2014		Effective 01-01-2015
	units charged	unit price	unit price
Airside Licences	per licence	£2,250.00	£2,250.00
Baggage	per bag	£3.22	£3.53
Check-in desks & CUSS †	per hour	£3.23	£3.23
Electricity			
Carbon Reduction Commitment (CRC)	per kwh	N/A	£0.009
Electricity Low Voltage - supply	per kwh	£0.092	£0.094
Electricity Low Voltage – infrastructure	per kwh	£0.155	£0.136
Electricity High Voltage - supply	per kwh	£0.092	£0.094
Electricity High Voltage – infrastructure	per kwh	£0.076	£0.077
Electricity (Capacity)	per kva/ month	£3.94	£3.59
FEGP	per kwh	£0.52	£0.49
Gas	per kwh	£0.05	£0.01
Passengers with reduced mobility (PRMs)			
Category 1 (Above 65% at 30 hours)	per departing passenger	£0.55	£0.52
Category 2 (50% to 64.99% at 30 hours)	per departing passenger	£1.24	£1.17
Category 3 (less than 50% at 30 hours)	per departing passenger	£2.55	£2.40
Pre-conditioned air	per kwh	£2.09	£1.81
Staff car parking			
Perimeter passes ▲	per pass	£627.42	£635.41
Lost passes	per disc or per card	£30.00	£30.00
Staff identity cards			
32k machine readable ID pass – issue	per pass	£9.43	£14.19
32k machine readable ID pass - re-issue	per pass	£8.13	£12.23
32k machine readable ID pass –	per pass	£3.24	£4.88

amendment			
Penalty charge for lost or stolen pass - 32k	per pass	£3.24	£4.88
64k machine readable ID pass - issue	per pass	£12.28	£18.48
64k machine readable ID pass - re-issue	per pass	£11.16	£16.79
64k machine readable ID pass amendment	per pass	£3.93	£5.91
Penalty charge for lost or stolen pass - 64k	per pass	£3.93	£5.91
Machine readable ID pass - landside	per pass	£1.62	£2.44
Temporary photographic ID pass (1 to 5 days)	per pass	£1.28	£1.93
Temporary photographic ID pass (1 to 30 days)	per pass	£2.56	£3.85
Application "no show"	per "no show"	£62.26	£62.26
All unsurrendered passes (60 days+ from expiry)	per pass	£50.00	£50.00
All Unsurrendered passes (120 days+ from expiry)	per pass	£150.00	£150.00
Vehicle apron passes			
Liveried vehicle airside pass – annual	per pass	£32.26	£32.26
Liveried vehicle airside pass – temporary	per pass	£7.93	£7.93
Private vehicle airside pass – annual	per pass	£1,654.50	£1,654.50
Private vehicle airside pass – temporary	per pass	£31.63	£31.63
All unsurrendered passes (60 days+ from expiry)	per pass	£50.00	£50.00
All Unsurrendered passes (120 days+ from expiry)	per pass	£150.00	£150.00
Waste Services			
Refuse Area Charge			
Low Waste Use (eg Services)	per assessed unit per quarter	£67.38	£72.30
Medium Waste Use (eg Shops)	per assessed unit per quarter	£77.48	£83.15
High Waste Use (eg Food and Beverage outlets)	per assessed unit per quarter	£87.59	£93.99
Refuse Bin Room Charge Δ			
Low Waste Use (eg Services)	per outlet per quarter	£496	£399

Medium Waste Use (eg Shops)	per outlet per quarter	£1,619	£1,302
High Waste Use (eg Food and Beverage outlets)	per outlet per quarter	£2,996	£2,409
Water			
Water & sewerage	per cubic metre	£13.10	£11.42
Water supply only	per cubic metre	£10.13	£8.83
Waste water only	per cubic metre	£3.92	£3.42
Low Temperature Hot Water	per cubic metre	£11.67	£10.17
Chilled Water	per cubic metre	£11.67	£10.17
Domestic Hot Water	per cubic metre	£15.49	£13.50
Airline Operators Committee	per departing passenger	£0.0173	£0.0131
IT Common Passive □	per port	£165.43	£147.44

Notes:

- ◆ The price shown “Effective until 31-12 - 2014” covers the period up to and including 31 December 2014, which became effective 1 June 2014. The price shown “Effective 01-01-2015” is based on recovering 12 months of forecasted costs.
- † The actual invoice will be based on actual time logged onto a check in desk and will vary slightly from the “guideline” price shown here. Rates in T1, T2, T3 and T4 differ from T5.
- ▲ Price shown represents an annualised price, 1/12th of which will be used when calculating a monthly charge when invoicing.
- △ The refuse bin room charge is only applicable in Terminal 2 and Terminal 5.
- Price shown is for Passive LAN only. Other “Common IT Infrastructure” prices are not ORC’s but will be priced using ORC principles and will therefore be subject to a separate notification.

END.